

Real Estate Development Company

Received in
SCOPS
AUG 14 2008

AL3100606

August 12, 2008

Mr. Maurice R. Berez
Chief Adjudications Officer
Foreign Trader, Investor & Regional Center Program
Business and Trade Services
USCIS Service Center Operations
111 Massachusetts Avenue, NW, 3rd Floor
Washington, DC 20529

Re: 618 Second Avenue Limited Partnership

Dear Mr. Berez:

Pursuant to your request, enclosed please find the following:

1. 618 Limited Partnership Agreement
2. 618 LP Subscription agreement
3. First Amendment to the 618 Second Avenue South Limited Partnership Agreement (LPA) eliminating refund of an investor's capital in the event of I-829 denial.
4. Affidavit of mailing the letter to the limited partners attached as Exhibit A
5. Supplementary Report dated August 2008 from Dr. Paul Sommers illustrating direct and indirect employment during the two years ending in the summer of 2010.
6. Current Schedule A to the LPA reflecting the names of each investor and differentiating domestic from Eb5 investors.
7. Sage Group staffing
8. Courtyard Marriott staffing
9. Construction photographs

Partnership Amendment:

The Subscription Agreement contains the language guaranteeing return of capital in the event of I-829 denial. The Subscription Agreement is an Exhibit B to the LPA and therefore part of the LPA. The Subscription Agreement is a defined term at LPA Article 2.21. LPA Article XIV Special and Limited Power of Attorney permits the Managing General Partner, in this case

American Life Inc., to unilaterally amend the LPA and "any other documents deemed by the Managing General Partner to be necessary for the business of the Limited Partnership." In particular Article XIV Section 14.01(c) permits the Managing General Partner to amend "Any other instrument or document that may be required to be filed by the Limited Partnership under the laws of any state or by a governmental agency which the Managing General Partner deems advisable to file". This broad language was drafted to deal with circumstances such as the instant case where it would be impractical to seek approximately 140 signatures from people spread across the world.

Current Subscription Agreement Language from Subscription Agreement clause D 3:

"3. Visa Denial. If the Undersigned's I-526 or I-829 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. In the event any visa petition is denied, the Undersigned's rights are limited to the return of the Capital Contribution of [redacted] only. The syndication fee is not refundable."

(b)(4)

~~Amended Language:~~

3. Visa Denial. If the Undersigned's I-526 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. The Undersigned's rights are limited to the return of the Capital Contribution of [redacted] only. The syndication fee is not refundable.

(b)(4)

Attached please find a formal amendment to the Subscription Agreement as well as a notarized affidavit evidencing American Life Inc.'s obligation to inform the Limited Partners of this amendment.

(b)(5)

Employment within the two year period ending summer of 2010:

(b)(4)

the Sage Group a typical restaurant operator

1,333

provided a staffing chart showing 57 restaurant and food and beverage employees. These employees will exist when the hotel opens in 2009.

Marriott Staffing Chart - 119 employees

Sage Group Restaurant – 57 employees

Total of 176 direct employees

Total employment in middle of 2010:



(b)(4)

Number of Visa Applicants:

Please find Schedule A to the LPA attached. Currently, there are 164 investors of which 139 are immigrant investors accounting for [redacted] of total capital and of which 25 are financial investors accounting for [redacted] in total capital. The General Partner and the Special Limited Partner, KACD LLC, will fund any unsold partnership interests.

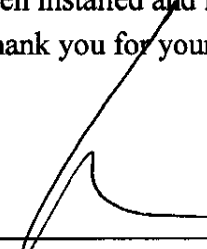
(b)(4)

Construction Progress:

As of August 1, 2008 the Partnership has spent approximately [redacted] on the hotel renovation project. The existing structure has been gutted, the foundation for the new tower has been poured, seismic shoring has been installed to support the new tower, and the high rise crane has been installed and is operating. See pictures attached.

(b)(4)

Thank you for your consideration of this matter.


Henry Liebman
President of American Life Inc.
Managing General Partner

**PARTNERSHIP AGREEMENT
OF
618 SECOND AVENUE LIMITED PARTNERHIP
A WASHINGTON LIMITED PARTNERSHIP**

This Agreement is made by and among **American Life Inc.**, a Washington Corporation (the "General Partner") and each of the persons set forth in Schedule A attached hereto and designated as Limited Partners (the "Limited Partners"). The Limited Partners and the General Partners are collectively referred to as the "Partners."

AGREEMENT

**ARTICLE I
FORMATION OF LIMITED PARTNERSHIP**

Section 1.01. Formation. The undersigned hereby form 618 Second Avenue Limited Partnership, a Washington limited partnership, under the revised Uniform Limited Partnership Act of the State of Washington, as amended from time to time (the "Act"), to acquire, manage, develop and operate the buildings commonly known as 618 2nd Avenue, Seattle, Washington 98134.

Section 1.02. Name. The name of the Limited Partnership is "618 Second Avenue Limited Partnership, a Washington limited partnership." The Managing General Partner may from time to time change the name of the Limited Partnership to adopt such trade or fictitious names as it may determine to be appropriate.

Section 1.03. Principal Office of the Limited Partnership. The principal office of the Limited Partnership shall be at 3223 3rd Avenue South, Seattle, Washington, 98134. The Limited Partnership may maintain offices at such other location as may be determined appropriate by the Managing General Partner.

Section 1.04. Name and Place of Residence of Each Partner. The name, address, Capital Contribution, and number of Units of each of the Partners are designated on the attached Schedule A. The name and address of the Managing General Partner is American Life Inc., located at 3223 3rd Avenue South, Seattle, Washington, 98134.

Section 1.05. Term. The term of the Limited Partnership shall commence upon filing of the Certificate in the office of the Washington Secretary of State and shall continue until the Limited Partnership is dissolved, wound up and terminated in accordance with the provisions of this Agreement and the Act.

Section 1.06. Designated Agents for Service of Process. The Limited Partnership elects and appoints Robert Mambu of Liebman-Mimbu, PLLC, 3223 3rd Avenue South, Seattle, Washington 98134, as the designated agent for service of process.

ARTICLE II DEFINITIONS

The following terms used in the Agreement shall have the meaning specified below:

Section 2.01. "Act" means the Uniform Limited Partnership Act of the State of Washington, as amended from time to time.

Section 2.02. "Additional General Partner" means a person or entity that serves as a General Partner in addition to American Life Inc.

Section 2.03. "Affiliate" means any person who directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control of the General Partners or Limited Partners.

Section 2.04. "Agreement" means this Agreement, as it may be amended from time to time.

Section 2.05. "Assignee" means a person who has acquired all or any portion of a Limited Partner's Interest in the Limited Partnership and has not been admitted as a Limited Partner.

Section 2.06. "Available Cash Flow" means funds provided from operation of the Limited Partnership, without deductions for payments made to service Secured Debt and for depreciation, but after deducting funds used to pay all expenses and debts of the Limited Partnership, including administrative operational expenses, debt payments, capital improvements, and less the amount set aside by the Managing General Partner, in the exercise of its sole discretion, for reserves.

Section 2.07. "Capital Account" means that as defined in Section 4.04 herein.

Section 2.08. "Capital Contribution" means the total amount of money or property contributed to the Limited Partnership by each Partner.

Section 2.09. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Section 2.10. "Capital Event" The refinance, sale, exchange or other disposition of the Project or any portion thereof, including an involuntary conversion or condemnation of real property or any portion thereof.

Section 2.11. "Deficit Capital Account" means the situation whereby the Limited Partnership has distributed to a Partner distributions in excess of such Partners capital contributions plus allocable share of income less allocable share of loss and any other charges allowable under this Agreement, resulting in such Partner's capital account falling below zero.

Section 2.12. "Net Proceeds from a Capital Event" The net proceeds derived by the Limited Partnership from a capital event after payment or allowance for the expenses incurred in connection with such Capital Event and after payment or allowance for existing indebtedness (but not including any outstanding Secured Debt), the discharge of any other expenses or liabilities of the Limited Partnership and the establishment of appropriate reserves, all as determined by the Managing General Partner, in its sole discretion.

Section 2.13. "General Partner" means American Life, Inc. and/or any other person admitted as a General Partner pursuant to the Agreement and their successors.

Section 2.14. "Interest" or "Limited Partnership Interest" or "Partnership Interest" means the ownership interest of a Partner in the Limited Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in the Agreement and in the Act, together with the obligations of such Partner to comply with all the terms and provisions of the Agreement and the Act. The Limited Partnership Interests held by each Partner is set forth on the attached Schedule A.

Section 2.15. "Limited Partner" means each Limited Partner listed on Schedule A and any person admitted to the Limited Partnership as a Limited Partner.

Section 2.16. "Managing General Partner" means American Life Inc., or any other General Partner elected to serve as the Managing General Partner.

Section 2.17 "Partners" means collectively the General Partners and the Limited Partners, and a reference to a Partner shall be to any one of the Partners.

Section 2.18 "Limited Partnership" means the 618 Second Avenue Limited Partnership, a Washington limited partnership.

Section 2.19. "Person" means any natural person, partnership, corporation, association or other legal entity.

Section 2.20. "Positive Capital Account" means that the balance of a Partner's Capital Account is greater than zero.

Section 2.21. "Profit or Loss" means the income or loss of the Limited Partnership as determined by the method of accounting chosen by the Managing General Partner and permitted by the Code.

Section 2.22. "Project" or the "Limited Partnership Property means the real property, remodel and improvements located at 618 2nd Avenue Seattle, Washington 98134.

Section 2.23. "Subscription Agreement" means the agreement signed by each Limited Partner in connection with their Capital Contribution to the Limited Partnership.

Section 2.24. "Units" or Limited Partnership Interests means each Partner's percentage of ownership in the Partnership as set forth adjacent to their name in **Schedule A**.

ARTICLE III PURPOSE, BUSINESS AND POWERS OF THE LIMITED PARTNERSHIP

Section 3.01. Purpose and Business of the Limited Partnership. The business of the Limited Partnership shall be to acquire, develop, manage and operate Limited Partnership Property and to do all other acts which may be necessary, incidental or convenient to the foregoing.

Section 3.02. Powers. The Limited Partnership is hereby authorized:

- (1) To acquire, manage and operate Limited Partnership Property and to hold it for economic gain;
- (2) To mortgage, sell, lease, transfer and exchange or otherwise convey or encumber all or part of the Limited Partnership Property in furtherance of any and all of the objectives of Limited Partnership business; and
- (3) To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to, the operation of Limited Partnership Property.

ARTICLE IV CAPITAL CONTRIBUTIONS

Section 4.01. Capital Contributions.

(1) Each of the Partners' Capital Contributions is set forth on Schedule A. The Limited Partners shall have no obligation to make additional Capital Contributions. The General Partners may make an additional Capital Contribution to the Partnership. A portion of this General Partner's Capital Contribution may arise from loan proceeds borrowed to fund construction costs in excess of Partnership capital using the Project as security for the loan. To the extent the loan proceeds cause Partnership capital to increase, each Partners' percentage interest in the Partnership shall be recalculated as a percentage of the sum of the loan proceeds plus existing General and Limited Partner capital contributions. The Managing General Partner has approved this security interest over the Project and the Limited Partners hereby

acknowledge, consent and approve of same. The General Partners shall be responsible for repaying the described borrowing according to its terms from the General Partners' allocation of Available Cash Flow and Net Proceeds from a Capital Event, from sums distributed to the General Partners upon dissolution of the Limited Partnership, and/or from each General Partners' own funds. The Limited Partners shall have no liability for retiring this borrowing. The General Partners shall have no obligation to the Limited Partnership or the Partners to make additional Capital Contributions, except for the General Partners' obligation, if any, to repay the "Secured Debt".

Section 4.02. Return and Withdrawal of Capital. No Partner shall have the right to demand Limited Partnership Property. Further, no Partner shall have any right to withdraw or make a demand for the withdrawal of any of such Partner's Capital Contribution (or the capital interest reflected in such Partner's Capital Account) until the full and complete winding up and liquidation of the Limited Partnership.

Section 4.03. The Project's valuation is referenced in each Partner's subscription agreement. The project valuation will be adjusted to reflect actual sales, leasing, construction and development costs. Partnership percentage interests shall be revised upward or downwards as a percentage of the actual funds expended to complete the project.

Section 4.04. Partner Capital Accounts. An individual Capital Account shall be maintained for each Partner in accordance with the requirements of the Code. Except as required by the Code, the Capital Account of each Partner shall consist of his Capital Contribution, as increased by any contribution of capital subsequent to his original contribution, and by such Partner's share of Limited Partnership income and gain allocated after the date hereof to such Partner, and as decreased by the amount of all cash and the fair market value of all property and assets distributed to such Partner, the amount of all losses allocated after the date hereof to such Partner, and any amounts charged under Section 4.05, and/or Section 10.08 to such Partner.

Section 4.05. Interest on Capital Contributions. No interest shall be paid to a Partner on Capital Contributions. Interest will be charged by the Limited Partnership to a Partner on the sum of any amounts charged to such Partner's Capital Account from obligations to the Limited Partnership or a General Partner arising under Section 10.08 concerning federal income tax withholding. The interest charged will be computed on a calendar year compounded basis at a rate equal to two percent above the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be collected by reduction of any distributions payable to the Partner immediately following the calculation of the year's interest by the General Partner. To the extent that there are no distributions against which the interest can be applied, then the interest will be charged to the Partner's Capital Account. This Section 4.05 will survive the termination of a Partner's status as a Partner.

4.06. Service of Secured Debt. Payments to service the Secured Debt shall be made by the General Partner out of its share of Available Cash Flow, Net Proceeds from a Capital Event, and sums distributed upon dissolution of the Limited Partnership. If such

amounts are insufficient to meet the terms of the Secured Debt, then the Managing General Partner's share of any such amounts (and the shares of any additional General Partners admitted to the Limited Partnership) shall be used. For the security of the Limited Partners, the Limited Partnership will service the Secured Debt directly out of the General Partners' shares of these items including the General Partners' Share of Distributions to Limited Partners as defined in Section 6.02(1)(b)(ii). If amounts required for service of the Secured Debt are in excess of the General Partners' shares of these items, then any one or all of the General Partner will timely pay such amounts from their own funds. This obligation will be the joint and several obligation of all General Partners. In the event the General Partners fail to repay the Secured Debt according to its terms, any or all of the Limited Partners may, at their option, pay the unpaid amount and receive interest at the rate described in paragraph 7.01(2) or convert the unpaid amount to equity based on a Limited Partnership valuation equal to total Partnership capital contributions including the loan proceeds. In the event of any conversion by one or more Limited Partners, the full increase in Limited Partnership Interest of the Limited Partners who convert will dilute solely the Limited Partnership Interest of the General Partners. The dilution will not affect the Interest of any Limited Partner.

ARTICLE V COMPENSATION FOR SERVICES

Section 5.01. General Partners' Fees. The Managing General Partners shall be entitled to collect a monthly management fee, which is billed to the tenants, equal to 4% of gross rental income. Additionally, the General Partner may charge the Partnership for commercially reasonable costs of operations such as accounting, administration and un-reimbursed property management fees.

ARTICLE VI ALLOCATIONS AND DISTRIBUTIONS

Section 6.01. Allocation of Income, gain, deductions and loss.

Except for any special allocations required or permitted by the United States Tax Code to ensure that all allocations hereunder have substantial economic effect, all items of income, gain, deductions and loss shall be allocated to the Partners in the same manner as their proportionate share of Available Cash Flow and Net Proceeds from a Capital Event as set forth below in Section 6.02 and in their Subscription Agreements. Any non cash items of income or expense (such as depreciation or amortization) will be allocated in accordance with each Partner's Interest in the Partnership.

Section 6.02. Distributions.

- (1) Distributions of Available Cash Flow

(a) **General Partner Distribution and Limited Partner Distribution.** Available Cash Flow shall first be distributed to the General Partners and the Limited Partners, pro rata in accordance with each class of Partners' Limited Partnership Interest in the Limited Partnership as set forth on Schedule A. For example, if the General Partners hold One Percent (1%) of the Limited Partnership Interests and the Limited Partners hold Ninety Nine Percent (99%) of the Limited Partnership Interests, then One Percent (1%) of the Available Cash Flow shall be distributed to the General Partners ("General Partner Distribution") and the remaining Ninety Nine Percent (99%) shall be distributed to the Limited Partners ("Limited Partner Distribution").

(b) **General Partner Distributions.**

(i) **Distribution of General Partner Distribution.** The General Partner Distribution shall be distributed monthly to the General Partners pro rata in accordance with each General Partner's Limited Partnership Interest.

(ii) **Distribution of General Partner's Share of Distributions to Limited Partners.** Any amounts distributable to the General Partners pursuant to **Section 6.02(1)(c)** herein shall be distributed monthly to the General Partners pro rata in accordance with the agreement for such division among the General Partners.

(c) **Limited Partner Distributions.** The Limited Partnership will distribute to each Limited Partner an amount equal to the Limited Partner Distribution multiplied by each Limited Partner's Limited Partnership Interest set forth on the attached Schedule A, then by multiplying the amount so obtained by each Limited Partner's applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. Distributions shall be made monthly and may only be made out of the accumulated balance of the operating profits of the Limited Partnership. In the event that the Limited Partner Distribution exceeds the aggregate of the distributions to all Limited Partners as calculated in this paragraph, then such excess shall be distributed to the General Partners.

(2) **Distribution of Net Proceeds from a Capital Event or from Dissolution**

The Net Proceeds from a Capital Event and/or a distribution from the dissolution of the Limited Partnership shall be distributed first to all Partners in accordance with each Partner's Limited Partnership Interest in the Partnership up to the amount of each Partner's original Capital Contribution as listed on Schedule A and then, the excess amount, if any ("Excess Amount"), shall be shared amongst the Partners. Each Limited Partner's share will be determined by multiplying the Excess Amount by the product of that Limited Partner's Interest multiplied by the applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. The share of the General Partners will be the amount of the Excess Amount remaining after the shares for all Limited Partners have been calculated. The amount determined in the immediately preceding sentence will be distributed to each General Partner in accordance with the agreement for such division among the General Partners.

Section 6.03. Deficit Capital Accounts at Liquidation. The Limited Partners shall have no liability to the Limited Partnership, to the General Partners, or to the creditors of the Limited Partnership on account of any deficit balance in their Capital Accounts upon liquidation of the Limited Partnership, provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligations described in Section 4.05 and/or Section 10.08 is required to pay to the Limited Partnership the amount of any negative balance in his Capital Account, but such payment shall not exceed the sum of the obligations under Section 4.05 and Section 10.08. This Section 6.03 will survive the termination of a Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

ARTICLE VII EXPENSES

Section 7.01. Limited Partnership Expenses. The Limited Partnership shall pay all costs and expenses of the Project which may include, but are not limited to:

(1) All costs of personnel employed by the Limited Partnership or performing services for the Limited Partnership;

(2) All costs of borrowed money including repayment of advances to the Partnership made by a Partner which shall be paid monthly, interest only, and repaid in one lump sum five years after the date of initial advance, at an interest rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate" plus 2%, taxes and assessments on Limited Partnership Property (except payments in connection with the Secured Debt used to finance the General Partners' Capital Contribution and secured by the Project) and other taxes applicable to the Limited Partnership;

(3) Legal, audit, accounting, brokerage and other fees;

(4) Printing and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents evidencing ownership of an Interest in the Limited Partnership or in connection with the business of the Limited Partnership;

(5) Fees and expenses paid to contractors, mortgage bankers, brokers and services, leasing agents, consultants, on-site managers, real estate brokers, insurance brokers and other agents, including Affiliates of any General Partner;

(6) Expenses in connection with the acquisition, preparation, operation, improvement, development, disposition, replacement, alteration, repair, remodeling,

refurbishment, leasing, and financing and refinancing of Limited Partnership Property (except any such expenses in connection with the Secured Debt or any refinancing of the Secured Debt).

(7) The cost of insurance obtained in connection with the business of the Limited Partnership;

(8) Expenses of organizing, revising, amending, converting, modifying or terminating the Limited Partnership;

(9) Expenses in connection with distributions made by the Limited Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with, Limited Partners;

(10) Expenses in connection with preparing and mailing reports required to be furnished to Partners for required tax reporting, or other purposes which the Managing General Partner deems appropriate;

(11) Costs incurred in connection with any litigation, including any examination or audits by regulatory agencies; and

(12) Costs of preparation and dissemination of informational material and documentation relating to potential sale, refinancing or other disposition of Limited Partnership Property.

ARTICLE VIII POWERS, RIGHTS AND OBLIGATIONS OF GENERAL PARTNERS

Section 8.01. General Authority and Powers of the Managing General Partner. The Managing General Partner shall have the exclusive right and power to manage, operate and control the Limited Partnership and to do all things and make all decisions necessary or appropriate to carry on the business and affairs of the Limited Partnership. In addition to the specific rights and powers herein granted to the General Partners, the Managing General Partner shall possess and enjoy and may exercise all the rights and powers of a general partner as provided in the Act, including the full and exclusive power and authority to act for and to bind the Limited Partnership. The scope of the Managing General Partner's power and authority shall encompass all matters connected with or incident to the business of the Limited Partnership, including but not limited to the power and authority:

(1) To spend and or invest the capital and revenue of the Limited Partnership to maximize return to the Limited Partnership, including the acquisition of the Project;

(2) To manage, sell, develop, purchase, mortgage, improve, operate and dispose of Limited Partnership Property, including to act on behalf of the Limited Partnership

with respect to any Limited Partnership or joint venture in which the Limited Partnership participates;

(3) To employ persons, firms and/or corporations for the sale, operation, management, syndication and development of Limited Partnership Property, including but not limited to sales agents, broker-dealers, attorneys and accountants;

(4) To employ agents, attorneys, accountants, engineers and other consultants or contractors who may be Affiliates of a General Partner; however, any employment of such persons must be on terms not less favorable to the Limited Partnership than those offered by unaffiliated persons for comparable services in the same area;

(5) To acquire and or sell personal or real property owned by the Limited Partnership or in which the Limited Partnership has an interest, lease real property, borrow on a secured or unsecured basis in the name of the Limited Partnership, grant Partnership property as security for a loan to the Partnership, hire and fire employees, to sign any documents required on behalf of the Limited Partnership, without the signatures or consents of the Limited Partners, required to carry out the duties of the Managing General Partner, and all other acts necessary, appropriate, or helpful for the operation of the Limited Partnership business;

(6) To appoint representatives to manage the day-to-day operations of the Limited Partnership;

(7) To execute, acknowledge and deliver any and all instruments to effectuate any of the foregoing powers and any other powers granted to the Managing General Partner under the laws of the State of Washington or other provisions of this Agreement;

(8) To enter into and to execute agreements for employment or services, as well as any other agreements and all other instruments the Managing General Partner deems necessary or appropriate to own, sell, improve, operate and dispose of Limited Partnership Property or to effectively and properly perform its duties or exercise its powers hereunder;

(9) To enter into such agreements and contracts with parties and to give such receipts, releases and discharges, with respect to the business of the Limited Partnership, which the Managing General Partner, in its sole discretion, deems advisable or appropriate;

(10) To purchase, at the expense of the Limited Partnership, such liability and other insurance as the Managing General Partner, in its sole discretion, deems advisable to protect the Limited Partnership's assets and business; however, the Managing General Partner shall not be liable to the Limited Partnership or the other Partners for failure to purchase any insurance, including earthquake insurance, unless such act or omission constitutes gross negligence or willful misconduct by a General Partner within the meaning of Section 8.04;

(11) To sue and be sued, complain, defend, settle, and/or compromise, with respect to any claim in favor of or against the Limited Partnership, in the name and on behalf of the Limited Partnership; and

(12) To grant Limited Partnership real or personal property as security for a loan to the Limited Partnership, and sign all documents required to grant such security interests in Limited Partnership Property, without the signatures or consents of the Limited Partners provided that such borrowing is in furtherance of a Project purpose.

Section 8.02. Right of Public to Rely on Authority of Managing General Partner. No person, firm or corporation dealing with the Limited Partnership or any Limited Partnership or joint venture for which the Limited Partnership is a general partner or otherwise authorized to act, shall be required to inquire into the authority of the Managing General Partner to take any action, make any decision, or sign and deliver any document, instrument or deed. The Managing General Partner does not require an authorizing resolution from the Partners in order to grant Limited Partnership Property as security for an obligation of the Limited Partnership.

Section 8.03. Time Devoted to Limited Partnership; Other Ventures. The General Partners and the Managing General Partner shall devote so much of their time to the business of the Limited Partnership as in their judgment the conduct of the Limited Partnership's business reasonably requires. The General Partners and the Managing General Partner may engage in business ventures and activities of any nature and description independently or with others, whether or not in competition with the business of the Limited Partnership, and neither the Limited Partnership nor any of the other Partners shall have any rights in and to such independent ventures and activities or the income or profits derived there from by reason of the acquisition of Interests in the Limited Partnership. For example most of the development work for the Project will be conducted by a General Partner and its Affiliates.

Section 8.04. Liability of General Partners to Limited Partners and Limited Partnership. In carrying out their duties and exercising the powers hereunder, the General Partners shall exercise reasonable skill, care and business judgment. A General Partner shall not be liable to the Limited Partnership or the Limited Partners for any act or omission performed or omitted by them in good faith pursuant to the authority granted to them by this Agreement unless such act or omission constitutes gross negligence or willful misconduct by that General Partner. In exercising their powers hereunder, the General Partners recognizes their fiduciary responsibility to the Limited Partnership as set forth in Section 8.06 hereof. The General Partners shall be entitled to rely on the advice of counsel and public accountants experienced in any matter at issue, and shall not be liable, responsible or accountable in damages or otherwise to the Limited Partnership, or any Limited Partner for any action taken or failure to act on behalf of the Limited Partnership in good faith and in reliance on any such advice.

Section 8.05. Indemnification. The Limited Partnership shall indemnify and hold harmless the General Partners and the Managing General Partner from any loss or damage, including attorneys' fees actually and reasonably incurred by them, by reason of any act

performed by them on behalf of the Project or in furtherance of the interests of the Project; provided, however, that such indemnification or agreement to hold harmless shall be recoverable only out of the assets of the Project and not from the Limited Partners. The foregoing indemnity shall extend only to acts or omissions performed or omitted by a General Partner in good faith and in the belief that the acts or omissions were in the Limited Partnership's interests, or not opposed to the best interests of the Limited Partnership and which are not a result of negligence or willful or wanton misconduct on the part of that General Partner.

Section 8.06. **Fiduciary Responsibility.** The General Partners shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Limited Partnership.

ARTICLE IX STATUS OF LIMITED PARTNERS

Section 9.01. **Participation in Management.** Except as specifically provided herein, no single Limited Partner shall control the Limited Partnership's business or management or have any right or authority to act for or on the behalf of, or otherwise bind, the Limited Partnership (except a Limited Partner who may also be a General Partner and then only in its capacity as General Partner within the scope of its authority hereunder). Notwithstanding the above the Limited Partners shall form an advisory committee to consult and advise the General Partner with respect to the partnership business as defined in RCW 25.10.190(2)(f)(i) through (f)(x) except (f)(ii) and (f)(iii).

Section 9.02. **Limitation of Liability.** No Limited Partner shall have any personal liability whatever, whether to the Limited Partnership, to any Partners or to the creditors of the Limited Partnership, for the debts or obligations of the Limited Partnership or any of its losses beyond his Capital Contribution set forth opposite his name in Schedule A attached hereto; provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligation described in the last paragraph of Section 6.03, Section 4.05, and/or Section 10.08 is required to reimburse the Limited Partnership for the amount of any negative balance in his Capital Account, but such reimbursement shall not exceed the sum of the Partner's obligations under Section 6.03, 4.05, and Section 10.08. This Section 9.02 will survive the termination of an Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

Section 9.03. **Death or Incapacity of Limited Partner.** The death, legal incapacity, dissolution, termination, merger, consolidation or bankruptcy of a Limited Partner shall not cause dissolution of the Limited Partnership, but the rights of such Limited Partner to share in the profits and losses of the Limited Partnership, to receive distributions from the Limited Partnership and to assign an Interest in the Limited Partnership shall, on the happening of such an event, devolve upon such Limited Partner's executor, administrator, guardian, conservator, or other legal representative or successor, as the case may be, subject to the terms and conditions of this Agreement, and the Limited Partnership shall continue as a Limited Partnership. However,

in any such event such legal representative or successor, or any assignee of such legal representative or successor shall be admitted to the Limited Partnership as a Limited Partner only in accordance with and pursuant to all of the terms and conditions of **Article XI** hereof.

Section 9.04. Recourse of Limited Partners. Each Limited Partner shall look solely to the Project for all distributions with respect to the Limited Partnership and his Capital Contribution thereto and share of profits and losses thereof and shall have no recourse therefore, upon dissolution or otherwise, against the General Partners or any other Limited Partner, except to the extent of any required General Partner contributions to the Limited Partnership required by **Section 4.06**

Section 9.05. No Right to Property. No Limited Partner shall have any right to demand or receive any distribution from the Limited Partnership in any form other than cash, upon dissolution or otherwise.

Section 9.06. Voting Rights of Limited Partners. Subject to the provisions of **Article VIII**, the Limited Partners owning Interests constituting in the aggregate at least two-thirds of the Interests of all Limited Partners unless stated otherwise may, without the concurrence of the General Partners and in accordance with **Section 12.02** hereof, remove the Managing General Partner for cause and admit a substitute Managing General Partner.

Section 9.07. Meetings of Limited Partners.

(1) Meetings of the Limited Partners to vote upon any matters on which the approval or consent of the Limited Partners is required or on which the Limited Partners are authorized to take action under this Agreement may be called at any time by the General Partners and shall be called by the General Partners within ten (10) days after receipt of a written request for such a meeting signed by one or more Limited Partners owning Interests constituting in the aggregate more than 30% of the Interests of all Limited Partners. Any such request shall state the purpose of the proposed meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. Meetings shall be held at the principal office of the Limited Partnership or at such place as may be designated by the General Partners or, if the meeting is called upon the written request of Limited Partners, as designated by such Limited Partners.

(2) Notification of any meeting to be held pursuant to this **Section 9.07** shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting, to each Limited Partner at his record address, or at such other address which he may have furnished in writing to the Managing General Partner. Such notice shall be in writing; shall state the place, date and hour of the meeting; and shall indicate that the notice is being issued at or by the direction of the Partner or Partners calling the meeting. The notice shall state the purpose or purposes of the meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. If a meeting is adjourned to another time and place, and if an announcement of the adjournment of time or

place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting. No notice of the time, place or purpose of any meeting of Limited Partners need be given to any Limited Partner who attends in person or is represented by proxy, except for a Limited Partner attending a meeting for the express purpose of objecting at the beginning of the meeting to the transaction or any business on the ground that the meeting is not lawfully called or convened, or to any Limited Partner entitled to such notice who, in a writing executed and filed with the records of the meeting, either before or after the time thereof, waives such notice.

(3) For the purpose of determining the Limited Partners entitled to notice of, or to vote at, any meeting or any adjournment thereof, or to vote by written consent without a meeting, the General Partners or the Limited Partners requesting such meeting or vote may fix, in advance, a date as the record date for any such determination of Limited Partners. Such date shall not be more than sixty (60) days nor less than ten (10) days before any such meeting or submission of a matter to the Limited Partners, the date on which notice of the meeting or submission of the matter to the Limited Partners for a vote by written consent is mailed shall be the record date for such determination of Limited Partners.

(4) Each Limited Partner may authorize any person or persons to act for him by proxy with respect to any matter in which a Limited Partner is entitled to participate, whether by waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Limited Partner. No proxy shall be valid after the expiration of twelve (12) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable by the Limited Partner executing it.

(5) Any matter for which the approval or consent of the Limited Partners is required or for which the Limited Partners are authorized to take action under this Agreement or under applicable law may be approved or action may be taken by the Limited Partners without a meeting and shall be as valid and effective as action taken by the Limited Partners at a meeting assembled, if written consents to such action by the Limited Partners are signed by the Limited Partners owning Interests constituting in the aggregate the Interests required to approve or otherwise authorize such action, and such written consents are delivered to the General Partners.

(6) Personal presence of the Limited Partners shall not be required at any meeting, provided an effective written consent to or rejection of the action proposed to be taken at such meeting is submitted to the Managing General Partner. Attendance by a Limited Partner and voting in person at any meeting shall revoke any written consents or rejections of such Limited Partner submitted with respect to action proposed to be taken at such meeting.

(7) Failure to vote either in person, by proxy or by written consent at a duly called meeting upon receipt of notice as provided for in this Article IX on matters for which approval of the Limited Partners are required by this Agreement shall be counted as an affirmative vote.

ARTICLE X
BOOKS AND RECORDS, ACCOUNTING, REPORTS AND
STATEMENTS AND TAX MATTERS

Section 10.01. Books and Records. The Managing General Partner shall, at the expense of the Limited Partnership, keep and maintain, or cause to be kept and maintained, the books and records of the Limited Partnership using the method of accounting chosen by the Managing General Partner. All books and records of the Limited Partnership shall be kept at the principal office of the Limited Partnership.

Section 10.02. Annual Accounting Period. All books and records of the Limited Partnership shall be kept on the basis of an annual accounting period ending December 31 of each year, except for the final accounting period which shall end on the date of termination of the Limited Partnership. All references herein to the "fiscal year of the Limited Partnership" are to the annual accounting period described in the preceding sentence, whether the same shall consist of twelve months or less.

Section 10.03. Managing General Partner's Reports to Limited Partners. The Managing General Partner shall send at Limited Partnership expense to each Limited Partner the following:

(1) After the end of each fiscal year of the Limited Partnership, such information as shall be necessary for the preparation by such Limited Partner of his federal income tax return which shall include a computation of the distributions of such Limited Partner and the allocation to such Limited Partner of profits or losses, as the case may be; and

(2) A reasonable time after the end of each fiscal year of the Limited Partnership, an annual report, which shall include an income statement for and balance sheet of the Limited Partnership as of the fiscal year end.

Section 10.04. Right to Examine Records. Limited Partners shall be entitled, upon written request directed to the Managing General Partner, to (a) review the records of the Limited Partnership at all reasonable times and at the location where such records are kept by the Limited Partnership and (b) obtain a list of the names and addresses of the Limited Partners.

Section 10.05. Tax Matters Partner. The tax matters partner of the Limited Partnership shall be the Managing General Partner.

Section 10.06. Tax Returns. The Managing General Partner shall, at Limited Partnership expense, cause the Limited Partnership to prepare and file a United States Limited Partnership Return of Income and all other tax returns required to be filed by the Limited Partnership for each fiscal year of the Limited Partnership.

Section 10.07. Tax Elections and Adjustments. The Managing General Partner is authorized to cause the Limited Partnership to make, forego or revoke such elections or adjustments for federal income tax purposes as they deem necessary or advisable in their sole discretion, provided such elections or adjustments are consistent with federal income tax rules and principles, including but not limited to, in the event of a transfer of all or part of the Limited Partnership Interest of any Partner, an election pursuant to Section 754 of the Code to adjust the basis of the assets of the Limited Partnership or any similar provision enacted in lieu thereof. The Partners will, upon request, supply any information necessary to properly give effect to any such election or adjustment.

Section 10.08. Federal Income Tax Withholding. In the event any of the Partners are subject to Federal Income Tax withholding, the Managing General Partner is authorized to withhold any sums required by the Internal Revenue Code even if such withholding conflicts with any of the terms and conditions of this Agreement or otherwise affects distributions, allocations or payments to the Partners. In the event that the Managing General Partner learns of a withholding obligation subsequent to the distribution to which the withholding obligation relates, the Managing General Partner will issue an invoice to the Partner. If the invoice is not paid within sixty (60) days, the General Partner will charge the amount against the Partner's Capital Account. This Section 10.08 will survive the termination of a Partner's status as a Partner.

ARTICLE XI
TRANSFERS OF LIMITED PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF LIMITED PARTNERS

Section 11.01. General Prohibition. No Limited Partner may voluntarily, or involuntarily, directly or indirectly, sell, transfer, assign, pledge or otherwise dispose of, or mortgage, pledge, hypothecate or otherwise encumber, or permit or suffer any encumbrance of, all or any part of his Interest in the Limited Partnership, except as provided in this Article XI. Any other purported sale, transfer, assignment, pledge or encumbrance shall be null and void and of no force or effect whatsoever.

Section 11.02. No withdrawal of Limited Partner. No Limited Partner shall have the right to withdraw from the Limited Partnership except as otherwise provided in this Agreement.

Section 11.03. Transfers by Limited Partners.

(1) Subject to any restrictions on transferability required by law or contained elsewhere in this Agreement, a Limited Partner may transfer his entire Interest in the Limited Partnership upon satisfaction of the following conditions:

(a) The transfer shall (A) be by bequest or by operation of the laws of intestate succession, or (B) be approved in writing by the Managing General Partner, which approval shall be withheld only if, in the reasonable judgment of the Managing General Partner,

the proposed transfer does not comply with the requirements of this **Article XI**, would jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, or would violate, or cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law;

(b) The transferor and transferee shall have executed and acknowledged such instruments as the Managing General Partner may deem necessary or desirable to effect such transfer;

(c) The transferor and transferee shall have provided, if requested by any General Partner, an opinion of counsel indicating that, in the opinion of said counsel, such transfer would not jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, and would not violate, nor cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law; and

(d) The transferor has made all Capital Contributions to the Limited Partnership in accordance with **Article IV** hereof and has no further obligation to the Limited Partnership beyond his Capital Contribution as described in Section 9.02.

(2) At the time of a transfer of any Limited Partner's Interest, whether or not such transfer is made in accordance with this **Section 11.03**, all the rights possessed as a Limited Partner in connection with the transferred Interest, which rights otherwise would be held either by the transferor or transferee, shall terminate against the Limited Partnership unless the transferee is admitted to the Limited Partnership as a Limited Partner pursuant to the provisions of **Section 11.04** hereof; provided, however, that if the transfer is made in accordance with this **Section 11.03**, such transferee shall be entitled to receive distributions to which the transferor would otherwise be entitled as of the effective date of such transfer, which date shall be specified by the Managing General Partner and shall be no later than the last day of the calendar month following the first calendar month during which the Managing General Partner has received notice of the transfer and all conditions precedent to such transfer provided for in this Agreement have been satisfied. The Limited Partnership and the Managing General Partner shall be entitled to treat the transferor as the recognized owner of such Interests until such effective date and shall incur no liability for distributions made in good faith to the transferor prior to the effective date.

(3) In the event a Limited Partner transfers all of his Interest in the Limited Partnership, the transferor will cease to be a Limited Partner.

(4) If a General Partner purchases the Interest of a Limited Partner, such Interest shall be treated as a Limited Partnership Interest with respect to all allocations and distributions of the Limited Partnership.

(5) A transfer by a Limited Partner, including transfers of all or less than all rights hereunder, shall not relieve the transferor of obligations under this Agreement.

(6) Each of the Limited Partners, by executing this Agreement, hereby covenants and agrees that he will not, in any event, sell or distribute his Interest in the Limited Partnership or any portion thereof unless, in the opinion of counsel to the Limited Partner (which counsel and opinion shall be satisfactory to counsel for the Managing General Partner) such Interest in the Limited Partnership may be legally sold or distributed in compliance with applicable federal and state securities laws.

(7) Notwithstanding any other provision of this Agreement, a Limited Partner may not transfer his Interest in any case if such a transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code, unless such transfer shall be expressly approved by the Managing General Partner.

Section 11.04. Admission of Transferees as Limited Partners.

(1) No transferee of a Limited Partner shall be admitted as a Limited Partner unless all of the following conditions have been satisfied:

(a) The transfer complies with **Section 11.03** and the transferor Limited Partner gives the transferee the right to become a Limited Partner;

(b) The prospective transferee has executed an instrument, in form and substance satisfactory to the Managing General Partner, accepting and agreeing to be bound by all the terms and conditions of this Agreement, including the power of attorney set forth in **Article XIV** hereof, and has paid all expenses of the Limited Partnership in effecting the transfer;

(c) All requirements of the Act regarding the admission of a transferee limited partner have been complied with by the transferee, the transferring Limited Partner, and the Limited Partnership;

(d) Such transfer is effected in compliance with all applicable state and federal securities laws; and

(e) The transferee executes all documents reasonably required by the Managing General Partner.

(2) In the event of a transfer complying with all the requirements of **Section 11.03** hereof and the transferee being admitted as a Limited Partner pursuant to this **Section 11.04**, the Managing General Partner, for himself as a General Partner and for each Limited

Partner pursuant to the Power of Attorney granted by each Limited Partner, shall execute and file an amendment to this Agreement. Unless named in this Agreement, as amended from time to time, no person shall be considered a Partner; and the Limited Partnership, each Partner, and any other person having business with the Limited Partnership need deal only with Partners so named and shall not be required to deal with any other person by reason of a transfer by, or by reason of the death of, a Partner, except as otherwise expressly provided herein.

ARTICLE XII
TRANSFERS OF GENERAL PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF GENERAL PARTNERS

Section 12.01. **Withdrawal of General Partners.** The General Partners may withdraw from the Limited Partnership by giving the Limited Partners written notice of withdrawal at least sixty (60) days prior to the effective date of the withdrawal. A General Partner who withdraws from the Limited Partnership may sell its Interest only in accordance with the procedures and limitations of **Section 12.03** hereof. In the event there is no such sale, or until such time as there is such a sale, a General Partner who has withdrawn shall have the same rights and be subject to the same limitations as a General Partner that has been removed pursuant to the provisions of **Section 12.03** hereof, and the interest of the withdrawn General Partner may be acquired by the other General Partners or by the Limited Partners in accordance with the procedures set forth in **Section 12.03** hereof.

Section 12.02. **Removal, Bankruptcy, Dissolution, Death or Incompetency of General Partners.** A General Partner shall cease to be a General Partner of the Limited Partnership upon the removal, bankruptcy, dissolution, death or incompetency of the General Partner and any of said Partners may be removed by the vote of the Limited Partners, under **Section 9.06** above, only for cause. For purposes of this **Section 12.02**, the term "cause" shall mean acts of the General Partners which constitute larceny, fraud, or a crime involving moral turpitude or failure to pay the Secured Debt according to its terms resulting in the initiation of foreclosure proceedings pursuant to the security agreement securing the Secured Debt.

Section 12.03. **Transfer by General Partners; Admission of Additional or Successor General Partners.** A General Partner may transfer his Interest, or any part thereof, and an additional or successor General Partner, as the case may be, shall be admitted to the Limited Partnership as follows:

(1) If a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to another then existing General Partner, such General Partner must obtain the consent of all of the other General Partners before effecting such sale or transfer. If the General Partner desiring to sell, transfer or assign its interest is the Managing General Partner, then a majority of the other General Partners, if there are three or more General Partners, and, if not, then two-thirds of the Limited Partners, must agree as to who is to become the new Managing General Partner before the proposed sale, transfer or assignment can be effected.

(2) Except as provided in **Section 12.03(3)**, if a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to a person or entity who is not then a General Partner, such transfer shall be permitted if, and only if, the proposed transferee is approved as a successor General Partner as follows:

(a) The admission of the transferee as a successor General Partner shall have been consented to by the other General Partners, and if none, by a two-thirds vote of the Limited Partners;

(b) If the proposed transferee is a non-natural person, it shall have provided the Limited Partnership evidence satisfactory to counsel for the Limited Partnership of its authority to become a General Partner;

(c) In the event that one or more General Partners shall be so designated and approved, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(3) Upon action taken by the Limited Partners to remove a General Partner in accordance with **Section 9.06** and subject to **Section 12.02**, Limited Partners owning Interests constituting in the aggregate two-thirds of the Interests of all Limited Partners may, without the concurrence of the General Partners, admit to the Limited Partnership one or more additional General Partners to replace the General Partner(s) to be removed. In the event that one or more additional General Partners shall be so admitted, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(4) Notwithstanding any other provision of this Agreement, the General Partners may not transfer any Interest in any case if such transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code unless such transfer shall be approved by Limited Partners owning Interest constituting in the aggregate a majority of the Interests of all Limited Partners in the Limited Partnership.

Section 12.04. Continuing Liability. In the event a General Partner withdraws from the Limited Partnership or sells, transfers or assigns its entire Interest pursuant to the provisions of this Agreement, such General Partner shall be, and shall remain, liable for all obligations and liabilities incurred by the General Partner prior to the effective date of such occurrence and shall be free of any obligation or liability incurred on account of the activities of the Limited Partnership from and after such effective date.

Section 12.05. Additional Conditions to Admission of General Partners. Notwithstanding any other provision of this Agreement, no additional or successor General Partner may be admitted to the Limited Partnership and no right of the Limited Partners to consent to or approve such admission shall have any effect whatsoever or be exercisable until and unless prior to such exercise the Limited Partnership shall have received an opinion of counsel satisfactory to the

Limited Partners (as hereinafter provided) to the effect that the giving of consent of the Limited Partners to such admission will not adversely affect the classification of the Limited Partnership as a Limited Partnership for federal income tax purposes. For purposes of this **Section 12.05**, an opinion of counsel will be deemed satisfactory to the Limited Partners if approved in writing by Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners.

Section 12.06. Purchase of Interest(s) of General Partners. Upon the removal, bankruptcy, dissolution, death or incompetency of a General Partner, the Limited Partnership Interest(s) of the General Partner(s) (hereinafter, for purposes of **Sections 12.02 and 12.06**, referred to as the "Terminated General Partner(s)") shall be purchased by the Limited Partnership for a purchase price determined in accordance with **Section 12.07** hereof. The purchase price of such Interest(s) shall be paid by the Limited Partnership to the Terminated General Partner(s) or his/their representative either, at the option of the Limited Partnership, in cash or by a promissory note of the Limited Partnership payable to such Terminated General Partner(s) or his representative in a face amount equal to said purchase price and containing provisions as would be usual and customary in a commercial promissory note, including provisions for interest at a rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be payable at the time of each installment of principal, which shall be payable in five (5) annual installments or as the Terminated General Partner(s) or his representative and the Limited Partnership may otherwise agree.

Section 12.07. Purchase Price of a Terminated General Partner(s) Interest. The fair market value of the Terminated General Partner(s)' Interest(s), for any reason other than for removal for cause, to be purchased by the Limited Partnership in accordance with **Section 12.06** above shall be determined by agreement between the Terminated General Partner(s) or his representative and the Limited Partnership. If the Terminated General Partner(s) or his representative and the Limited Partnership cannot agree upon the fair market value of such Limited Partnership Interest(s) within 90 days after the date of the Terminated General Partner(s) removal, bankruptcy, dissolution, death or incompetency, then the purchase price shall be the General Partner's percentage interest of the MAI appraised value of the Limited Partnership's assets and business, valued as a going concern without a minority discount determined as soon as possible after the end of the ninety day period above. In the event of removal for cause the purchase price of the terminated General Partner(s) interest shall be based on the formula set forth in this paragraph except that the value of any distributions to Limited Partners paid to the General Partner shall be reduced to zero.

ARTICLE XIII DISSOLUTION, WINDING UP AND TERMINATION

Section 13.01. Events Causing Dissolution. The Limited Partnership shall be dissolved and its affairs shall be wound up upon the happening of the first to occur of any of the following events:

- hereof;
- (1) Expiration of the term of the Limited Partnership stated in **Section 1.05**
 - (2) Entry of a decree of judicial dissolution pursuant to the Act;
 - (3) The sale or other disposition of all or substantially all of the assets of the Limited Partnership;
 - (4) The removal, bankruptcy, dissolution, death or incompetency of the General Partner(s), unless:
 - (a) At the time of the occurrence of any of such events there is at least one other additional or successor General Partner, in which case the business of the Limited Partnership shall be carried on by the remaining General Partner(s); or
 - (b) Within 90 days of the occurrence of any such event, all Partners agree in writing to continue the business of the Limited Partnership and to the appointment of one or more General Partner(s) who shall succeed to all of the management rights and responsibilities of the General Partner(s) hereunder.

Section 13.02. Bankruptcy of General Partner(s). For the purposes of this Agreement, the "bankruptcy" of a General Partner shall mean any of the following:

- (1) The General Partner makes an assignment for the benefit of creditors;
- (2) The General Partner files a voluntary petition in bankruptcy;
- (3) The General Partner is adjudicated as bankrupt or insolvent;
- (4) The General Partner files a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation;
- (5) The General Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Partner in any proceedings of the nature described in (4) above;
- (6) The General Partner seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Partner or of all or any substantial part of such Partner's properties;
- (7) The expiration of 90 days after the commencement of any proceeding against the General Partner seeking reorganization, arrangement, composition, readjustment,

liquidation, dissolution, or similar relief under any statute, law, or regulation, provided the proceeding has not been dismissed within such 90 day period; or

(8) The expiration of 60 days after the appointment without such General Partner's consent or acquiescence of a trustee, receiver, or liquidator of the General Partner or all or any substantial part of such General Partner's properties, provided the appointment is not vacated or stayed within such 60 day period, or if stayed within such 60 day period, then the expiration of sixty (60) days after the expiration of any such stay, provided the appointment is not vacated within such 60 day period.

Section 13.03. Winding Up. Upon dissolution of the Limited Partnership for any reason, the Managing General Partner, or any other party (the "Liquidator") designated by vote or written consent of Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners, if required, shall commence to wind up the affairs of the Limited Partnership and to liquidate its assets. The Partners shall continue to share income, gains, expenses, losses and all other items during the period of liquidation in the same proportion as before the dissolution. The Liquidator shall have the full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Limited Partnership Property pursuant to such liquidation. Pending such sales, the Liquidator or such other party shall have the right to continue to operate and otherwise deal with the assets of the Limited Partnership. A reasonable time shall be allowed for the orderly winding up of the business of the Limited Partnership and the liquidation of its assets and the discharge of its liabilities to creditors so as to enable the Liquidator to minimize the normal losses attendant upon a liquidation, having due regard to the activity and condition of the relevant markets for the Limited Partnership Property and general financial and economic conditions. Any Partner may be a purchaser of the Property of the Limited Partnership upon liquidation, including, without limitation, any liquidation conducted pursuant to a judicial dissolution or otherwise under judicial supervision; provided, however, that the purchase price and terms of sale are fair and reasonable to the Limited Partnership.

Section 13.04. Distributions. The proceeds of liquidation and any other funds of the Limited Partnership shall be distributed in the order of priority set forth in **Article VI** above.

Section 13.05. Certificate of Cancellation; Report; Termination. Upon the dissolution and commencement of winding up of the Limited Partnership, the Managing General Partner shall execute and file a certificate of cancellation of the Limited Partnership. Within a reasonable time following the completion of the liquidation of the Limited Partnership's assets, the Managing General Partner or such other party shall prepare and furnish to each Partner, at the expense of the Limited Partnership, a statement that sets forth the assets and liabilities of the Limited Partnership as of the date of complete liquidation and the amount of each Partner's distribution pursuant to **Article VI** hereof. Upon completion of the liquidation and distribution of all Limited Partnership funds, the Limited Partnership shall terminate and the Managing General Partner shall have the authority to execute and file all documents required to effectuate the termination of the Limited Partnership.

**ARTICLE XIV
SPECIAL AND LIMITED POWER OF ATTORNEY**

Section 14.01. Special and Limited Power of Attorney.

(1) The Managing General Partner shall at all times during the existence of the Limited Partnership have a special and limited power of attorney as the attorney-in-fact for each Limited Partner with power and authority to act in the name and on the behalf of each Limited Partner to make, execute, swear to, verify, acknowledge, correct and file the following documents and any other documents deemed by the Managing General Partner to be necessary for the business of the Limited Partnership:

(a) This Agreement, and any amendments thereto;

(b) Any certificate of Limited Partnership for the Limited Partnership and amendments thereto required or permitted or deemed advisable by the Managing General Partner to be made or filed on behalf of the Limited Partnership, and any and all certificates or other instruments necessary to qualify the Limited Partnership as a Limited Partnership;

(c) Any other instrument or document that may be required to be filed by the Limited Partnership under the laws of any state or by a governmental agency or which the Managing General Partner deems advisable to file; and

(d) Any instrument or document which may be required to effect the continuation of the Limited Partnership and admission of an additional or substitute General or Limited Partner, or the dissolution and termination of the Limited Partnership (provided such continuation, admission or dissolution and termination are in accordance with the terms of this Agreement).

(e) Execute any and all documents necessary to enable the Managing General Partner to carry out powers of the Managing General Partner including but not limited to granting Limited Partnership Property as security for Limited Partnership obligations and sale or conveyance of Limited Partnership Property.

(2) This power of attorney is a special power of attorney coupled with an interest, is irrevocable, shall survive the death of each Limited Partner and is limited to those matters herein set forth.

**ARTICLE XV
MISCELLANEOUS**

Section 15.01. Amendments. Except as otherwise provided by law, this Agreement may be amended in any respect by the Managing General Partner without the written approval or consent of Limited Partners owning Interests in the Limited Partnership; provided however, that:

(1) Without the consent of Limited Partners to be adversely affected by the amendment, this Agreement may not be amended so as to change the Capital Contributions required, or rights and interests in profits, losses and distributions of any Partner; and

(2) In the case of any provision hereof which requires the action, approval or consent of a specified Interest of Limited Partners, such provision may not be amended without the consent of the Limited Partners owning such specified Interests.

Section 15.02. Notices. Any notice, offer, consent or other communication required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been sufficiently given or made when delivered personally to the party (or an officer of the party) to whom the same is directed, or (except in the event of a mail strike) five (5) days after being mailed by first class mail, postage prepaid, if to the Limited Partnership or to the Managing General Partner, to the office described in **Section 1.03** hereof, or if to a General Partner or to a Limited Partner, to the address set forth in Schedule A attached hereto. Any Partner may change his or its address for the purpose of this **Section 15.02** by giving notice of such change to the Limited Partnership, such change to become effective on the tenth (10th) day after such notice is given.

Section 15.03. Governing Law; Survival of Rights; Severability of Provisions. This Agreement shall be governed by the internal laws of the State of Washington and shall, subject to the restrictions on transfer set forth herein, bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. If any provision of this Agreement is held to be invalid, the remainder of this Agreement shall not be affected thereby.

Section 15.04. Entire Agreement. This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understandings among them, oral or written, all of which are hereby cancelled. This Agreement may not be modified or amended other than pursuant to **Section 15.01** hereof.

Section 15.05. Captions; Pronouns. The paragraph titles or captions contained in this Agreement are inserted only as a matter of convenience of reference. Such titles and captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any provision hereof. All pronouns and any variation thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

Section 15.06. No Waiver. The failure of any Partner to seek redress for violation, or to insist on strict performance, of any covenant of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

Section 15.07. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one Agreement, binding on all of the parties hereto.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

~~MANAGING GENERAL PARTNER:~~

~~American Life Inc.~~


By: Henry Liebman

Its: President

618 Second Avenue Limited Partnership
(a Washington State Limited Partnership)

SUBSCRIPTION AGREEMENT

618 Second Avenue Limited Partnership
3223 3rd Avenue South, Suite 200
Seattle, Washington 98134-1943

Prospective Investor:

This Subscription Agreement is made by and between 618 Second Avenue Limited Partnership, a Washington State Limited Partnership (the Partnership), and the undersigned purchaser who is subscribing for the Partnership Interests as set forth below pursuant to the terms set forth in this Subscription Agreement.

The information contained herein is being furnished to determine whether the undersigned's Subscription Agreement to purchase an Interest complies with the requirements of Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and Rule 506 incorporated in Regulation D promulgated thereunder by the Securities and Exchange Commission, and the requirements of certain state securities laws. The undersigned understands that American Life Inc., the Partnership and its principals will rely upon the information contained herein for purposes of such determination.

The undersigned also understands and agrees that, although the Partnership will use its best efforts to keep the information provided in answers to this questionnaire strictly confidential, the Partnership may present this questionnaire and the information provided in answers to it if the Partnership reasonably believes such disclosure is necessary (a) to establish the availability under any federal or state securities laws of an exemption from registration of the offering of Interests, or (b) to defend or promote the best interests of the Partnership in connection with any action, suit or proceeding to which the Partnership is a party or by which it is or may be bound.

Interests will be sold only to individuals or Entities that are Accredited Investors (as defined in Rule 501 incorporated in Regulation D). In general, an individual, or a partnership, corporation, trust or other entity investor (herein called an "Entity"), is an Accredited Investor if (i) such individual or Entity purchases an Interest in the Partnership of at least the minimum permitted investment in the Partnership, *provided, that, in the case of an individual, such individual (either individually or jointly with his or her spouse) has a net worth (i.e., total assets in excess of total liabilities) of at least* (b)(4) *or, in the case of an Entity, such Entity has a net worth equal to at least* *or* (ii) each of the equity owners of such Entity (i.e., partners, shareholders or, in the case of a trust, the grantor of a revocable trust) is one of the following types of

(b)(4) Accredited Investor: (a) an individual whose net worth (either individually or jointly with his or her spouse) exceeds [redacted] (b) an individual who had an individual income (not joint with his or her spouse) in each of most recent 2 tax years in excess of [redacted] for each of the most recent two years or joint income with his or her spouse in excess of [redacted] in each of those years and reasonably expects to achieve the same level in the current year, (c) individual who is a General Partner of the General Partner of the Partnership, or (d) one of the Accredited Investors referred to in the following sentence and described below. Certain institutional investors, private business development companies and tax-exempt organizations also may qualify as Accredited Investors. All investors by signing this agreement warrant that they are Accredited Investors.

**I. AGREEMENT TO PURCHASE
AND ADMISSION AS A LIMITED PARTNER**

(b)(4) A. **Purchase.** Subject to the terms and conditions hereof, the undersigned hereby irrevocably agrees to purchase the partnership interest set forth in Subsection A (3) herein. The minimum Capital Contribution shall be [redacted]
[redacted] Payment in full for the Partnership Interests purchased accompanies the delivery of this Subscription Agreement (A Capital Contribution).

1. Partnership Acceptance of Subscription Agreement. The undersigned agrees that the Partnership may reject any subscription in its sole and absolute discretion within 15 days of receipt, and in particular, from any proposed subscriber who is not an accredited investor or who either alone or with his purchaser representative fails to meet the sophistication requirements set forth in Section II(A).

The Partnership shall notify the undersigned that it has accepted the subscription herein by delivering to the undersigned a signed copy of this Subscription Agreement.

2. Capital Contributions. Capital Contributions shall be made payable to The 618 Second Avenue Limited Partnership, delivered with this fully executed Subscription Agreement to the offices of the Partnership, at the address listed above. In the event the subscription is not accepted in whole or in part by the Partnership, the full or ratable amount, as the case may be, of any Capital Contribution received will be promptly refunded to the subscriber without deduction from or interest on the Capital Contribution.

3. Purchase Terms:

AMOUNT OF SUBSCRIPTION
INCLUDING SYNDICATION FEE: USD\$ _____
PROPERTY VALUE TO
CALCULATE PERCENTAGE: Your capital contribution including the
syndication fee.

PROPERTY VALUATION:

(b)(4)

NAME(S) UNDER WHICH
TITLE SHALL BE HELD: _____

ADDRESS _____

TELEPHONE/FAX _____

EMAIL _____

DATE OF BIRTH _____

ALIEN NUMBER (IF APPLICABLE) _____
U.S. SOCIAL SECURITY NUMBER _____
OR U.S. TAXPAYER ID NUMBER _____

YOU MAY WIRE YOUR CAPITAL CONTRIBUTION TO:

Credit Bank: Citibank, NA
111 Wall Street
New York, NY 10005

ABA Number:
Credit Account:
Credit Account Name:
For Further Credit to:

(b)(4)

For Benefit of: 618 Second Avenue Limited Partnership
[investor's name], OR

You may mail your check payable to 618 Second Avenue Limited Partnership, and deliver the check and completed Subscription Agreement to:

618 Second Avenue Limited Partnership
Attn: Henry Liebman
3223 3rd Avenue South, Suite 200
Seattle, Washington 98134-1943

B. **Admittance as Limited Partner.** Upon the Partnership's acceptance of this Subscription Agreement and receipt of your Capital Contribution, the undersigned shall be admitted as a Limited Partner of the Partnership. The undersigned acknowledges the receipt of a true and correct copy of the Partnership Agreement and agrees to be bound by its terms. Your Capital Contribution shall be used to further the business purposes of the Partnership as set forth in the Partnership Agreement.

C. **Investment Terms.** FOR A COMPLETE DESCRIPTION OF THE INVESTMENT TERMS AND HOW CASH WILL BE DISTRIBUTED PLEASE REFER TO THE PARTNERSHIP AGREEMENT.

(b)(4) You will receive each month a distribution of Available Cash Flow equal to [redacted] of your pro rata share of the Total Distribution for Limited Partners with respect to income distributions.
You will receive upon the occurrence of a Capital Event your pro rata share of the Net Proceeds from a Capital Event multiplied by [redacted]

This is a long-term investment with no redemption option.

(b)(4) The Capital Appreciation Percentage as referenced in Article 6.02(2) of the Limited Partnership Agreement is [redacted] for purposes of capital gain distributions distributing Net Proceeds from a Capital Event and [redacted] for purposes of income distributions described distributing Available Cash Flow as set forth in 6.02(1)(c).

D. **Eb5 Investors**

1. **Independent Counsel.** Investor shall hire an Independent Counsel for immigration processing and other legal matters. Investor shall be responsible for payment of legal fees and costs.

2. **Filing the Immigration Petition.** American Life Inc. shall use its best efforts to assist Investor's Counsel for the filing of Investors I-526 and I-829 petitions, and verifying required direct and indirect employment until the removal of Investor's conditional permanent residency. The General Partners shall not charge additional fees to assist the Investors permanent residence application.

3. **Visa Denial.** If the Investor's I-526 or I-829 petition is denied, American Life, Inc. shall pay back Investor's original capital investment in cash within ninety days of Investor's written request. In the event any visa petition is denied, the Investor's rights are limited to return of the principal sum of invested capital only.

The returned \$500,000 capital investment is separate from any previously paid or

currently due limited partnership distribution.

4. American Life, Inc. agrees that it will not sell the property Investor relies upon for Eb5 visa approval until removal of Investor's conditional permanent residence status.

(b)(4) Partnership interests are available on a first-come first-serve basis. Those who need additional time to gather investment capital may make a non-refundable deposit of [REDACTED] to raise capital. The deposit will be forfeited if subscription amount due is not received by the Partnership within the 90-day period. We recommend assessing availability before engaging professional assistance.

E. **General Partner's Warranties.** The General Partner hereby represents and warrants that the Limited Partnership is duly organized, registered and in good standing in the State of Washington and that the Partnership shall comply with all applicable laws and regulations with respect to the Partnership.

II. REPRESENTATIONS AND WARRANTIES

The undersigned hereby represents and warrants to the Partnership as follows:

- A. That the offer to sell the Partnership Interests was directly communicated to the undersigned by the Partnership through the Memorandum and meetings with the General Partner of the Partnership in such a manner that the undersigned was able to ask questions of and receive answers from the Partnership or a person acting on its behalf concerning the terms and conditions of this investment. At no time was the undersigned presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.
- B. That the undersigned is the sole and true party in interest and is not subscribing for the benefit of any other person. If the undersigned is a corporation, partnership or other entity, the undersigned was not organized for the purpose of acquiring the Partnership Interests. If the undersigned is an individual, he or she is twenty-one (21) years of age or over.
- C. That the Partnership Interests are being purchased for the undersigned's own account solely for investment, and with no present intention to distribute any of the Partnership Interests to any other person.
- D. That the undersigned understands that the Partnership Interests are not being registered under the Securities Act of 1933, as amended (Securities Act) in reliance upon the so-called "private offering" exemption provided by Section 4(2) the Securities Act and/or Regulation D promulgated pursuant to the Securities Act, and that the Partnership is basing its exemption in part on the representations,

warranties, statements and agreements contained herein and those of other subscribers contained in similar subscription agreements.

- E. That the undersigned is an Accredited Investor within the meaning of Rule 501 of Regulation D promulgated pursuant to the Securities Act; or, if not an Accredited Investor, the undersigned is sophisticated and has, either alone or together with a Purchaser Representative, such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of a prospective investment in the Partnership Interests.

The undersigned understands that if a Purchaser Representative is used, the Purchaser Representative must complete, and the undersigned must review and acknowledge, a separate Purchaser Representative Questionnaire and Purchaser Acknowledgment, which must be returned to the Partnership prior to acceptance of this Subscription Agreement.

- F. That the undersigned understands that the Partnership Interests have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed or reviewed the accuracy or determined the adequacy of the information set forth in the Memorandum.
- G. That the undersigned understands that the Partnership Interests are characterized as a restricted securities under the Act and applicable state securities laws inasmuch as they are being acquired from the Partnership in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be transferred or resold without registration under the Securities Act and applicable state securities laws only in certain limited circumstances.
- H. That prior to executing this Subscription Agreement, The undersigned confirms that all documents requested by the undersigned have been made available, and that the undersigned has been supplied with all of the additional information concerning this investment that has been requested.
- I. That the undersigned has carefully considered and has, to the extent the undersigned considers necessary, discussed with the undersigned's professional legal, tax and financial advisers the suitability of an investment in the Partnership for the undersigned's particular tax and financial situation.
- J. That the undersigned has adequate means of providing for current needs and personal contingencies, and is aware that an investment in the Partnership Interests is highly speculative and subject to substantial risks. The undersigned is capable of bearing the high degree of economic risk and burden of this investment, including but not limited to, the possibility of the complete loss of all contributed capital and the limited transferability of the Partnership Interests.

- K. That the undersigned understands that the Partnership prepared pro formas and estimates of possible revenues and expenses and the possible consequent financial returns the Partnership could experience if such revenues and expenses were achieved. The undersigned understands that the Partnership is still in an early stage of development and has no history of achieving such revenues. The Partnership estimates are based on a good faith belief of what the Partnership can accomplish if it is able to obtain adequate financing and is able to commence and maintain operations in accordance with its current business plan. The *pro formas* were not prepared by any independent accountant and were not prepared with a view toward compliance with the Association of Independent Certified Accountants' guidelines for projections. The assumptions and estimates are uncertain and the actual results of the Partnership will vary from the projected results and could vary in a materially adverse manner.
- L. That the undersigned, in making the decision to purchase the Partnership Interests subscribed for, relied upon independent investigations made by the undersigned and his or her Purchaser Representatives (if any), and the undersigned and such representatives (if any) have, prior to any sale to the investor, been given access and the opportunity to examine all material books and records of the Partnership, all material contracts and documents relating to this offering, and an opportunity to ask questions and receive answers from the Partnership or any person acting on its behalf concerning the terms and conditions of this offering, and an opportunity obtain any additional information, to the extent the Partnership possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any information provided.
- M. THAT THE UNDERSIGNED EITHER READS AND UNDERSTANDS ENGLISH OR HAD THIS SUBSCRIPTION AGREEMENT TRANSLATED BY A TRUSTED ADVISOR INTO A LANGUAGE THAT THE UNDERSIGNED DOES UNDERSTAND.
- N. That each representation and warranty of the undersigned contained herein and all information furnished by the undersigned to the Partnership, is true, correct and complete in all respects.

III. RISK FACTORS

AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES AN INVESTMENT IN THE PARTNERSHIP SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET

WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP.

- A. **Lack of Significant Operating History.** This Partnership is being formed for the specific purpose of acquiring this Project. Accordingly, neither the Partnership nor the General Partner has any operating history with respect to the Project. The General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.
- B. **Financial Projection.** Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections which are attached to the Memorandum are based upon what the General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership and the representations of seller as to past operations of the Project. No assurances can be made that these forecasts will prove to be accurate, and investors are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Partners percentage interest in the Partnership.
- C. **General Risks of Real Estate Ownership.** The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks;

condemnation of the Project and other factors which are beyond the control of the Partnership and the General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.

- D. Leverage and Other Factors Relating to Financing.** Although the Partnership has no plans to borrow, emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.
- E. Future Market Value of the Project.** The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes in tax laws and numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.
- F. Distributions From Operations.** The General Partner has made qualified projections as to distributions to the Investors from operations. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be cash from operations available for distribution to the Investors. Investors who borrowed all or part of their capital contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.

G. General Tax Risks.

Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since the investors generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

1. Changes in federal income tax laws;
2. Partnership status;
3. Taxable income in excess of distributions;
4. Allocation of tax items among Partners;
5. Allocation of purchase price;
6. Partnership termination;
7. At risk limitations;
8. Risk of audit;
9. Profit objective; and
10. Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the undersigned. Each prospective subscriber is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

H. Limited Transferability of Partnership Interests.

Except upon death, a Limited Partner may not assign, sell or transfer his Partnership Interests to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Partnership Interests and it is not anticipated that a market will develop for the purchase or sale of the Partnership Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

- I. **Illiquidity.** Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.
- J. **Limitation of General Partner's Liability.** Under the Washington Uniform Limited Partnership Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.
- K. **Limited Right to Participate in Management.** The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the General Partner, except as expressly provided in the Partnership Agreement.
- L. **No Independent Counsel.** No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each investor is therefore urged to consult with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.
- M. **Uninsured Losses; Casualty Insurance.** Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.
- N. **Environmental Risks.** The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from

the Project. The SODO area is an older industrial area generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government.

O. Potential Conflict of Interest. The obligations of the General Partner to the Partnership is not exclusive, and the General Partner need only devote so much time to the Partnership's affairs as the General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The General Partner will from time it will be involved in approximately twenty-five (25) other properties that may compete with the Project. Commitments undertaken by the General Partner in connection with such other properties could adversely affect its ability to manage the Project.

P. Immigration Risks

- 1) Congress and or USCIS may change the law, regulations, or interpretations of the law without notice and in a manner that may be detrimental to an Investor or the Partnership.
- 2) It is impossible to predict visa-processing times. Investors should not physically move to the United States until their visa has been issued.
- 3) Investors who obtain permanent residence status must intend to make the United States their primary residence. Permanent residents who continue to live abroad risk revocation of their permanent residence status.
- 4) Removal of Conditional Status depends upon creating a combination of 10 direct and indirect jobs for each immigrant investor. Estimates of future direct and indirect employment are based upon Economic projections prepared by an economist. Market or other factors may make it difficult or impossible to achieve projected employment creation. 8CFR 216.6, in pertinent part, requires the alien to "create or can be expected to create with a reasonable period of time ten full-time jobs to qualifying employees". In the event of delay or in the event it is impossible to achieve predicted employment at the time of filing to remove conditional status an immigrant investor's removal of conditional status petition may be delayed or possibly denied.

Q. Construction Risks.

The project involves significant construction activity. Remodeling older buildings often involves surprises and unexpected problems. These problems may delay in construction which in turn delays the ability to generate cash flow and increase

costs which can significantly increase management's projected construction costs and reduce projected rates of return. Obtaining building permits is a time consuming process. In any event, it may be virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs.

IV. POWER OF ATTORNEY

The undersigned hereby irrevocably makes, constitutes and appoints American Life Inc., and each general partner of the Partnership, with full power of substitution its true and lawful attorney-in-fact in its name to execute and acknowledge (i) the Partnership Agreement in substantially the form enclosed herewith and to attach the limited partner execution page delivered herewith to such Partnership Agreement and thereby cause the undersigned to become a limited partner in the Partnership; and (ii) any document required to effect the formation or continuation of the Partnership or which counsel to the Partnership deems necessary or desirable to comply with any state or federal law. The power of attorney hereby granted is irrevocable and coupled with an interest and may be exercised by the attorney-in-fact for the undersigned as well as other limited partners of the Partnership by executing any instrument by use of the single signature of such attorney-in-fact acting for all the limited partners.

V. MISCELLANEOUS

- A. **Indemnification.** The undersigned hereby agrees to indemnify the Partnership and hold the Partnership harmless from and against any and all liability, damages, costs or expenses incurred on account of or arising out of:
1. Any inaccuracy in the declarations, representations, and warranties hereinabove set forth;
 2. The disposition of any of the Partnership Interests by the undersigned, contrary to the foregoing declarations, representations and warranties; and
 3. Any action, suit or proceeding based upon (i) a claim that the herein declarations, representations or warranties were inaccurate or misleading or otherwise a cause for obtaining damages or redress from the Partnership; or (ii) the disposition of any of the Partnership Interests or any part thereof, contrary to the foregoing, declarations, representations and warranties.
- B. **Confidentiality.** The undersigned acknowledges that the information contained in this Subscription Agreement and in the Memorandum, and which the undersigned receives orally or in writing from the Partnership is confidential and

non-public and agrees that all such information shall be kept in confidence by the undersigned unless disclosure is otherwise required by law or court order.

- C. **Binding Agreement.** The undersigned agrees that the undersigned may not cancel, terminate or revoke this Subscription Agreement or any agreement of the undersigned made hereunder, and that this Subscription Agreement shall survive the death or disability of the undersigned and shall be binding upon the heirs, successors, assigns, executors, administrators, guardians, conservators or personal representatives of the undersigned.
- D. **Defined Terms.** Capitalized terms not defined herein shall have the meaning as in the Partnership Agreement.
- E. **Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which shall be considered an original but all of which together shall constitute one and the same instrument.
- F. **Severability.** Every provision of this Subscription Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Subscription Agreement.
- G. **Non-waiver.** No provision of this Subscription Agreement shall be deemed waived except if such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.
- H. **Applicable Law.** This Subscription Agreement shall be interpreted and enforced in accordance with the federal laws of the United States of America and the state laws of the State of Washington, without giving effect to principles and provisions relating to choice of law.
- I. **Entirety of Agreement.** This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof.
- J. **Additional Information.** The undersigned shall supply the Partnership with such additional information and documentation as may be required in order to ensure compliance with applicable law, including, without limitation, the Securities Act and regulations promulgated thereunder.
- K. **Company Privacy Policy.** It is the Company policy of American Life, Inc. to protect the privacy of its investors. Therefore, the Company will not disclose the names of

investors to those outside of that limited partnership that each investor is invested in, unless required to do so by law. However, each investor has the legal right of access to names, contact information, and percentage ownership of the other investors within his/her Limited Partnership.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on the date set forth on the signature page, and desires to take title in the Partnership Interests (check one):

- _____ a. Individual (one signature required on the Signature Page);
- _____ b. Husband and Wife, as community property (one [1] signature required on the Signature Page if interest held in one [1] name, *i.e.*, managing spouse; two [2] signatures required on the signature Page if interest held in both names);
- _____ c. Joint Tenants with right of survivorship (both parties must sign Signature Page);
- _____ d. Tenants in Common (both parties must sign Signature Page);
- _____ e. Trust /Custodian must sign the Signature Page);
- _____ f. Partnership (general partner(s) must sign the Signature Page);
- _____ g. Corporation (authorized officer must sign on the Signature Page);
- _____ h. Limited Liability Partnership (authorized managing member must sign on Signature Page; in the event the Partnership is member managed, then all members must sign the Signature Page).

If subscriber is an individual or husband and wife:

Signature: _____

Signature of Spouse: _____

If subscriber is a Trust/Custodian:

a. Name: _____

b. Name: _____

c. Date formed: _____

d. Signature: _____

If subscriber is a Partnership:

a. _____
Name of Partnership

b. By: _____
Signature of General Partner

c. By: _____
Signature of Additional General Partner if required by Partnership Agreement

If subscriber is a Corporation:

a. _____
Name of Corporation

b. By: _____
Signature of Authorized Agent

c. _____
Title of Signer

If subscriber is a Limited Liability Company:

a. _____
Name of Limited Liability Company

b. By: _____
Signature of Authorized Agent

c. _____
Title of Signer

Additional Members' Signatures (if needed):

Signature of Member

Print Name

Signature of Member

Print Name

Signature of Member

Print Name

Signature of Member

Print Name

SUBSCRIPTION ACCEPTED this ____ day of _____, 2007.

618 Second Avenue Limited Partnership,
a Washington State Limited Partnership

By: American Life, Inc., a Washington Corporation
Managing General Partner

By: _____
Henry Liebman, President

FIRST AMENDMENT TO THE
618 SECOND AVENUE SOUTH LIMITED PARTNERSHIP AGREEMENT

Whereas USCIS ruled that Exhibit B Subscription Agreement to the Limited Partnership Agreement (LPA) contained impermissible language in that it guaranteed a refund of an investor's capital in the event of a business failure;

Where as to comply with the USCIS ruling the General Partner exercised its powers to amend the Subscription Agreement pursuant to LPA Section 14 Special and Limited Power of Attorney;

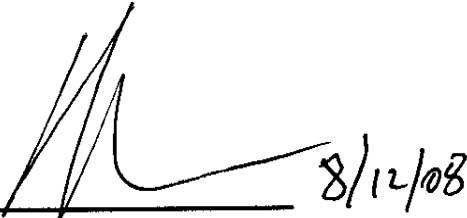
Now therefore the Subscription Agreement is hereby amended as follows:

The current Subscription Agreement Language from Subscription Agreement clause D 3

"3. Visa Denial. If the Undersigned's I-526 or I-829 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. In the event any visa petition is denied, the Undersigned's rights are limited to the return of the Capital Contribution of \$500,000 only. The syndication fee is not refundable."

is hereby amended to read as follows:

3. Visa Denial. If the Undersigned's I-526 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. **The Undersigned's rights are limited to the return of the Capital Contribution of \$500,000 only. The syndication fee is not refundable.**


8/12/08

Henry Liebman
President of American Life Inc.
Managing General Partner

Affidavit

STATE OF WASHINGTON)
)SS
COUNTY OF KING)

I, Henry Liebman, being first duly sworn upon oath, depose and state:

That I am the President of American Life Inc.;

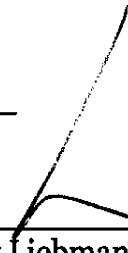
That each EB5 immigrant investor in the 618 Second Avenue Limited Partnership will receive the letter attached hereto as Exhibit A;

That the letter will be enclosed with partnership distributions for the first month subsequent to the approval of said investors' I-526 petitions;

That USCIS (United States Citizenship & Immigration Services) may put a copy of the Exhibit A letter, along with a copy of this affidavit, into each investor's I-526 petition file to evidence receipt of the notice of the amendment to the Subscription Agreement of the 618 Second Avenue Limited Partnership; and


That the names of each immigrant investor are attached hereto.

Dated: 9/11/08



Henry Liebman,
President, American Life Inc.

SUBSCRIBED and SWORN TO BEFORE ME on the day first above written.



NOTARY PUBLIC in and for the State
of Washington residing in Bellingham.

Title: Notary Public

Expires: 01 November 2008

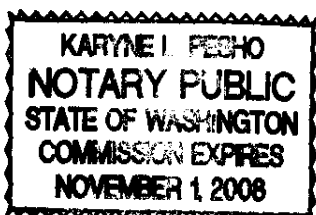


EXHIBIT A

Dear Investor:

One of the reasons for the delay in approving your I-526 petition based on your investment in 618 Second Avenue South Limited Partnership is that USCIS objected to the language in the Subscription Agreement Section D3 where American Life Inc. guarantees a return of capital in the event the I-829 petition is denied. USCIS views this clause as an impermissible guarantee of the investment in the event an I-829 petition is denied due to business failure. The language was designed to protect you against changes in government policy, change of law or interpretation of law and not to protect against business failure. It has always been impermissible to guarantee a business result. Read broadly the existing language in the Subscription Agreement could be read to protect against business failure. Pursuant to the powers granted to the Managing General Partner by the Limited Partnership Agreement Article 14 Special and Limited Power of Attorney, we agreed to remove "or I-829" from the language cited below. We made this change because it was necessary to obtain approvals for the I-526. We enclosed USCIS request with this letter. If this issue is material to your investment, we are obligated to offer rescission, therefore, please respond within 30 days of receipt of this letter if you chose to rescind your investment. If you do not respond within 30 days, your rescission rights will be waived.

The amended Subscription Agreement clause language D3 is set forth below:

"3. Visa Denial. If the Undersigned's I-526 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. **The Undersigned's rights are limited to the return of the Capital Contribution of \$500,000 only. The syndication fee is not refundable.**"

If you have any questions please feel free to contact us.

Henry Liebman
President of American Life Inc.
Managing General Partner

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PARTNERSHIP AGREEMENT

OF

**618 SECOND AVENUE LIMITED PARTNERHIP
A WASHINGTON LIMITED PARTNERSHIP**

This Agreement is made by and among American Life Inc., a Washington Corporation (the "General Partner") and each of the persons set forth in Schedule A attached hereto and designated as Limited Partners (the "Limited Partners"). The Limited Partners and the General Partners are collectively referred to as the "Partners."

AGREEMENT

ARTICLE I

FORMATION OF LIMITED PARTNERSHIP

Section 1.01. Formation. The undersigned hereby form 618 Second Avenue Limited Partnership, a Washington limited partnership, under the revised Uniform Limited Partnership Act of the State of Washington, as amended from time to time (the "Act"), to acquire, manage, develop and operate the buildings commonly known as 618 2nd Avenue, Seattle, Washington 98134.

Section 1.02. Name. The name of the Limited Partnership is "618 Second Avenue Limited Partnership, a Washington limited partnership." The Managing General Partner may from time to time change the name of the Limited Partnership to adopt such trade or fictitious names as it may determine to be appropriate.

Section 1.03. Principal Office of the Limited Partnership. The principal office of the Limited Partnership shall be at 3223 3rd Avenue South, Seattle, Washington, 98134. The Limited Partnership may maintain offices at such other location as may be determined appropriate by the Managing General Partner.

Section 1.04. Name and Place of Residence of Each Partner. The name, address, Capital Contribution, and number of Units of each of the Partners are designated on the attached Schedule A. The name and address of the Managing General Partner is American Life Inc., located at 3223 3rd Avenue South, Seattle, Washington, 98134.

Section 1.05. Term. The term of the Limited Partnership shall commence upon filing of the Certificate in the office of the Washington Secretary of State and shall continue until the Limited Partnership is dissolved, wound up and terminated in accordance with the provisions of this Agreement and the Act.

Section 1.06. Designated Agents for Service of Process. The Limited Partnership elects and appoints Robert Mambu of Liebman-Mimbu, PLLC, 3223 3rd Avenue South, Seattle, Washington 98134, as the designated agent for service of process.

ARTICLE II DEFINITIONS

The following terms used in the Agreement shall have the meaning specified below:

Section 2.01. "Act" means the Uniform Limited Partnership Act of the State of Washington, as amended from time to time.

Section 2.02. "Additional General Partner" means a person or entity that serves as a General Partner in addition to American Life Inc.

Section 2.03. "Affiliate" means any person who directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control of the General Partners or Limited Partners.

Section 2.04. "Agreement" means this Agreement, as it may be amended from time to time.

Section 2.05. "Assignee" means a person who has acquired all or any portion of a Limited Partner's Interest in the Limited Partnership and has not been admitted as a Limited Partner.

Section 2.06. "Available Cash Flow" means funds provided from operation of the Limited Partnership, without deductions for payments made to service Secured Debt and for depreciation, but after deducting funds used to pay all expenses and debts of the Limited Partnership, including administrative operational expenses, debt payments, capital improvements, and less the amount set aside by the Managing General Partner, in the exercise of its sole discretion, for reserves.

Section 2.07. "Capital Account" means that as defined in **Section 4.04** herein.

Section 2.08. "Capital Contribution" means the total amount of money or property contributed to the Limited Partnership by each Partner.

Section 2.09. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Section 2.10. "Capital Event" The refinance, sale, exchange or other disposition of the Project or any portion thereof, including an involuntary conversion or condemnation of real property or any portion thereof.

Section 2.11. "Deficit Capital Account" means the situation whereby the Limited Partnership has distributed to a Partner distributions in excess of such Partners capital contributions plus allocable share of income less allocable share of loss and any other charges allowable under this Agreement, resulting in such Partner's capital account falling below zero.

Section 2.12. "Net Proceeds from a Capital Event" The net proceeds derived by the Limited Partnership from a capital event after payment or allowance for the expenses incurred in connection with such Capital Event and after payment or allowance for existing indebtedness (but not including any outstanding Secured Debt), the discharge of any other expenses or liabilities of the Limited Partnership and the establishment of appropriate reserves, all as determined by the Managing General Partner, in its sole discretion.

Section 2.13. "General Partner" means American Life, Inc. and/or any other person admitted as a General Partner pursuant to the Agreement and their successors.

Section 2.14. "Interest" or "Limited Partnership Interest" or "Partnership Interest" means the ownership interest of a Partner in the Limited Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in the Agreement and in the Act, together with the obligations of such Partner to comply with all the terms and provisions of the Agreement and the Act. The Limited Partnership Interests held by each Partner is set forth on the attached Schedule A.

Section 2.15. "Limited Partner" means each Limited Partner listed on Schedule A and any person admitted to the Limited Partnership as a Limited Partner.

Section 2.16. "Managing General Partner" means American Life Inc., or any other General Partner elected to serve as the Managing General Partner.

Section 2.17. "Partners" means collectively the General Partners and the Limited Partners, and a reference to a Partner shall be to any one of the Partners.

Section 2.18. "Limited Partnership" means the 618 Second Avenue Limited Partnership, a Washington limited partnership.

Section 2.19. "Person" means any natural person, partnership, corporation, association or other legal entity.

Section 2.20. "Positive Capital Account" means that the balance of a Partner's Capital Account is greater than zero.

Section 2.21. "Profit or Loss" means the income or loss of the Limited Partnership as determined by the method of accounting chosen by the Managing General Partner and permitted by the Code.

Section 2.22. "Project" or the "Limited Partnership Property means the real property, remodel and improvements located at 618 2nd Avenue Seattle, Washington 98134.

Section 2.23. "Subscription Agreement" means the agreement signed by each Limited Partner in connection with their Capital Contribution to the Limited Partnership.

Section 2.24. "Units" or Limited Partnership Interests means each Partner's percentage of ownership in the Partnership as set forth adjacent to their name in **Schedule A**.

ARTICLE III PURPOSE, BUSINESS AND POWERS OF THE LIMITED PARTNERSHIP

Section 3.01. Purpose and Business of the Limited Partnership. The business of the Limited Partnership shall be to acquire, develop, manage and operate Limited Partnership Property and to do all other acts which may be necessary, incidental or convenient to the foregoing.

Section 3.02. Powers. The Limited Partnership is hereby authorized:

- (1) To acquire, manage and operate Limited Partnership Property and to hold it for economic gain;
- (2) To mortgage, sell, lease, transfer and exchange or otherwise convey or encumber all or part of the Limited Partnership Property in furtherance of any and all of the objectives of Limited Partnership business; and
- (3) To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to, the operation of Limited Partnership Property.

ARTICLE IV CAPITAL CONTRIBUTIONS

Section 4.01. Capital Contributions.

(1) Each of the Partners' Capital Contributions is set forth on Schedule A. The Limited Partners shall have no obligation to make additional Capital Contributions. The General Partners may make an additional Capital Contribution to the Partnership. A portion of this General Partner's Capital Contribution may arise from loan proceeds borrowed to fund construction costs in excess of Partnership capital using the Project as security for the loan. To the extent the loan proceeds cause Partnership capital to increase, each Partners' percentage interest in the Partnership shall be recalculated as a percentage of the sum of the loan proceeds plus existing General and Limited Partner capital contributions. The Managing General Partner has approved this security interest over the Project and the Limited Partners hereby

acknowledge, consent and approve of same. The General Partners shall be responsible for repaying the described borrowing according to its terms from the General Partners' allocation of Available Cash Flow and Net Proceeds from a Capital Event, from sums distributed to the General Partners upon dissolution of the Limited Partnership, and/or from each General Partners' own funds. The Limited Partners shall have no liability for retiring this borrowing. The General Partners shall have no obligation to the Limited Partnership or the Partners to make additional Capital Contributions, except for the General Partners' obligation, if any, to repay the "Secured Debt".

Section 4.02. Return and Withdrawal of Capital. No Partner shall have the right to demand Limited Partnership Property. Further, no Partner shall have any right to withdraw or make a demand for the withdrawal of any of such Partner's Capital Contribution (or the capital interest reflected in such Partner's Capital Account) until the full and complete winding up and liquidation of the Limited Partnership. X

Section 4.03. The Project's valuation is referenced in each Partner's subscription agreement. The project valuation will be adjusted to reflect actual sales, leasing, construction and development costs. Partnership percentage interests shall be revised upward or downwards as a percentage of the actual funds expended to complete the project. ✓

Section 4.04. Partner Capital Accounts. An individual Capital Account shall be maintained for each Partner in accordance with the requirements of the Code. Except as required by the Code, the Capital Account of each Partner shall consist of his Capital Contribution, as increased by any contribution of capital subsequent to his original contribution, and by such Partner's share of Limited Partnership income and gain allocated after the date hereof to such Partner, and as decreased by the amount of all cash and the fair market value of all property and assets distributed to such Partner, the amount of all losses allocated after the date hereof to such Partner, and any amounts charged under Section 4.05, and/or Section 10.08 to such Partner.

Section 4.05. Interest on Capital Contributions. No interest shall be paid to a Partner on Capital Contributions. Interest will be charged by the Limited Partnership to a Partner on the sum of any amounts charged to such Partner's Capital Account from obligations to the Limited Partnership or a General Partner arising under Section 10.08 concerning federal income tax withholding. The interest charged will be computed on a calendar year compounded basis at a rate equal to two percent above the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be collected by reduction of any distributions payable to the Partner immediately following the calculation of the year's interest by the General Partner. To the extent that there are no distributions against which the interest can be applied, then the interest will be charged to the Partner's Capital Account. This Section 4.05 will survive the termination of a Partner's status as a Partner.

4.06. Service of Secured Debt. Payments to service the Secured Debt shall be made by the General Partner out of its share of Available Cash Flow, Net Proceeds from a Capital Event, and sums distributed upon dissolution of the Limited Partnership. If such

amounts are insufficient to meet the terms of the Secured Debt, then the Managing General Partner's share of any such amounts (and the shares of any additional General Partners admitted to the Limited Partnership) shall be used. For the security of the Limited Partners, the Limited Partnership will service the Secured Debt directly out of the General Partners' shares of these items including the General Partners' Share of Distributions to Limited Partners as defined in Section 6.02(1)(b)(ii). If amounts required for service of the Secured Debt are in excess of the General Partners' shares of these items, then any one or all of the General Partner will timely pay such amounts from their own funds. This obligation will be the joint and several obligation of all General Partners. In the event the General Partners fail to repay the Secured Debt according to its terms, any or all of the Limited Partners may, at their option, pay the unpaid amount and receive interest at the rate described in paragraph 7.01(2) or convert the unpaid amount to equity based on a Limited Partnership valuation equal to total Partnership capital contributions including the loan proceeds. In the event of any conversion by one or more Limited Partners, the full increase in Limited Partnership Interest of the Limited Partners who convert will dilute solely the Limited Partnership Interest of the General Partners. The dilution will not affect the Interest of any Limited Partner.

ARTICLE V COMPENSATION FOR SERVICES

Section 5.01. General Partners' Fees. The Managing General Partners shall be entitled to collect a monthly management fee, which is billed to the tenants, equal to 4% of gross rental income. Additionally, the General Partner may charge the Partnership for commercially reasonable costs of operations such as accounting, administration and un-reimbursed property management fees.

ARTICLE VI ALLOCATIONS AND DISTRIBUTIONS

Section 6.01. Allocation of Income, gain, deductions and loss.

Except for any special allocations required or permitted by the United States Tax Code to ensure that all allocations hereunder have substantial economic effect, all items of income, gain, deductions and loss shall be allocated to the Partners in the same manner as their proportionate share of Available Cash Flow and Net Proceeds from a Capital Event as set forth below in Section 6.02 and in their Subscription Agreements. Any non cash items of income or expense (such as depreciation or amortization) will be allocated in accordance with each Partner's Interest in the Partnership.

Section 6.02. Distributions.

- (1) Distributions of Available Cash Flow

(a) General Partner Distribution and Limited Partner Distribution. Available Cash Flow shall first be distributed to the General Partners and the Limited Partners, pro rata in accordance with each class of Partners' Limited Partnership Interest in the Limited Partnership as set forth on Schedule A. For example, if the General Partners hold One Percent (1%) of the Limited Partnership Interests and the Limited Partners hold Ninety Nine Percent (99%) of the Limited Partnership Interests, then One Percent (1%) of the Available Cash Flow shall be distributed to the General Partners ("General Partner Distribution") and the remaining Ninety Nine Percent (99%) shall be distributed to the Limited Partners ("Limited Partner Distribution").

(b) General Partner Distributions.

(i) Distribution of General Partner Distribution. The General Partner Distribution shall be distributed monthly to the General Partners pro rata in accordance with each General Partner's Limited Partnership Interest.

(ii) Distribution of General Partner's Share of Distributions to Limited Partners. Any amounts distributable to the General Partners pursuant to **Section 6.02(1)(c)** herein shall be distributed monthly to the General Partners pro rata in accordance with the agreement for such division among the General Partners.

(c) Limited Partner Distributions. The Limited Partnership will distribute to each Limited Partner an amount equal to the Limited Partner Distribution multiplied by each Limited Partner's Limited Partnership Interest set forth on the attached Schedule A, then by multiplying the amount so obtained by each Limited Partner's applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. Distributions shall be made monthly and may only be made out of the accumulated balance of the operating profits of the Limited Partnership. In the event that the Limited Partner Distribution exceeds the aggregate of the distributions to all Limited Partners as calculated in this paragraph, then such excess shall be distributed to the General Partners.

(2) Distribution of Net Proceeds from a Capital Event or from Dissolution

The Net Proceeds from a Capital Event and/or a distribution from the dissolution of the Limited Partnership shall be distributed first to all Partners in accordance with each Partner's Limited Partnership Interest in the Partnership up to the amount of each Partner's original Capital Contribution as listed on Schedule A and then, the excess amount, if any ("Excess Amount"), shall be shared amongst the Partners. Each Limited Partner's share will be determined by multiplying the Excess Amount by the product of that Limited Partner's Interest multiplied by the applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. The share of the General Partners will be the amount of the Excess Amount remaining after the shares for all Limited Partners have been calculated. The amount determined in the immediately preceding sentence will be distributed to each General Partner in accordance with the agreement for such division among the General Partners.

Section 6.03. Deficit Capital Accounts at Liquidation. The Limited Partners shall have no liability to the Limited Partnership, to the General Partners, or to the creditors of the Limited Partnership on account of any deficit balance in their Capital Accounts upon liquidation of the Limited Partnership, provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligations described in Section 4.05 and/or Section 10.08 is required to pay to the Limited Partnership the amount of any negative balance in his Capital Account, but such payment shall not exceed the sum of the obligations under Section 4.05 and Section 10.08. This Section 6.03 will survive the termination of a Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

ARTICLE VII EXPENSES

Section 7.01. Limited Partnership Expenses. The Limited Partnership shall pay all costs and expenses of the Project which may include, but are not limited to:

- (1) All costs of personnel employed by the Limited Partnership or performing services for the Limited Partnership;
- (2) All costs of borrowed money including repayment of advances to the Partnership made by a Partner which shall be paid monthly, interest only, and repaid in one lump sum five years after the date of initial advance, at an interest rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate" plus 2%, taxes and assessments on Limited Partnership Property (except payments in connection with the Secured Debt used to finance the General Partners' Capital Contribution and secured by the Project) and other taxes applicable to the Limited Partnership;
- (3) Legal, audit, accounting, brokerage and other fees;
- (4) Printing and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents evidencing ownership of an Interest in the Limited Partnership or in connection with the business of the Limited Partnership;
- (5) Fees and expenses paid to contractors, mortgage bankers, brokers and services, leasing agents, consultants, on-site managers, real estate brokers, insurance brokers and other agents, including Affiliates of any General Partner;
- (6) Expenses in connection with the acquisition, preparation, operation, improvement, development, disposition, replacement, alteration, repair, remodeling,

refurbishment, leasing, and financing and refinancing of Limited Partnership Property (except any such expenses in connection with the Secured Debt or any refinancing of the Secured Debt).

(7) The cost of insurance obtained in connection with the business of the Limited Partnership;

(8) Expenses of organizing, revising, amending, converting, modifying or terminating the Limited Partnership;

(9) Expenses in connection with distributions made by the Limited Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with, Limited Partners;

(10) Expenses in connection with preparing and mailing reports required to be furnished to Partners for required tax reporting, or other purposes which the Managing General Partner deems appropriate; ✓

(11) Costs incurred in connection with any litigation, including any examination or audits by regulatory agencies; and ✓

(12) Costs of preparation and dissemination of informational material and documentation relating to potential sale, refinancing or other disposition of Limited Partnership Property. ✓

ARTICLE VIII POWERS, RIGHTS AND OBLIGATIONS OF GENERAL PARTNERS

Section 8.01. General Authority and Powers of the Managing General Partner. The Managing General Partner shall have the exclusive right and power to manage, operate and control the Limited Partnership and to do all things and make all decisions necessary or appropriate to carry on the business and affairs of the Limited Partnership. In addition to the specific rights and powers herein granted to the General Partners, the Managing General Partner shall possess and enjoy and may exercise all the rights and powers of a general partner as provided in the Act, including the full and exclusive power and authority to act for and to bind the Limited Partnership. The scope of the Managing General Partner's power and authority shall encompass all matters connected with or incident to the business of the Limited Partnership, including but not limited to the power and authority: ✕

(1) To spend and or invest the capital and revenue of the Limited Partnership to maximize return to the Limited Partnership, including the acquisition of the Project; ✓

(2) To manage, sell, develop, purchase, mortgage, improve, operate and dispose of Limited Partnership Property, including to act on behalf of the Limited Partnership ✓

with respect to any Limited Partnership or joint venture in which the Limited Partnership participates;

(3) To employ persons, firms and/or corporations for the sale, operation, management, syndication and development of Limited Partnership Property, including but not limited to sales agents, broker-dealers, attorneys and accountants;

(4) To employ agents, attorneys, accountants, engineers and other consultants or contractors who may be Affiliates of a General Partner; however, any employment of such persons must be on terms not less favorable to the Limited Partnership than those offered by unaffiliated persons for comparable services in the same area;

(5) To acquire and or sell personal or real property owned by the Limited Partnership or in which the Limited Partnership has an interest, lease real property, borrow on a secured or unsecured basis in the name of the Limited Partnership, grant Partnership property as security for a loan to the Partnership, hire and fire employees, to sign any documents required on behalf of the Limited Partnership, without the signatures or consents of the Limited Partners, required to carry out the duties of the Managing General Partner, and all other acts necessary, appropriate, or helpful for the operation of the Limited Partnership business;

(6) To appoint representatives to manage the day-to-day operations of the Limited Partnership;

(7) To execute, acknowledge and deliver any and all instruments to effectuate any of the foregoing powers and any other powers granted to the Managing General Partner under the laws of the State of Washington or other provisions of this Agreement;

(8) To enter into and to execute agreements for employment or services, as well as any other agreements and all other instruments the Managing General Partner deems necessary or appropriate to own, sell, improve, operate and dispose of Limited Partnership Property or to effectively and properly perform its duties or exercise its powers hereunder;

(9) To enter into such agreements and contracts with parties and to give such receipts, releases and discharges, with respect to the business of the Limited Partnership, which the Managing General Partner, in its sole discretion, deems advisable or appropriate;

(10) To purchase, at the expense of the Limited Partnership, such liability and other insurance as the Managing General Partner, in its sole discretion, deems advisable to protect the Limited Partnership's assets and business; however, the Managing General Partner shall not be liable to the Limited Partnership or the other Partners for failure to purchase any insurance, including earthquake insurance, unless such act or omission constitutes gross negligence or willful misconduct by a General Partner within the meaning of Section 8.04;

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(11) To sue and be sued, complain, defend, settle, and/or compromise, with respect to any claim in favor of or against the Limited Partnership, in the name and on behalf of the Limited Partnership; and

(12) To grant Limited Partnership real or personal property as security for a loan to the Limited Partnership, and sign all documents required to grant such security interests in Limited Partnership Property, without the signatures or consents of the Limited Partners provided that such borrowing is in furtherance of a Project purpose.

Section 8.02. Right of Public to Rely on Authority of Managing General Partner. No person, firm or corporation dealing with the Limited Partnership or any Limited Partnership or joint venture for which the Limited Partnership is a general partner or otherwise authorized to act, shall be required to inquire into the authority of the Managing General Partner to take any action, make any decision, or sign and deliver any document, instrument or deed. The Managing General Partner does not require an authorizing resolution from the Partners in order to grant Limited Partnership Property as security for an obligation of the Limited Partnership.

Section 8.03. Time Devoted to Limited Partnership; Other Ventures. The General Partners and the Managing General Partner shall devote so much of their time to the business of the Limited Partnership as in their judgment the conduct of the Limited Partnership's business reasonably requires. The General Partners and the Managing General Partner may engage in business ventures and activities of any nature and description independently or with others, whether or not in competition with the business of the Limited Partnership, and neither the Limited Partnership nor any of the other Partners shall have any rights in and to such independent ventures and activities or the income or profits derived there from by reason of the acquisition of Interests in the Limited Partnership. For example most of the development work for the Project will be conducted by a General Partner and its Affiliates.

Section 8.04. Liability of General Partners to Limited Partners and Limited Partnership. In carrying out their duties and exercising the powers hereunder, the General Partners shall exercise reasonable skill, care and business judgment. A General Partner shall not be liable to the Limited Partnership or the Limited Partners for any act or omission performed or omitted by them in good faith pursuant to the authority granted to them by this Agreement unless such act or omission constitutes gross negligence or willful misconduct by that General Partner. In exercising their powers hereunder, the General Partners recognizes their fiduciary responsibility to the Limited Partnership as set forth in Section 8.06 hereof. The General Partners shall be entitled to rely on the advice of counsel and public accountants experienced in any matter at issue, and shall not be liable, responsible or accountable in damages or otherwise to the Limited Partnership, or any Limited Partner for any action taken or failure to act on behalf of the Limited Partnership in good faith and in reliance on any such advice.

Section 8.05. Indemnification. The Limited Partnership shall indemnify and hold harmless the General Partners and the Managing General Partner from any loss or damage, including attorneys' fees actually and reasonably incurred by them, by reason of any act

performed by them on behalf of the Project or in furtherance of the interests of the Project; provided, however, that such indemnification or agreement to hold harmless shall be recoverable only out of the assets of the Project and not from the Limited Partners. The foregoing indemnity shall extend only to acts or omissions performed or omitted by a General Partner in good faith and in the belief that the acts or omissions were in the Limited Partnership's interests, or not opposed to the best interests of the Limited Partnership and which are not a result of negligence or willful or wanton misconduct on the part of that General Partner.

Section 8.06. Fiduciary Responsibility. The General Partners shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Limited Partnership.

ARTICLE IX **STATUS OF LIMITED PARTNERS**

Section 9.01. Participation in Management. Except as specifically provided herein, no single Limited Partner shall control the Limited Partnership's business or management or have any right or authority to act for or on the behalf of, or otherwise bind, the Limited Partnership (except a Limited Partner who may also be a General Partner and then only in its capacity as General Partner within the scope of its authority hereunder). Notwithstanding the above the Limited Partners shall form an advisory committee to consult and advise the General Partner with respect to the partnership business as defined in RCW 25.10.190(2)(f)(i) through (f)(x) except (f)(ii) and (f)(iii).

Section 9.02. Limitation of Liability. No Limited Partner shall have any personal liability whatever, whether to the Limited Partnership, to any Partners or to the creditors of the Limited Partnership, for the debts or obligations of the Limited Partnership or any of its losses beyond his Capital Contribution set forth opposite his name in Schedule A attached hereto; provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligation described in the last paragraph of Section 6.03, Section 4.05, and/or Section 10.08 is required to reimburse the Limited Partnership for the amount of any negative balance in his Capital Account, but such reimbursement shall not exceed the sum of the Partner's obligations under Section 6.03, 4.05, and Section 10.08. This Section 9.02 will survive the termination of an Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

Section 9.03. Death or Incapacity of Limited Partner. The death, legal incapacity, dissolution, termination, merger, consolidation or bankruptcy of a Limited Partner shall not cause dissolution of the Limited Partnership, but the rights of such Limited Partner to share in the profits and losses of the Limited Partnership, to receive distributions from the Limited Partnership and to assign an Interest in the Limited Partnership shall, on the happening of such an event, devolve upon such Limited Partner's executor, administrator, guardian, conservator, or other legal representative or successor, as the case may be, subject to the terms and conditions of this Agreement, and the Limited Partnership shall continue as a Limited Partnership. However,

in any such event such legal representative or successor, or any assignee of such legal representative or successor shall be admitted to the Limited Partnership as a Limited Partner only in accordance with and pursuant to all of the terms and conditions of **Article XI** hereof.

Section 9.04. Recourse of Limited Partners. Each Limited Partner shall look solely to the Project for all distributions with respect to the Limited Partnership and his Capital Contribution thereto and share of profits and losses thereof and shall have no recourse therefore, upon dissolution or otherwise, against the General Partners or any other Limited Partner, except to the extent of any required General Partner contributions to the Limited Partnership required by Section 4.06 ✓

Section 9.05. No Right to Property. No Limited Partner shall have any right to demand or receive any distribution from the Limited Partnership in any form other than cash, upon dissolution or otherwise.

Section 9.06. Voting Rights of Limited Partners. Subject to the provisions of **Article VIII**, the Limited Partners owning Interests constituting in the aggregate at least two-thirds of the Interests of all Limited Partners unless stated otherwise may, without the concurrence of the General Partners and in accordance with **Section 12.02** hereof, remove the Managing General Partner for cause and admit a substitute Managing General Partner. ✓

Section 9.07. Meetings of Limited Partners.

(1) Meetings of the Limited Partners to vote upon any matters on which the approval or consent of the Limited Partners is required or on which the Limited Partners are authorized to take action under this Agreement may be called at any time by the General Partners and shall be called by the General Partners within ten (10) days after receipt of a written request for such a meeting signed by one or more Limited Partners owning Interests constituting in the aggregate more than 30% of the Interests of all Limited Partners. Any such request shall state the purpose of the proposed meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. Meetings shall be held at the principal office of the Limited Partnership or at such place as may be designated by the General Partners or, if the meeting is called upon the written request of Limited Partners, as designated by such Limited Partners. ✓

(2) Notification of any meeting to be held pursuant to this **Section 9.07** shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting, to each Limited Partner at his record address, or at such other address which he may have furnished in writing to the Managing General Partner. Such notice shall be in writing; shall state the place, date and hour of the meeting; and shall indicate that the notice is being issued at or by the direction of the Partner or Partners calling the meeting. The notice shall state the purpose or purposes of the meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. If a meeting is adjourned to another time and place, and if an announcement of the adjournment of time or ✓

place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting. No notice of the time, place or purpose of any meeting of Limited Partners need be given to any Limited Partner who attends in person or is represented by proxy, except for a Limited Partner attending a meeting for the express purpose of objecting at the beginning of the meeting to the transaction or any business on the ground that the meeting is not lawfully called or convened, or to any Limited Partner entitled to such notice who, in a writing executed and filed with the records of the meeting, either before or after the time thereof, waives such notice.

(3) For the purpose of determining the Limited Partners entitled to notice of, or to vote at, any meeting or any adjournment thereof, or to vote by written consent without a meeting, the General Partners or the Limited Partners requesting such meeting or vote may fix, in advance, a date as the record date for any such determination of Limited Partners. Such date shall not be more than sixty (60) days nor less than ten (10) days before any such meeting or submission of a matter to the Limited Partners, the date on which notice of the meeting or submission of the matter to the Limited Partners for a vote by written consent is mailed shall be the record date for such determination of Limited Partners.

(4) Each Limited Partner may authorize any person or persons to act for him by proxy with respect to any matter in which a Limited Partner is entitled to participate, whether by waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Limited Partner. No proxy shall be valid after the expiration of twelve (12) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable by the Limited Partner executing it.

(5) Any matter for which the approval or consent of the Limited Partners is required or for which the Limited Partners are authorized to take action under this Agreement or under applicable law may be approved or action may be taken by the Limited Partners without a meeting and shall be as valid and effective as action taken by the Limited Partners at a meeting assembled, if written consents to such action by the Limited Partners are signed by the Limited Partners owning Interests constituting in the aggregate the Interests required to approve or otherwise authorize such action, and such written consents are delivered to the General Partners.

(6) Personal presence of the Limited Partners shall not be required at any meeting, provided an effective written consent to or rejection of the action proposed to be taken at such meeting is submitted to the Managing General Partner. Attendance by a Limited Partner and voting in person at any meeting shall revoke any written consents or rejections of such Limited Partner submitted with respect to action proposed to be taken at such meeting.

(7) Failure to vote either in person, by proxy or by written consent at a duly called meeting upon receipt of notice as provided for in this **Article IX** on matters for which approval of the Limited Partners are required by this Agreement shall be counted as an affirmative vote.

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ARTICLE X
BOOKS AND RECORDS, ACCOUNTING, REPORTS AND
STATEMENTS AND TAX MATTERS

Section 10.01. Books and Records. The Managing General Partner shall, at the expense of the Limited Partnership, keep and maintain, or cause to be kept and maintained, the books and records of the Limited Partnership using the method of accounting chosen by the Managing General Partner. All books and records of the Limited Partnership shall be kept at the principal office of the Limited Partnership.

Section 10.02. Annual Accounting Period. All books and records of the Limited Partnership shall be kept on the basis of an annual accounting period ending December 31 of each year, except for the final accounting period which shall end on the date of termination of the Limited Partnership. All references herein to the "fiscal year of the Limited Partnership" are to the annual accounting period described in the preceding sentence, whether the same shall consist of twelve months or less.

Section 10.03. Managing General Partner's Reports to Limited Partners. The Managing General Partner shall send at Limited Partnership expense to each Limited Partner the following:

(1) After the end of each fiscal year of the Limited Partnership, such information as shall be necessary for the preparation by such Limited Partner of his federal income tax return which shall include a computation of the distributions of such Limited Partner and the allocation to such Limited Partner of profits or losses, as the case may be; and

(2) A reasonable time after the end of each fiscal year of the Limited Partnership, an annual report, which shall include an income statement for and balance sheet of the Limited Partnership as of the fiscal year end.

Section 10.04. Right to Examine Records. Limited Partners shall be entitled, upon written request directed to the Managing General Partner, to (a) review the records of the Limited Partnership at all reasonable times and at the location where such records are kept by the Limited Partnership and (b) obtain a list of the names and addresses of the Limited Partners.

Section 10.05. Tax Matters Partner. The tax matters partner of the Limited Partnership shall be the Managing General Partner.

Section 10.06. Tax Returns. The Managing General Partner shall, at Limited Partnership expense, cause the Limited Partnership to prepare and file a United States Limited Partnership Return of Income and all other tax returns required to be filed by the Limited Partnership for each fiscal year of the Limited Partnership.

Section 10.07. Tax Elections and Adjustments. The Managing General Partner is authorized to cause the Limited Partnership to make, forego or revoke such elections or adjustments for federal income tax purposes as they deem necessary or advisable in their sole discretion, provided such elections or adjustments are consistent with federal income tax rules and principles, including but not limited to, in the event of a transfer of all or part of the Limited Partnership Interest of any Partner, an election pursuant to Section 754 of the Code to adjust the basis of the assets of the Limited Partnership or any similar provision enacted in lieu thereof. The Partners will, upon request, supply any information necessary to properly give effect to any such election or adjustment.

Section 10.08. Federal Income Tax Withholding. In the event any of the Partners are subject to Federal Income Tax withholding, the Managing General Partner is authorized to withhold any sums required by the Internal Revenue Code even if such withholding conflicts with any of the terms and conditions of this Agreement or otherwise affects distributions, allocations or payments to the Partners. In the event that the Managing General Partner learns of a withholding obligation subsequent to the distribution to which the withholding obligation relates, the Managing General Partner will issue an invoice to the Partner. If the invoice is not paid within sixty (60) days, the General Partner will charge the amount against the Partner's Capital Account. This Section 10.08 will survive the termination of a Partner's status as a Partner.

ARTICLE XI
TRANSFERS OF LIMITED PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF LIMITED PARTNERS

Section 11.01. General Prohibition. No Limited Partner may voluntarily, or involuntarily, directly or indirectly, sell, transfer, assign, pledge or otherwise dispose of, or mortgage, pledge, hypothecate or otherwise encumber, or permit or suffer any encumbrance of, all or any part of his Interest in the Limited Partnership, except as provided in this Article XI. Any other purported sale, transfer, assignment, pledge or encumbrance shall be null and void and of no force or effect whatsoever. X

Section 11.02. No withdrawal of Limited Partner. No Limited Partner shall have the right to withdraw from the Limited Partnership except as otherwise provided in this Agreement.

Section 11.03. Transfers by Limited Partners.

(1) Subject to any restrictions on transferability required by law or contained elsewhere in this Agreement, a Limited Partner may transfer his entire Interest in the Limited Partnership upon satisfaction of the following conditions:

(a) The transfer shall (A) be by bequest or by operation of the laws of intestate succession, or (B) be approved in writing by the Managing General Partner, which approval shall be withheld only if, in the reasonable judgment of the Managing General Partner,

the proposed transfer does not comply with the requirements of this **Article XI**, would jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, or would violate, or cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law;

(b) The transferor and transferee shall have executed and acknowledged such instruments as the Managing General Partner may deem necessary or desirable to effect such transfer;

(c) The transferor and transferee shall have provided, if requested by any General Partner, an opinion of counsel indicating that, in the opinion of said counsel, such transfer would not jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, and would not violate, nor cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law; and

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(d) The transferor has made all Capital Contributions to the Limited Partnership in accordance with **Article IV** hereof and has no further obligation to the Limited Partnership beyond his Capital Contribution as described in Section 9.02.

(2) At the time of a transfer of any Limited Partner's Interest, whether or not such transfer is made in accordance with this **Section 11.03**, all the rights possessed as a Limited Partner in connection with the transferred Interest, which rights otherwise would be held either by the transferor or transferee, shall terminate against the Limited Partnership unless the transferee is admitted to the Limited Partnership as a Limited Partner pursuant to the provisions of **Section 11.04** hereof; provided, however, that if the transfer is made in accordance with this **Section 11.03**, such transferee shall be entitled to receive distributions to which the transferor would otherwise be entitled as of the effective date of such transfer, which date shall be specified by the Managing General Partner and shall be no later than the last day of the calendar month following the first calendar month during which the Managing General Partner has received notice of the transfer and all conditions precedent to such transfer provided for in this Agreement have been satisfied. The Limited Partnership and the Managing General Partner shall be entitled to treat the transferor as the recognized owner of such Interests until such effective date and shall incur no liability for distributions made in good faith to the transferor prior to the effective date.

(3) In the event a Limited Partner transfers all of his Interest in the Limited Partnership, the transferor will cease to be a Limited Partner.

(4) If a General Partner purchases the Interest of a Limited Partner, such Interest shall be treated as a Limited Partnership Interest with respect to all allocations and distributions of the Limited Partnership.

(5) A transfer by a Limited Partner, including transfers of all or less than all rights hereunder, shall not relieve the transferor of obligations under this Agreement.

(6) Each of the Limited Partners, by executing this Agreement, hereby covenants and agrees that he will not, in any event, sell or distribute his Interest in the Limited Partnership or any portion thereof unless, in the opinion of counsel to the Limited Partner (which counsel and opinion shall be satisfactory to counsel for the Managing General Partner) such Interest in the Limited Partnership may be legally sold or distributed in compliance with applicable federal and state securities laws.

(7) Notwithstanding any other provision of this Agreement, a Limited Partner may not transfer his Interest in any case if such a transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code, unless such transfer shall be expressly approved by the Managing General Partner.

Section 11.04. Admission of Transferees as Limited Partners.

(1) No transferee of a Limited Partner shall be admitted as a Limited Partner unless all of the following conditions have been satisfied:

(a) The transfer complies with **Section 11.03** and the transferor Limited Partner gives the transferee the right to become a Limited Partner;

(b) The prospective transferee has executed an instrument, in form and substance satisfactory to the Managing General Partner, accepting and agreeing to be bound by all the terms and conditions of this Agreement, including the power of attorney set forth in Article XIV hereof, and has paid all expenses of the Limited Partnership in effecting the transfer;

(c) All requirements of the Act regarding the admission of a transferee limited partner have been complied with by the transferee, the transferring Limited Partner, and the Limited Partnership;

(d) Such transfer is effected in compliance with all applicable state and federal securities laws; and

(e) The transferee executes all documents reasonably required by the Managing General Partner.

(2) In the event of a transfer complying with all the requirements of **Section 11.03** hereof and the transferee being admitted as a Limited Partner pursuant to this **Section 11.04**, the Managing General Partner, for himself as a General Partner and for each Limited

Partner pursuant to the Power of Attorney granted by each Limited Partner, shall execute and file an amendment to this Agreement. Unless named in this Agreement, as amended from time to time, no person shall be considered a Partner; and the Limited Partnership, each Partner, and any other person having business with the Limited Partnership need deal only with Partners so named and shall not be required to deal with any other person by reason of a transfer by, or by reason of the death of, a Partner, except as otherwise expressly provided herein.

ARTICLE XII
TRANSFERS OF GENERAL PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF GENERAL PARTNERS

Section 12.01. Withdrawal of General Partners. The General Partners may withdraw from the Limited Partnership by giving the Limited Partners written notice of withdrawal at least sixty (60) days prior to the effective date of the withdrawal. A General Partner who withdraws from the Limited Partnership may sell its Interest only in accordance with the procedures and limitations of **Section 12.03** hereof. In the event there is no such sale, or until such time as there is such a sale, a General Partner who has withdrawn shall have the same rights and be subject to the same limitations as a General Partner that has been removed pursuant to the provisions of **Section 12.03** hereof, and the interest of the withdrawn General Partner may be acquired by the other General Partners or by the Limited Partners in accordance with the procedures set forth in **Section 12.03** hereof.

Section 12.02. Removal, Bankruptcy, Dissolution, Death or Incompetency of General Partners. A General Partner shall cease to be a General Partner of the Limited Partnership upon the removal, bankruptcy, dissolution, death or incompetency of the General Partner and any of said Partners may be removed by the vote of the Limited Partners, under **Section 9.06** above, only for cause. For purposes of this **Section 12.02**, the term "cause" shall mean acts of the General Partners which constitute larceny, fraud, or a crime involving moral turpitude or failure to pay the Secured Debt according to its terms resulting in the initiation of foreclosure proceedings pursuant to the security agreement securing the Secured Debt.

Section 12.03. Transfer by General Partners; Admission of Additional or Successor General Partners. A General Partner may transfer his Interest, or any part thereof, and an additional or successor General Partner, as the case may be, shall be admitted to the Limited Partnership as follows:

(1) If a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to another then existing General Partner, such General Partner must obtain the consent of all of the other General Partners before effecting such sale or transfer. If the General Partner desiring to sell, transfer or assign its interest is the Managing General Partner, then a majority of the other General Partners, if there are three or more General Partners, and, if not, then two-thirds of the Limited Partners, must agree as to who is to become the new Managing General Partner before the proposed sale, transfer or assignment can be effected.

(2) Except as provided in **Section 12.03(3)**, if a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to a person or entity who is not then a General Partner, such transfer shall be permitted if, and only if, the proposed transferee is approved as a successor General Partner as follows:

(a) The admission of the transferee as a successor General Partner shall have been consented to by the other General Partners, and if none, by a two-thirds vote of the Limited Partners;

(b) If the proposed transferee is a non-natural person, it shall have provided the Limited Partnership evidence satisfactory to counsel for the Limited Partnership of its authority to become a General Partner;

(c) In the event that one or more General Partners shall be so designated and approved, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(3) Upon action taken by the Limited Partners to remove a General Partner in accordance with **Section 9.06** and subject to **Section 12.02**, Limited Partners owning Interests constituting in the aggregate two-thirds of the Interests of all Limited Partners may, without the concurrence of the General Partners, admit to the Limited Partnership one or more additional General Partners to replace the General Partner(s) to be removed. In the event that one or more additional General Partners shall be so admitted, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(4) Notwithstanding any other provision of this Agreement, the General Partners may not transfer any Interest in any case if such transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code unless such transfer shall be approved by Limited Partners owning Interest constituting in the aggregate a majority of the Interests of all Limited Partners in the Limited Partnership.

Section 12.04. Continuing Liability. In the event a General Partner withdraws from the Limited Partnership or sells, transfers or assigns its entire Interest pursuant to the provisions of this Agreement, such General Partner shall be, and shall remain, liable for all obligations and liabilities incurred by the General Partner prior to the effective date of such occurrence and shall be free of any obligation or liability incurred on account of the activities of the Limited Partnership from and after such effective date.

Section 12.05. Additional Conditions to Admission of General Partners. Notwithstanding any other provision of this Agreement, no additional or successor General Partner may be admitted to the Limited Partnership and no right of the Limited Partners to consent to or approve such admission shall have any effect whatsoever or be exercisable until and unless prior to such exercise the Limited Partnership shall have received an opinion of counsel satisfactory to the

Limited Partners (as hereinafter provided) to the effect that the giving of consent of the Limited Partners to such admission will not adversely affect the classification of the Limited Partnership as a Limited Partnership for federal income tax purposes. For purposes of this **Section 12.05**, an opinion of counsel will be deemed satisfactory to the Limited Partners if approved in writing by Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners.

Section 12.06. Purchase of Interest(s) of General Partners. Upon the removal, bankruptcy, dissolution, death or incompetency of a General Partner, the Limited Partnership Interest(s) of the General Partner(s) (hereinafter, for purposes of **Sections 12.02 and 12.06**, referred to as the "Terminated General Partner(s)") shall be purchased by the Limited Partnership for a purchase price determined in accordance with **Section 12.07** hereof. The purchase price of such Interest(s) shall be paid by the Limited Partnership to the Terminated General Partner(s) or his/their representative either, at the option of the Limited Partnership, in cash or by a promissory note of the Limited Partnership payable to such Terminated General Partner(s) or his representative in a face amount equal to said purchase price and containing provisions as would be usual and customary in a commercial promissory note, including provisions for interest at a rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be payable at the time of each installment of principal, which shall be payable in five (5) annual installments or as the Terminated General Partner(s) or his representative and the Limited Partnership may otherwise agree.

Section 12.07. Purchase Price of a Terminated General Partner(s) Interest. The fair market value of the Terminated General Partner(s)' Interest(s), for any reason other than for removal for cause, to be purchased by the Limited Partnership in accordance with **Section 12.06** above shall be determined by agreement between the Terminated General Partner(s) or his representative and the Limited Partnership. If the Terminated General Partner(s) or his representative and the Limited Partnership cannot agree upon the fair market value of such Limited Partnership Interest(s) within 90 days after the date of the Terminated General Partner(s) removal, bankruptcy, dissolution, death or incompetency, then the purchase price shall be the General Partner's percentage interest of the MAI appraised value of the Limited Partnership's assets and business, valued as a going concern without a minority discount determined as soon as possible after the end of the ninety day period above. In the event of removal for cause the purchase price of the terminated General Partner(s) interest shall be based on the formula set forth in this paragraph except that the value of any distributions to Limited Partners paid to the General Partner shall be reduced to zero.

ARTICLE XIII **DISSOLUTION, WINDING UP AND TERMINATION**

Section 13.01. Events Causing Dissolution. The Limited Partnership shall be dissolved and its affairs shall be wound up upon the happening of the first to occur of any of the following events:

hereof;

- ✓ (1) Expiration of the term of the Limited Partnership stated in **Section 1.05**
- ✓ (2) Entry of a decree of judicial dissolution pursuant to the Act;
- ✓ (3) The sale or other disposition of all or substantially all of the assets of the Limited Partnership;

(4) The removal, bankruptcy, dissolution, death or incompetency of the General Partner(s), unless:

✓ (a) At the time of the occurrence of any of such events there is at least one other additional or successor General Partner, in which case the business of the Limited Partnership shall be carried on by the remaining General Partner(s); or

✓ (b) Within 90 days of the occurrence of any such event, all Partners agree in writing to continue the business of the Limited Partnership and to the appointment of one or more General Partner(s) who shall succeed to all of the management rights and responsibilities of the General Partner(s) hereunder.

✓ Section 13.02. Bankruptcy of General Partner(s). For the purposes of this Agreement, the "bankruptcy" of a General Partner shall mean any of the following:

- (1) The General Partner makes an assignment for the benefit of creditors;
- (2) The General Partner files a voluntary petition in bankruptcy;
- (3) The General Partner is adjudicated as bankrupt or insolvent;
- ✓ (4) The General Partner files a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation;
- ✓ (5) The General Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Partner in any proceedings of the nature described in (4) above;
- ✓ (6) The General Partner seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Partner or of all or any substantial part of such Partner's properties;
- (7) The expiration of 90 days after the commencement of any proceeding against the General Partner seeking reorganization, arrangement, composition, readjustment,

liquidation, dissolution, or similar relief under any statute, law, or regulation, provided the proceeding has not been dismissed within such 90 day period; or

(8) The expiration of 60 days after the appointment without such General Partner's consent or acquiescence of a trustee, receiver, or liquidator of the General Partner or all or any substantial part of such General Partner's properties, provided the appointment is not vacated or stayed within such 60 day period, or if stayed within such 60 day period, then the expiration of sixty (60) days after the expiration of any such stay, provided the appointment is not vacated within such 60 day period.

Section 13.03. Winding Up. Upon dissolution of the Limited Partnership for any reason, the Managing General Partner, or any other party (the "Liquidator") designated by vote or written consent of Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners, if required, shall commence to wind up the affairs of the Limited Partnership and to liquidate its assets. The Partners shall continue to share income, gains, expenses, losses and all other items during the period of liquidation in the same proportion as before the dissolution. The Liquidator shall have the full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Limited Partnership Property pursuant to such liquidation. Pending such sales, the Liquidator or such other party shall have the right to continue to operate and otherwise deal with the assets of the Limited Partnership. A reasonable time shall be allowed for the orderly winding up of the business of the Limited Partnership and the liquidation of its assets and the discharge of its liabilities to creditors so as to enable the Liquidator to minimize the normal losses attendant upon a liquidation, having due regard to the activity and condition of the relevant markets for the Limited Partnership Property and general financial and economic conditions. Any Partner may be a purchaser of the Property of the Limited Partnership upon liquidation, including, without limitation, any liquidation conducted pursuant to a judicial dissolution or otherwise under judicial supervision; provided, however, that the purchase price and terms of sale are fair and reasonable to the Limited Partnership.

Section 13.04. Distributions. The proceeds of liquidation and any other funds of the Limited Partnership shall be distributed in the order of priority set forth in **Article VI** above.

Section 13.05. Certificate of Cancellation; Report; Termination. Upon the dissolution and commencement of winding up of the Limited Partnership, the Managing General Partner shall execute and file a certificate of cancellation of the Limited Partnership. Within a reasonable time following the completion of the liquidation of the Limited Partnership's assets, the Managing General Partner or such other party shall prepare and furnish to each Partner, at the expense of the Limited Partnership, a statement that sets forth the assets and liabilities of the Limited Partnership as of the date of complete liquidation and the amount of each Partner's distribution pursuant to Article VI hereof. Upon completion of the liquidation and distribution of all Limited Partnership funds, the Limited Partnership shall terminate and the Managing General Partner shall have the authority to execute and file all documents required to effectuate the termination of the Limited Partnership.

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**ARTICLE XIV
SPECIAL AND LIMITED POWER OF ATTORNEY**

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Section 14.01. Special and Limited Power of Attorney.

(1) The Managing General Partner shall at all times during the existence of the Limited Partnership have a special and limited power of attorney as the attorney-in-fact for each Limited Partner with power and authority to act in the name and on the behalf of each Limited Partner to make, execute, swear to, verify, acknowledge, correct and file the following documents and any other documents deemed by the Managing General Partner to be necessary for the business of the Limited Partnership:

✓ (a) This Agreement, and any amendments thereto; ✗

(b) Any certificate of Limited Partnership for the Limited Partnership and amendments thereto required or permitted or deemed advisable by the Managing General Partner to be made or filed on behalf of the Limited Partnership, and any and all certificates or other instruments necessary to qualify the Limited Partnership as a Limited Partnership;

(c) Any other instrument or document that may be required to be filed by the Limited Partnership under the laws of any state or by a governmental agency or which the Managing General Partner deems advisable to file; and

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(d) Any instrument or document which may be required to effect the continuation of the Limited Partnership and admission of an additional or substitute General or Limited Partner, or the dissolution and termination of the Limited Partnership (provided such continuation, admission or dissolution and termination are in accordance with the terms of this Agreement).

(e) Execute any and all documents necessary to enable the Managing General Partner to carry out powers of the Managing General Partner including but not limited to granting Limited Partnership Property as security for Limited Partnership obligations and sale or conveyance of Limited Partnership Property.

(2) This power of attorney is a special power of attorney coupled with an interest, is irrevocable, shall survive the death of each Limited Partner and is limited to those matters herein set forth.

**ARTICLE XV
MISCELLANEOUS**

NOTE Section 15.01. Amendments. Except as otherwise provided by law, this Agreement may be amended in any respect by the Managing General Partner without the written approval or consent of Limited Partners owning Interests in the Limited Partnership; provided however, that:

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OF GP
TO CHANGE
THIS
AGREEMENT

(1) Without the consent of Limited Partners to be adversely affected by the amendment, this Agreement may not be amended so as to change the Capital Contributions required, or rights and interests in profits, losses and distributions of any Partner; and ✓

(2) In the case of any provision hereof which requires the action, approval or consent of a specified Interest of Limited Partners, such provision may not be amended without the consent of the Limited Partners owning such specified Interests.

Section 15.02. Notices. Any notice, offer, consent or other communication required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been sufficiently given or made when delivered personally to the party (or an officer of the party) to whom the same is directed, or (except in the event of a mail strike) five (5) days after being mailed by first class mail, postage prepaid, if to the Limited Partnership or to the Managing General Partner, to the office described in **Section 1.03** hereof, or if to a General Partner or to a Limited Partner, to the address set forth in Schedule A attached hereto. Any Partner may change his or its address for the purpose of this **Section 15.02** by giving notice of such change to the Limited Partnership, such change to become effective on the tenth (10th) day after such notice is given.

Section 15.03. Governing Law; Survival of Rights; Severability of Provisions. This Agreement shall be governed by the internal laws of the State of Washington and shall, subject to the restrictions on transfer set forth herein, bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. If any provision of this Agreement is held to be invalid, the remainder of this Agreement shall not be affected thereby.

Section 15.04. Entire Agreement. This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understandings among them, oral or written, all of which are hereby cancelled. This Agreement may not be modified or amended other than pursuant to **Section 15.01** hereof.

Section 15.05. Captions; Pronouns. The paragraph titles or captions contained in this Agreement are inserted only as a matter of convenience of reference. Such titles and captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any provision hereof. All pronouns and any variation thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

Section 15.06. No Waiver. The failure of any Partner to seek redress for violation, or to insist on strict performance, of any covenant of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

Section 15.07. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one Agreement, binding on all of the parties hereto.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

MANAGING GENERAL PARTNER:

American Life Inc.


By: Henry Liebman

Its: President

TAB-2

618 Second Avenue Limited Partnership
(a Washington State Limited Partnership)

SUBSCRIPTION AGREEMENT

618 Second Avenue Limited Partnership
3223 3rd Avenue South, Suite 200
Seattle, Washington 98134-1943

Prospective Investor:

This Subscription Agreement is made by and between 618 Second Avenue Limited Partnership, a Washington State Limited Partnership (the Partnership), and the undersigned purchaser who is subscribing for the Partnership Interests as set forth below pursuant to the terms set forth in this Subscription Agreement.

The information contained herein is being furnished to determine whether the undersigned's Subscription Agreement to purchase an Interest complies with the requirements of Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and Rule 506 incorporated in Regulation D promulgated thereunder by the Securities and Exchange Commission, and the requirements of certain state securities laws. The undersigned understands that American Life Inc., the Partnership and its principals will rely upon the information contained herein for purposes of such determination.

SEC
compliance

The undersigned also understands and agrees that, although the Partnership will use its best efforts to keep the information provided in answers to this questionnaire strictly confidential, the Partnership may present this questionnaire and the information provided in answers to it if the Partnership reasonably believes such disclosure is necessary (a) to establish the availability under any federal or state securities laws of an exemption from registration of the offering of Interests, or (b) to defend or promote the best interests of the Partnership in connection with any action, suit or proceeding to which the Partnership is a party or by which it is or may be bound.

Interests will be sold only to individuals or Entities that are Accredited Investors (as defined in Rule 501 incorporated in Regulation D). In general, an individual, or a partnership, corporation, trust or other entity investor (herein called an "Entity"), is an Accredited Investor if (i) such individual or Entity purchases an Interest in the Partnership of at least the minimum permitted investment in the Partnership, provided, that, in the case of an individual, such individual (either individually or jointly with his or her spouse) has a net worth (i.e., total assets in excess of total liabilities) of at least
(b)(4) or, in the case of an Entity, such Entity has a net worth equal to at least
 or (ii) each of the equity owners of such Entity (i.e., partners, shareholders or, in the case of a trust, the grantor of a revocable trust) is one of the following types of

Accredited Investor: (a) an individual whose net worth (either individually or jointly with his or her spouse) exceeds [redacted] (b) an individual who had an individual income (not joint with his or her spouse) in each of most recent 2 tax years in excess of [redacted] (b)(4) [redacted] for each of the most recent two years or joint income with his or her spouse in excess of [redacted] in each of those years and reasonably expects to achieve the same level in the current year, (c) individual who is a General Partner of the General Partner of the Partnership, or (d) one of the Accredited Investors referred to in the following sentence and described below. Certain institutional investors, private business development companies and tax-exempt organizations also may qualify as Accredited Investors. All investors by signing this agreement warrant that they are Accredited Investors.

I. AGREEMENT TO PURCHASE AND ADMISSION AS A LIMITED PARTNER

A. **Purchase.** Subject to the terms and conditions hereof, the undersigned hereby irrevocably agrees to purchase the partnership interest set forth in Subsection A (3) herein.

(b)(4)

[redacted]

Payment in full for the Partnership interests purchased accompanies the delivery of this Subscription Agreement (A Capital Contribution).

EB-5
INVESTORS
\$500K IN
CAPITAL
INVESTMENT
+ \$25K FEE
FEE'S

1. Partnership Acceptance of Subscription Agreement. The undersigned agrees that the Partnership may reject any subscription in its sole and absolute discretion within 15 days of receipt, and in particular, from any proposed subscriber who is not an accredited investor or who either alone or with his purchaser representative fails to meet the sophistication requirements set forth in Section II(A).

The Partnership shall notify the undersigned that it has accepted the subscription herein by delivering to the undersigned a signed copy of this Subscription Agreement.

2. Capital Contributions. Capital Contributions shall be made payable to The 618 Second Avenue Limited Partnership, delivered with this fully executed Subscription Agreement to the offices of the Partnership, at the address listed above. In the event the subscription is not accepted in whole or in part by the Partnership, the full or ratable amount, as the case may be, of any Capital Contribution received will be promptly refunded to the subscriber without deduction from or interest on the Capital Contribution.

3. Purchase Terms:

AMOUNT OF SUBSCRIPTION

INCLUDING SYNDICATION FEE: USD\$ _____

PROPERTY VALUE TO

CALCULATE PERCENTAGE: Your capital contribution including the syndication fee.

PROPERTY VALUATION:

(b)(4)

NAME(S) UNDER WHICH
TITLE SHALL BE HELD: _____

ADDRESS _____

TELEPHONE/FAX _____

EMAIL _____

DATE OF BIRTH _____

ALIEN NUMBER (IF APPLICABLE) _____

U.S. SOCIAL SECURITY NUMBER

OR U.S. TAXPAYER ID NUMBER _____

YOU MAY WIRE YOUR CAPITAL CONTRIBUTION TO:

Credit Bank: Citibank, NA
111 Wall Street (b)(4)
New York, NY 10005

ABA Number:
Credit Account:
Credit Account Name:
For Further Credit to:

For Benefit of: 618 Second Avenue Limited Partnership
[investor's name], OR

You may mail your check payable to 618 Second Avenue Limited Partnership, and deliver the check and completed Subscription Agreement to:

618 Second Avenue Limited Partnership
Attn: Henry Liebman
3223 3rd Avenue South, Suite 200
Seattle, Washington 98134-1943

B. **Admittance as Limited Partner.** Upon the Partnership's acceptance of this Subscription Agreement and receipt of your Capital Contribution, the undersigned shall be admitted as a Limited Partner of the Partnership. The undersigned acknowledges the receipt of a true and correct copy of the Partnership Agreement and agrees to be bound by its terms. Your Capital Contribution shall be used to further the business purposes of the Partnership as set forth in the Partnership Agreement.

C. **Investment Terms.** FOR A COMPLETE DESCRIPTION OF THE INVESTMENT TERMS AND HOW CASH WILL BE DISTRIBUTED PLEASE REFER TO THE PARTNERSHIP AGREEMENT.

(b)(4) You will receive each month a distribution of Available Cash Flow equal to [redacted] of your pro rata share of the Total Distribution for Limited Partners with respect to income distributions.

You will receive upon the occurrence of a Capital Event your pro rata share of the Net Proceeds from a Capital Event multiplied by [redacted]

This is a long-term investment with no redemption option.

(b)(4) The Capital Appreciation Percentage as referenced in Article 6.02(2) of the Limited Partnership Agreement is [redacted] for purposes of capital gain distributions distributing Net Proceeds from a Capital Event and [redacted] for purposes of income distributions described distributing Available Cash Flow as set forth in 6.02(1)(c).

~~X~~ D. **Eb5 Investors** NOTE EB-5 INVESTORS.

1. Independent Counsel. Investor shall hire an Independent Counsel for immigration processing and other legal matters. Investor shall be responsible for payment of legal fees and costs.

2. Filing the Immigration Petition. American Life Inc. shall use its best efforts to assist Investor's Counsel for the filing of Investors I-526 and I-829 petitions, and verifying required direct and indirect employment until the removal of Investor's conditional permanent residency. The General Partners shall not charge additional fees to assist the Investors permanent residence application.

~~X~~ 3. Visa Denial. If the Investor's I-526 or I-829 petition is denied, American Life, Inc. shall pay back Investor's original capital investment in cash within ninety days of Investor's written request. In the event any visa petition is denied, the Investor's rights are limited to return of the principal sum of invested capital only.

The returned \$500,000 capital investment is separate from any previously paid or

NOTE Amendment
PAGE
which deletes Ref.
to 829 @ p. 18

currently due limited partnership distribution.

4. American Life, Inc. agrees that it will not sell the property Investor relies upon for Eb5 visa approval until removal of Investor's conditional permanent residence status.

(b)(4) **Partnership interests are available on a first-come first-serve basis. Those who need additional time to gather investment capital may make a non-refundable deposit of [REDACTED] to raise capital. The deposit will be forfeited if subscription amount due is not received by the Partnership within the 90-day period. We recommend assessing availability before engaging professional assistance.**

E. General Partner's Warranties. The General Partner hereby represents and warrants that the Limited Partnership is duly organized, registered and in good standing in the State of Washington and that the Partnership shall comply with all applicable laws and regulations with respect to the Partnership.

II. REPRESENTATIONS AND WARRANTIES

The undersigned hereby represents and warrants to the Partnership as follows:

- A. That the offer to sell the Partnership Interests was directly communicated to the undersigned by the Partnership through the Memorandum and meetings with the General Partner of the Partnership in such a manner that the undersigned was able to ask questions of and receive answers from the Partnership or a person acting on its behalf concerning the terms and conditions of this investment. At no time was the undersigned presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.
- B. That the undersigned is the sole and true party in interest and is not subscribing for the benefit of any other person. If the undersigned is a corporation, partnership or other entity, the undersigned was not organized for the purpose of acquiring the Partnership Interests. If the undersigned is an individual, he or she is twenty-one (21) years of age or over.
- C. That the Partnership Interests are being purchased for the undersigned's own account solely for investment, and with no present intention to distribute any of the Partnership Interests to any other person.
- D. That the undersigned understands that the Partnership Interests are not being registered under the Securities Act of 1933, as amended (Securities Act) in reliance upon the so-called "private offering" exemption provided by Section 4(2) the Securities Act and/or Regulation D promulgated pursuant to the Securities Act, and that the Partnership is basing its exemption in part on the representations,

warranties, statements and agreements contained herein and those of other subscribers contained in similar subscription agreements.

- E. That the undersigned is an Accredited Investor within the meaning of Rule 501 of Regulation D promulgated pursuant to the Securities Act; or, if not an Accredited Investor, the undersigned is sophisticated and has, either alone or together with a Purchaser Representative, such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of a prospective investment in the Partnership Interests.

The undersigned understands that if a Purchaser Representative is used, the Purchaser Representative must complete, and the undersigned must review and acknowledge, a separate Purchaser Representative Questionnaire and Purchaser Acknowledgment, which must be returned to the Partnership prior to acceptance of this Subscription Agreement.

- F. That the undersigned understands that the Partnership Interests have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed or reviewed the accuracy or determined the adequacy of the information set forth in the Memorandum.
- G. That the undersigned understands that the Partnership Interests are characterized as a restricted securities under the Act and applicable state securities laws inasmuch as they are being acquired from the Partnership in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be transferred or resold without registration under the Securities Act and applicable state securities laws only in certain limited circumstances.
- H. That prior to executing this Subscription Agreement, The undersigned confirms that all documents requested by the undersigned have been made available, and that the undersigned has been supplied with all of the additional information concerning this investment that has been requested.
- I. That the undersigned has carefully considered and has, to the extent the undersigned considers necessary, discussed with the undersigned's professional legal, tax and financial advisers the suitability of an investment in the Partnership for the undersigned's particular tax and financial situation.
- J. That the undersigned has adequate means of providing for current needs and personal contingencies, and is aware that an investment in the Partnership Interests is highly speculative and subject to substantial risks. The undersigned is capable of bearing the high degree of economic risk and burden of this investment, including but not limited to, the possibility of the complete loss of all contributed capital and the limited transferability of the Partnership Interests.

- K. That the undersigned understands that the Partnership prepared pro formas and estimates of possible revenues and expenses and the possible consequent financial returns the Partnership could experience if such revenues and expenses were achieved. The undersigned understands that the Partnership is still in an early stage of development and has no history of achieving such revenues. The Partnership estimates are based on a good faith belief of what the Partnership can accomplish if it is able to obtain adequate financing and is able to commence and maintain operations in accordance with its current business plan. The *pro formas* were not prepared by any independent accountant and were not prepared with a view toward compliance with the Association of Independent Certified Accountants' guidelines for projections. The assumptions and estimates are uncertain and the actual results of the Partnership will vary from the projected results and could vary in a materially adverse manner.
- L. That the undersigned, in making the decision to purchase the Partnership Interests subscribed for, relied upon independent investigations made by the undersigned and his or her Purchaser Representatives (if any), and the undersigned and such representatives (if any) have, prior to any sale to the investor, been given access and the opportunity to examine all material books and records of the Partnership, all material contracts and documents relating to this offering, and an opportunity to ask questions and receive answers from the Partnership or any person acting on its behalf concerning the terms and conditions of this offering, and an opportunity obtain any additional information, to the extent the Partnership possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any information provided.
- M. THAT THE UNDERSIGNED EITHER READS AND UNDERSTANDS ENGLISH OR HAD THIS SUBSCRIPTION AGREEMENT TRANSLATED BY A TRUSTED ADVISOR INTO A LANGUAGE THAT THE UNDERSIGNED DOES UNDERSTAND.
- N. That each representation and warranty of the undersigned contained herein and all information furnished by the undersigned to the Partnership, is true, correct and complete in all respects.

III. RISK FACTORS

AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES AN INVESTMENT IN THE PARTNERSHIP SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET

WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP.

- A. **Lack of Significant Operating History.** This Partnership is being formed for the specific purpose of acquiring this Project. Accordingly, neither the Partnership nor the General Partner has any operating history with respect to the Project. The General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.
- B. **Financial Projection.** Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections which are attached to the Memorandum are based upon what the General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership and the representations of seller as to past operations of the Project. No assurances can be made that these forecasts will prove to be accurate, and investors are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Partners percentage interest in the Partnership.
- C. **General Risks of Real Estate Ownership.** The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks;

condemnation of the Project and other factors which are beyond the control of the Partnership and the General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.

- D. **Leverage and Other Factors Relating to Financing.** Although the Partnership has no plans to borrow, emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.
- E. **Future Market Value of the Project.** The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes in tax laws and numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.
- F. **Distributions From Operations.** The General Partner has made qualified projections as to distributions to the Investors from operations. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be cash from operations available for distribution to the Investors. **Investors who borrowed all or part of their capital contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.**

G. General Tax Risks.

Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since the investors generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

1. Changes in federal income tax laws;
2. Partnership status;
3. Taxable income in excess of distributions;
4. Allocation of tax items among Partners;
5. Allocation of purchase price;
6. Partnership termination;
7. At risk limitations;
8. Risk of audit;
9. Profit objective; and
10. Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the undersigned. Each prospective subscriber is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

H. Limited Transferability of Partnership Interests.

Except upon death, a Limited Partner may not assign, sell or transfer his Partnership Interests to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Partnership Interests and it is not anticipated that a market will develop for the purchase or sale of the Partnership Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

- I. **Illiquidity.** Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.
- J. **Limitation of General Partner's Liability.** Under the Washington Uniform Limited Partnership Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.
- K. **Limited Right to Participate in Management.** The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the General Partner, except as expressly provided in the Partnership Agreement.
- L. **No Independent Counsel.** No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each investor is therefore urged to consult with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.
- M. **Uninsured Losses; Casualty Insurance.** Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.
- N. **Environmental Risks.** The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from

the Project. The SODO area is an older industrial area generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government.

O. Potential Conflict of Interest. The obligations of the General Partner to the Partnership is not exclusive, and the General Partner need only devote so much time to the Partnership's affairs as the General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The General Partner will from time it will be involved in approximately twenty-five (25) other properties that may compete with the Project. Commitments undertaken by the General Partner in connection with such other properties could adversely affect its ability to manage the Project.

P. Immigration Risks

- 1) Congress and or USCIS may change the law, regulations, or interpretations of the law without notice and in a manner that may be detrimental to an Investor or the Partnership.
- 2) It is impossible to predict visa-processing times. Investors should not physically move to the United States until their visa has been issued.
- 3) Investors who obtain permanent residence status must intend to make the United States their primary residence. Permanent residents who continue to live abroad risk revocation of their permanent residence status.
- 4) Removal of Conditional Status depends upon creating a combination of 10 direct and indirect jobs for each immigrant investor. Estimates of future direct and indirect employment are based upon Economic projections prepared by an economist. Market or other factors may make it difficult or impossible to achieve projected employment creation. 8CFR 216.6, in pertinent part, requires the alien to "create or can be expected to create with a reasonable period of time ten full-time jobs to qualifying employees". In the event of delay or in the event it is impossible to achieve predicted employment at the time of filing to remove conditional status an immigrant investor's removal of conditional status petition may be delayed or possibly denied.

Q. Construction Risks.

The project involves significant construction activity. Remodeling older buildings often involves surprises and unexpected problems. These problems may delay in construction which in turn delays the ability to generate cash flow and increase

costs which can significantly increase management's projected construction costs and reduce projected rates of return. Obtaining building permits is a time consuming process. In any event, it may be virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs.

IV. POWER OF ATTORNEY

The undersigned hereby irrevocably makes, constitutes and appoints American Life Inc., and each general partner of the Partnership, with full power of substitution its true and lawful attorney-in-fact in its name to execute and acknowledge (i) the Partnership Agreement in substantially the form enclosed herewith and to attach the limited partner execution page delivered herewith to such Partnership Agreement and thereby cause the undersigned to become a limited partner in the Partnership; and (ii) any document required to effect the formation or continuation of the Partnership or which counsel to the Partnership deems necessary or desirable to comply with any state or federal law. The power of attorney hereby granted is irrevocable and coupled with an interest and may be exercised by the attorney-in-fact for the undersigned as well as other limited partners of the Partnership by executing any instrument by use of the single signature of such attorney-in-fact acting for all the limited partners.

V. MISCELLANEOUS

- A. **Indemnification.** The undersigned hereby agrees to indemnify the Partnership and hold the Partnership harmless from and against any and all liability, damages, costs or expenses incurred on account of or arising out of:
1. Any inaccuracy in the declarations, representations, and warranties hereinabove set forth;
 2. The disposition of any of the Partnership Interests by the undersigned, contrary to the foregoing declarations, representations and warranties; and
 3. Any action, suit or proceeding based upon (i) a claim that the herein declarations, representations or warranties were inaccurate or misleading or otherwise a cause for obtaining damages or redress from the Partnership; or (ii) the disposition of any of the Partnership Interests or any part thereof, contrary to the foregoing, declarations, representations and warranties.
- B. **Confidentiality.** The undersigned acknowledges that the information contained in this Subscription Agreement and in the Memorandum, and which the undersigned receives orally or in writing from the Partnership is confidential and

non-public and agrees that all such information shall be kept in confidence by the undersigned unless disclosure is otherwise required by law or court order.

- C. **Binding Agreement.** The undersigned agrees that the undersigned may not cancel, terminate or revoke this Subscription Agreement or any agreement of the undersigned made hereunder, and that this Subscription Agreement shall survive the death or disability of the undersigned and shall be binding upon the heirs, successors, assigns, executors, administrators, guardians, conservators or personal representatives of the undersigned.
- D. **Defined Terms.** Capitalized terms not defined herein shall have the meaning as in the Partnership Agreement.
- E. **Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which shall be considered an original but all of which together shall constitute one and the same instrument.
- F. **Severability.** Every provision of this Subscription Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Subscription Agreement.
- G. **Non-waiver.** No provision of this Subscription Agreement shall be deemed waived except if such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.
- H. **Applicable Law.** This Subscription Agreement shall be interpreted and enforced in accordance with the federal laws of the United States of America and the state laws of the State of Washington, without giving effect to principles and provisions relating to choice of law.
- I. **Entirety of Agreement.** This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof.
- J. **Additional Information.** The undersigned shall supply the Partnership with such additional information and documentation as may be required in order to ensure compliance with applicable law, including, without limitation, the Securities Act and regulations promulgated thereunder.
- K. **Company Privacy Policy.** It is the Company policy of American Life, Inc. to protect the privacy of its investors. Therefore, the Company will not disclose the names of

investors to those outside of that limited partnership that each investor is invested in, unless required to do so by law. However, each investor has the legal right of access to names, contact information, and percentage ownership of the other investors within his/her Limited Partnership.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on the date set forth on the signature page, and desires to take title in the Partnership Interests (check one):

- ____ a. Individual (one signature required on the Signature Page);
- ____ b. Husband and Wife, as community property (one [1] signature required on the Signature Page if interest held in one [1] name, *i.e.*, managing spouse; two [2] signatures required on the signature Page if interest held in both names);
- ____ c. Joint Tenants with right of survivorship (both parties must sign Signature Page);
- ____ d. Tenants in Common (both parties must sign Signature Page);
- ____ e. Trust /Custodian must sign the Signature Page);
- ____ f. Partnership (general partner(s) must sign the Signature Page);
- ____ g. Corporation (authorized officer must sign on the Signature Page);
- ____ h. Limited Liability Partnership (authorized managing member must sign on Signature Page; in the event the Partnership is member managed, then all members must sign the Signature Page).

If subscriber is an individual or husband and wife:

Signature: _____

Signature of Spouse: _____

If subscriber is a Trust/Custodian:

a. Name: _____

b. Name: _____

c. Date formed: _____

d. Signature: _____

If subscriber is a Partnership:

a. _____
Name of Partnership

b. By: _____
Signature of General Partner

c. By: _____
Signature of Additional General Partner if required by Partnership Agreement

If subscriber is a Corporation:

a. _____
Name of Corporation

b. By: _____
Signature of Authorized Agent

c. _____
Title of Signer

If subscriber is a Limited Liability Company:

a. _____
Name of Limited Liability Company

b. By: _____
Signature of Authorized Agent

c. _____
Title of Signer

Additional Members' Signatures (if needed):

Signature of Member

Print Name

Signature of Member

Print Name

Signature of Member

Print Name

Signature of Member

Print Name

SUBSCRIPTION ACCEPTED this ____ day of _____, 2007.

618 Second Avenue Limited Partnership,
a Washington State Limited Partnership

By: American Life, Inc., a Washington Corporation
Managing General Partner

By: _____
Henry Liebman, President

TAB-3

NOTP
FIRST AMENDMENT TO THE

618 SECOND AVENUE SOUTH LIMITED PARTNERSHIP AGREEMENT

Whereas USCIS ruled that Exhibit B Subscription Agreement to the Limited Partnership Agreement (LPA) contained impermissible language in that it guaranteed a refund of an investor's capital in the event of a business failure;

Where as to comply with the USCIS ruling the General Partner exercised its powers to amend the Subscription Agreement pursuant to LPA Section 14 Special and Limited Power of Attorney;

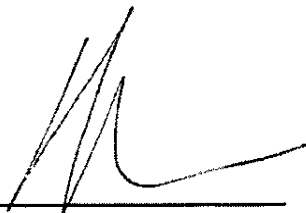
Now therefore the Subscription Agreement is hereby amended as follows:

The current Subscription Agreement Language from Subscription Agreement clause D 3

"3. Visa Denial. If the Undersigned's I-526 or I-829 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. In the event any visa petition is denied, the Undersigned's rights are limited to the return of the Capital Contribution of \$500,000 only. The syndication fee is not refundable."

is hereby amended to read as follows:

3. Visa Denial. If the Undersigned's I-526 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. **The Undersigned's rights are limited to the return of the Capital Contribution of \$500,000 only. The syndication fee is not refundable.**



8/12/08

Henry Liebman
President of American Life Inc.
Managing General Partner

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Affidavit

STATE OF WASHINGTON)
)SS
COUNTY OF KING)

I, Henry Liebman, being first duly sworn upon oath, depose and state:

X That I am the President of American Life Inc.;

That each EB5 immigrant investor in the 618 Second Avenue Limited Partnership will receive the letter attached hereto as Exhibit A;

That the letter will be enclosed with partnership distributions for the first month subsequent to the approval of said investors' I-526 petitions;

That USCIS (United States Citizenship & Immigration Services) may put a copy of the Exhibit A letter, along with a copy of this affidavit, into each investor's I-526 petition file to evidence receipt of the notice of the amendment to the Subscription Agreement of the 618 Second Avenue Limited Partnership; and

} NOTE
X

That the names of each immigrant investor are attached hereto.

Dated: 8/1/08

Henry Liebman,
President, American Life Inc.

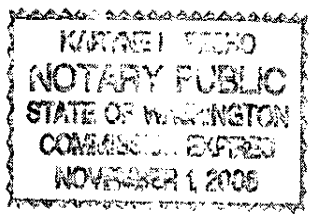
SUBSCRIBED and SWORN TO BEFORE ME on the day first above written.

[Handwritten Signature]

NOTARY PUBLIC in and for the State
of Washington residing in Bellingham.

Title: Notary Public

Expires: 01 November 2008



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EXHIBIT A

Dear Investor:

One of the reasons for the delay in approving your I-526 petition based on your investment in 618 Second Avenue South Limited Partnership is that USCIS objected to the language in the Subscription Agreement Section D3 where American Life Inc. guarantees a return of capital in the event the I-829 petition is denied. USCIS views this clause as an impermissible guarantee of the investment in the event an I-829 petition is denied due to business failure. The language was designed to protect you against changes in government policy, change of law or interpretation of law and not to protect against business failure. It has always been impermissible to guarantee a business result. Read broadly the existing language in the Subscription Agreement could be read to protect against business failure. Pursuant to the powers granted to the Managing General Partner by the Limited Partnership Agreement Article 14 Special and Limited Power of Attorney, we agreed to remove "or I-829" from the language cited below. We made this change because it was necessary to obtain approvals for the I-526. We enclosed USCIS request with this letter. If this issue is material to your investment, we are obligated to offer rescission, therefore, please respond within 30 days of receipt of this letter if you chose to rescind your investment. If you do not respond within 30 days, your rescission rights will be waived.

*NOTP

The amended Subscription Agreement clause language D3 is set forth below:

"3. Visa Denial. If the Undersigned's I-526 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. **The Undersigned's rights are limited to the return of the Capital Contribution of \$500,000 only. The syndication fee is not refundable.**"

If you have any questions please feel free to contact us.

Henry Liebman
President of American Life Inc.
Managing General Partner

Page-20

TAB-4

(b)(4)

(b)(6)

(b)(4)

(b)(6)

TAB-5

(b)(4)

(b)(4)

(b)(4)

(b)(4)

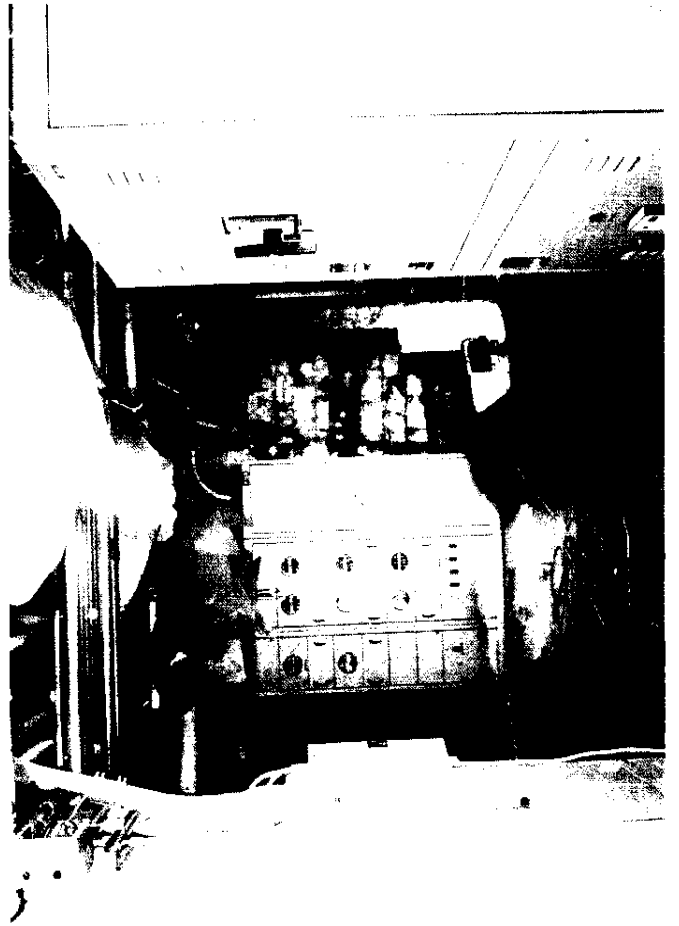
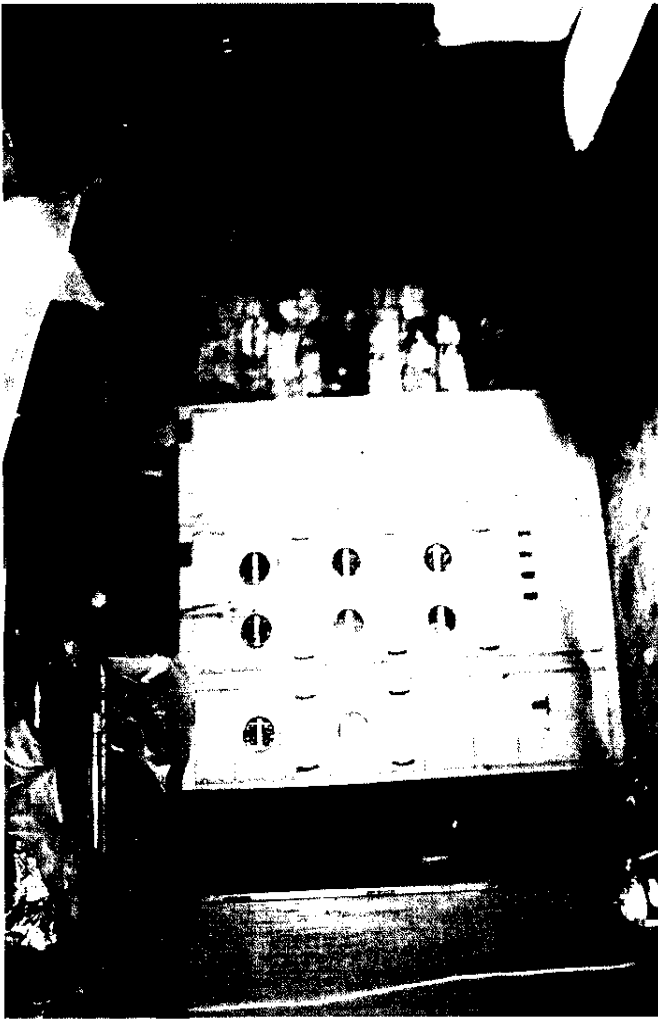
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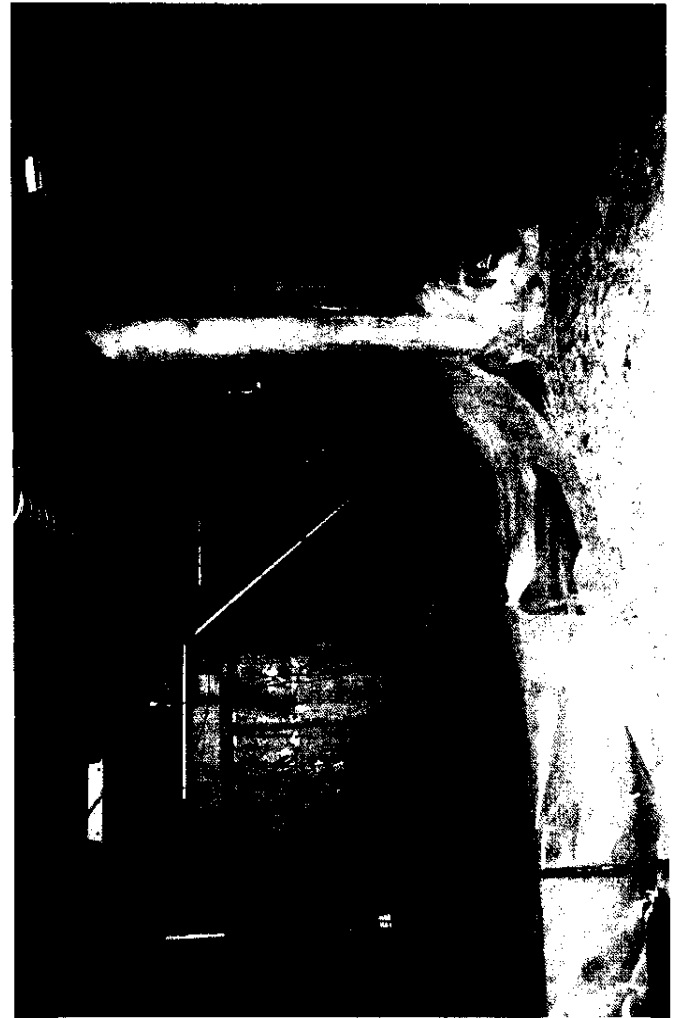
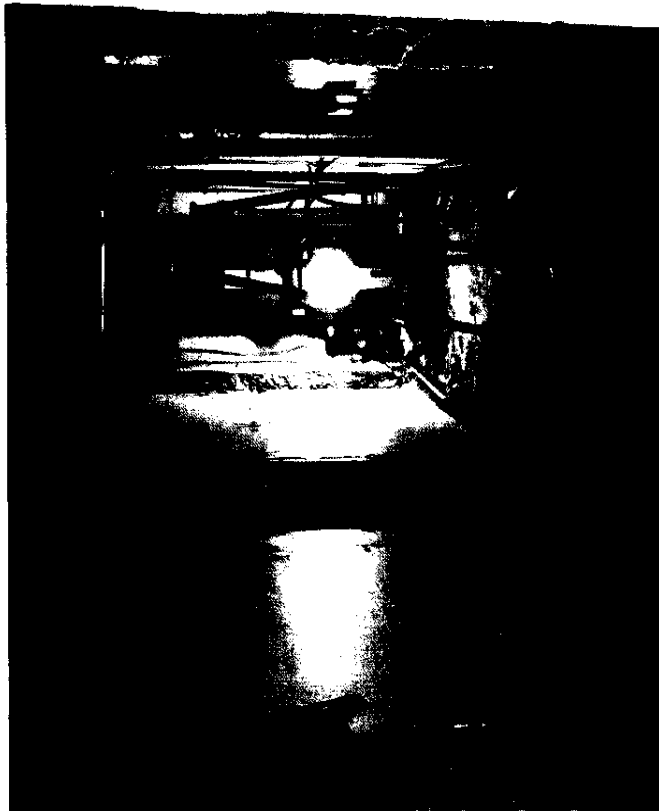
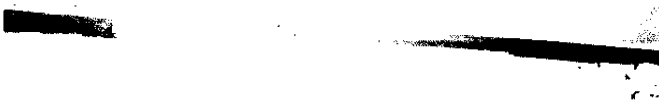
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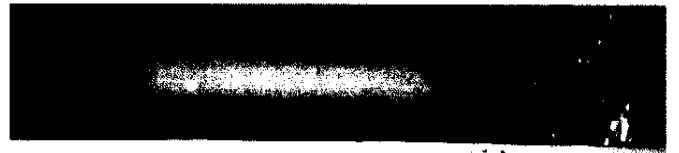
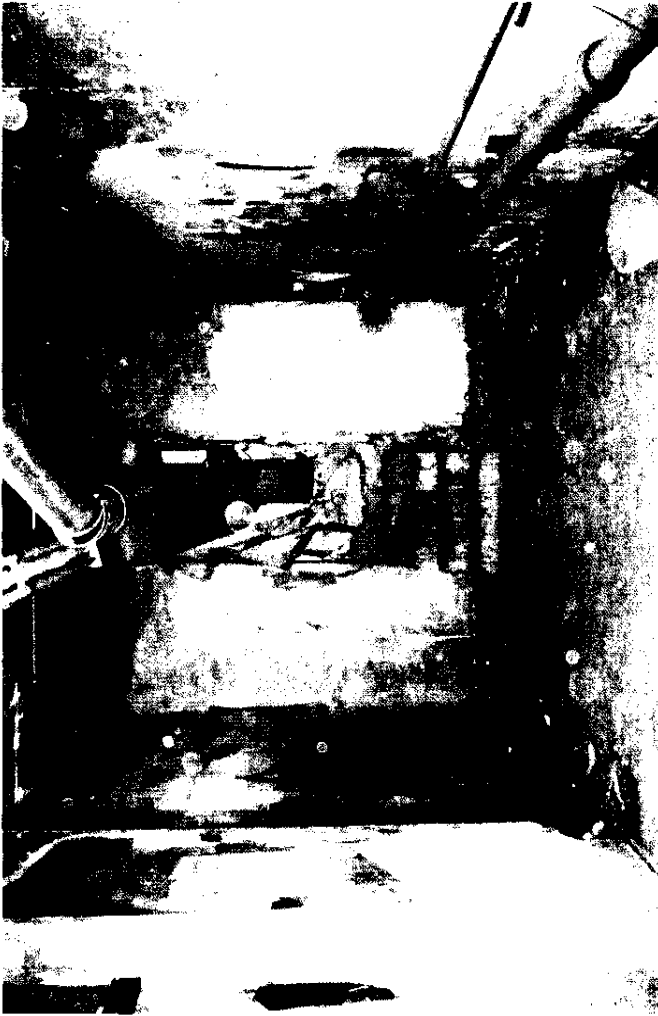
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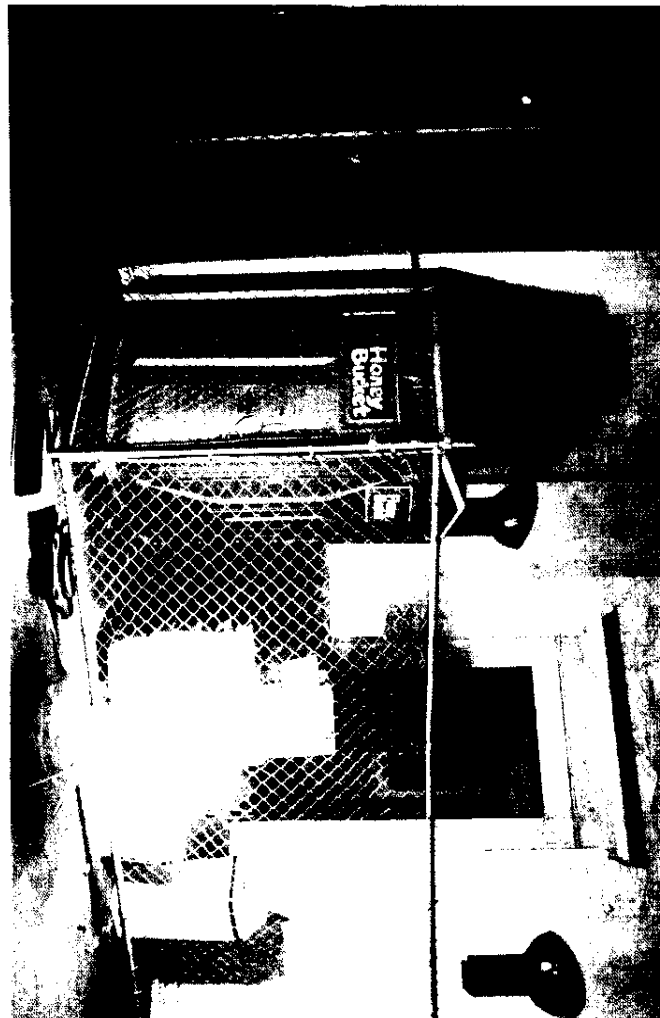
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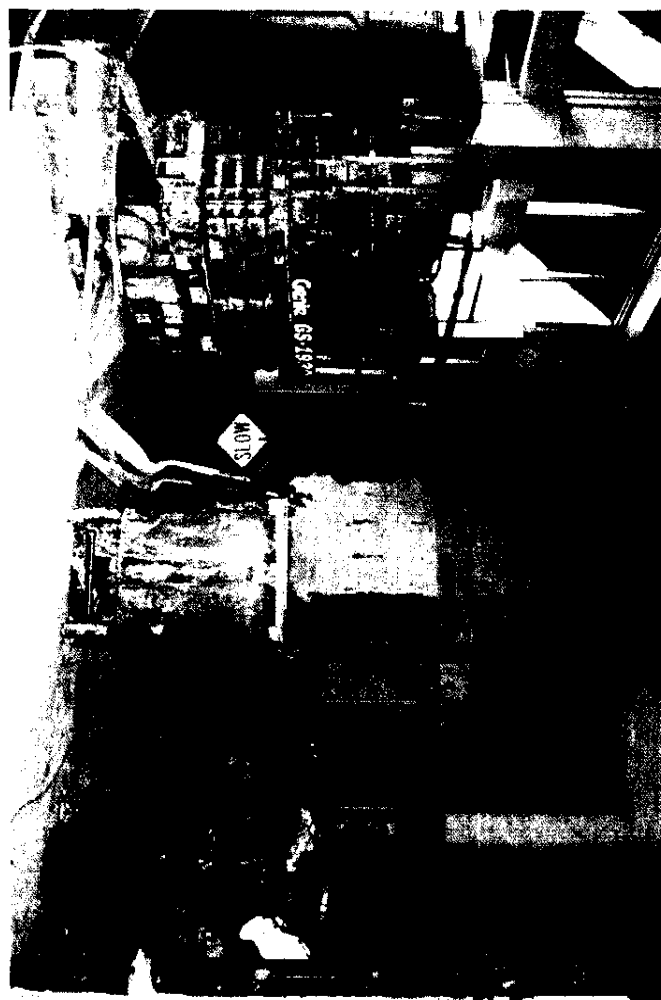
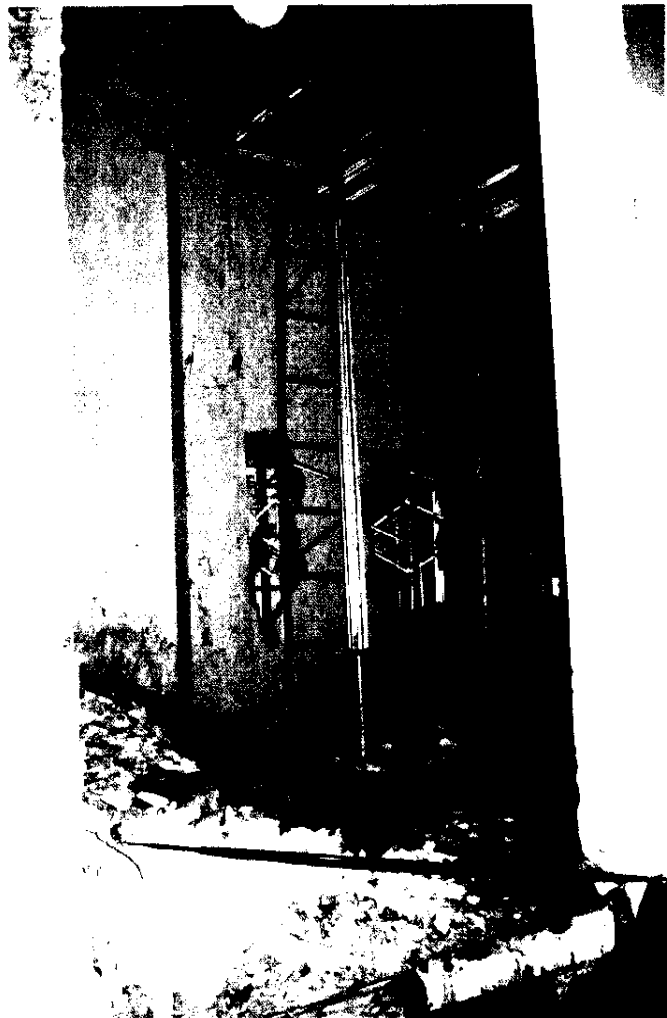
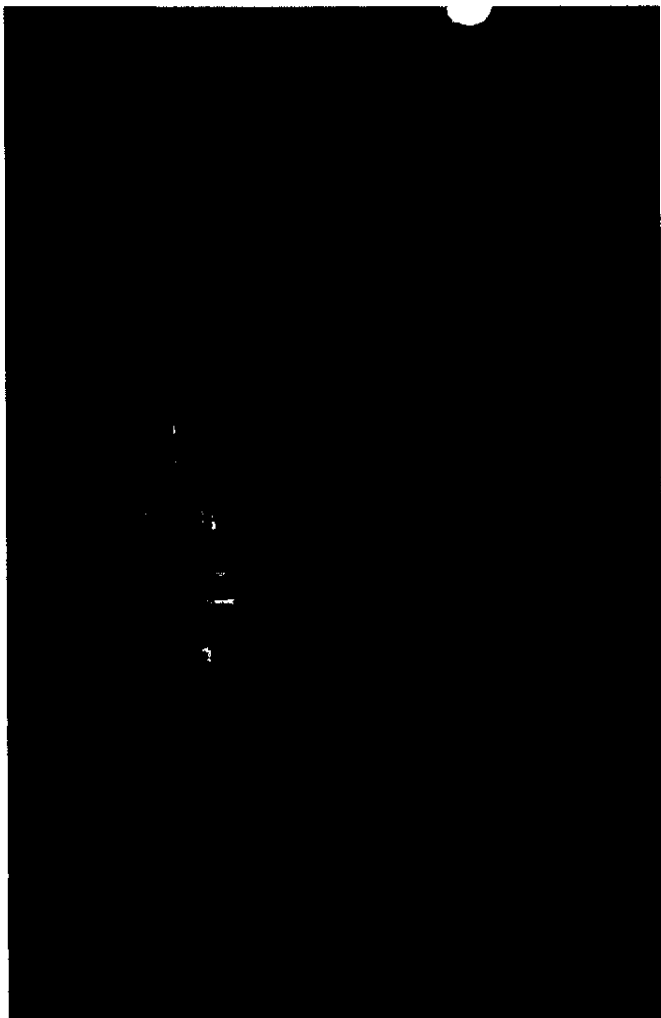


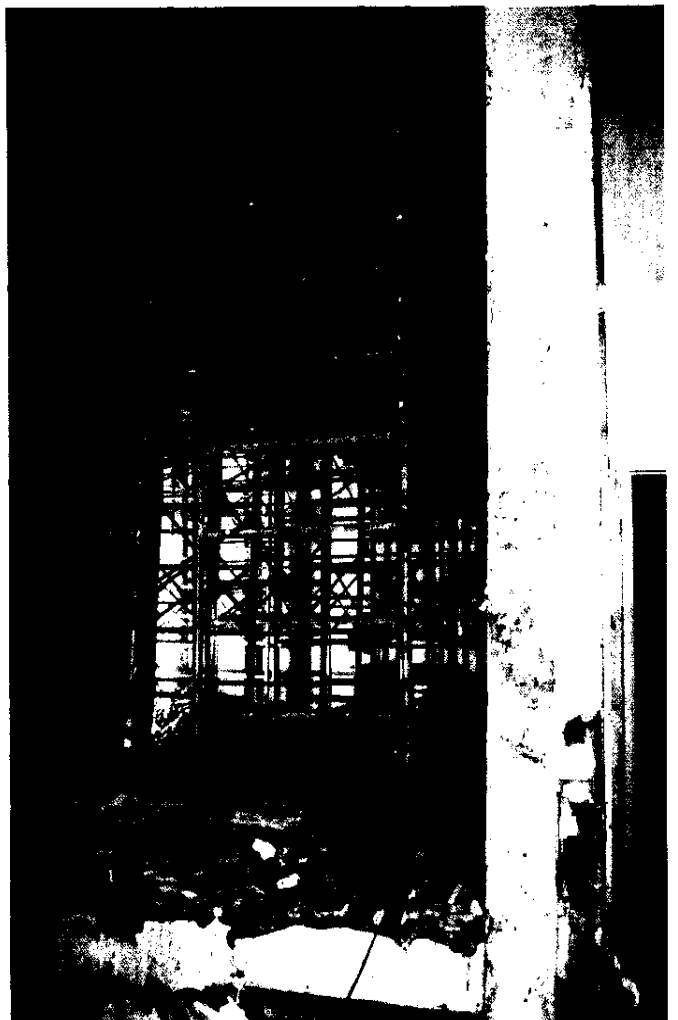
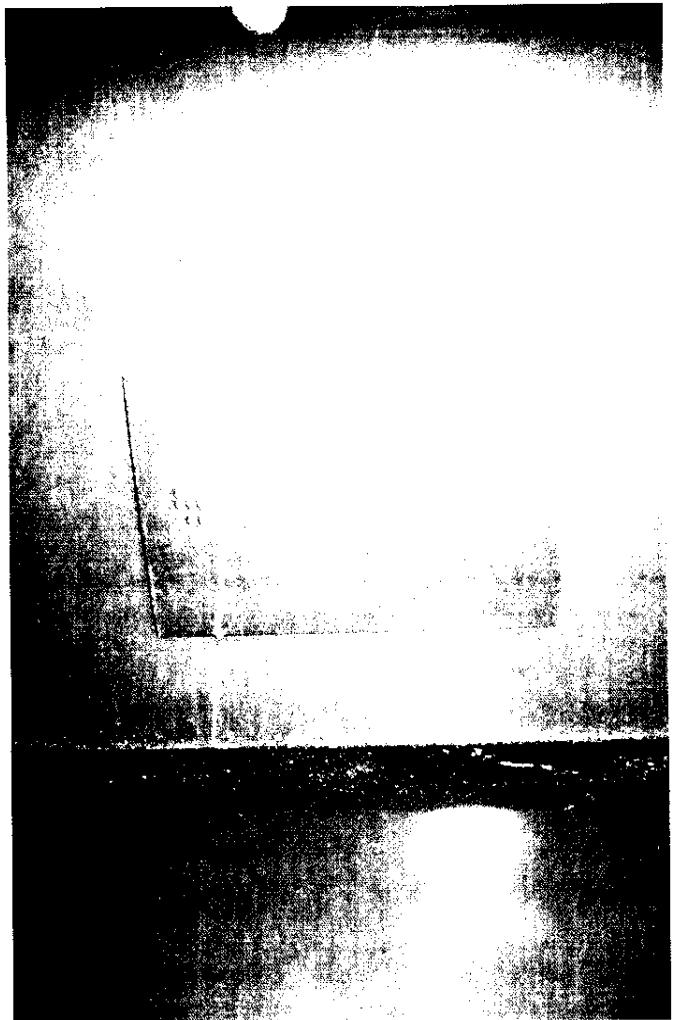
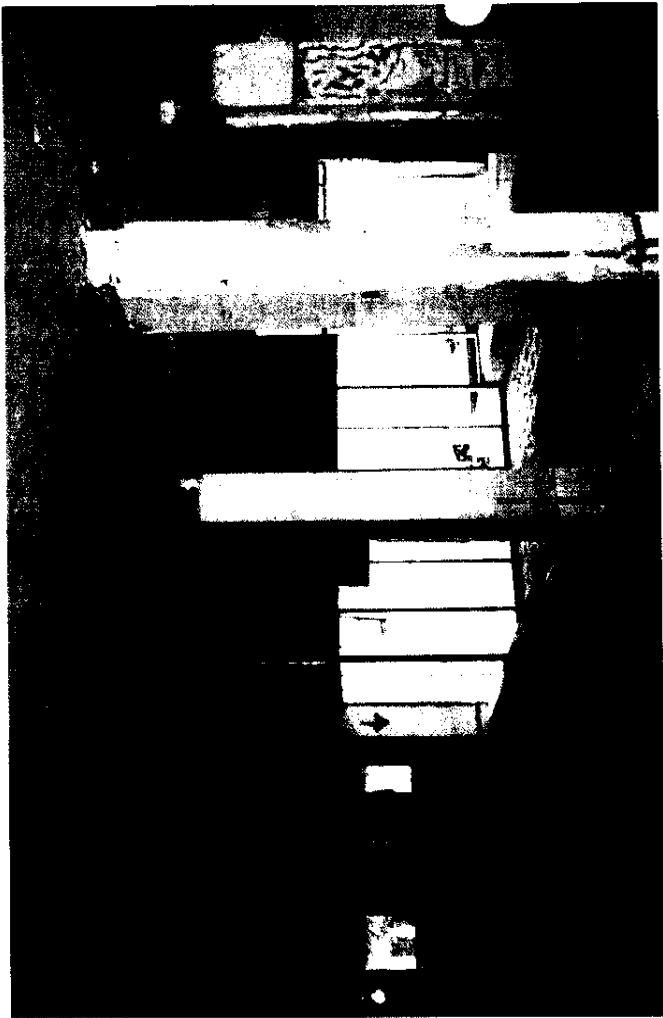


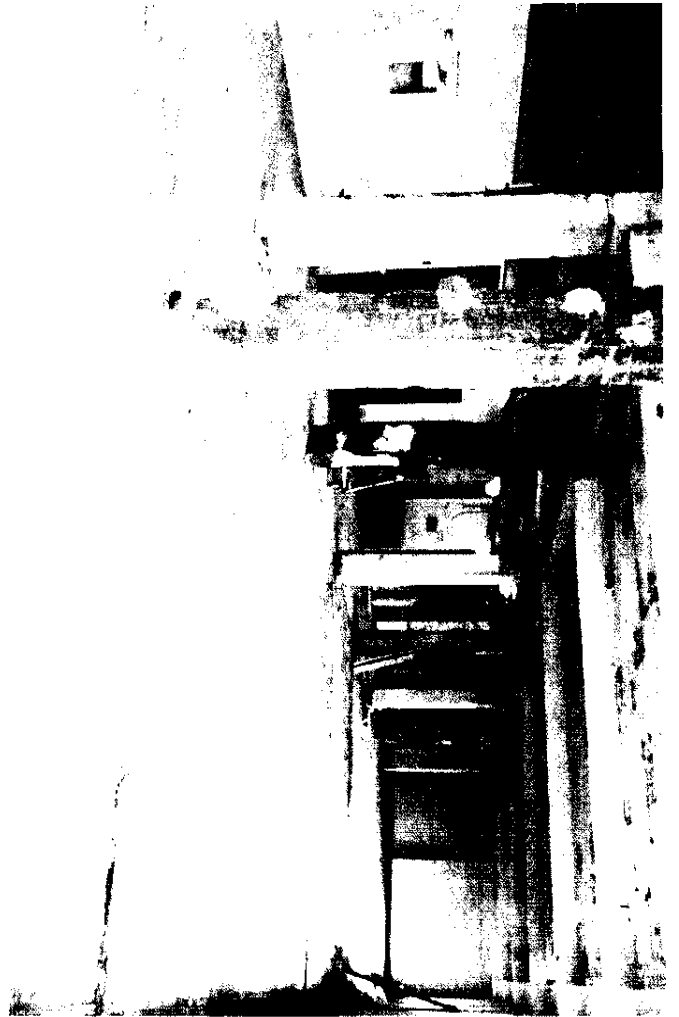
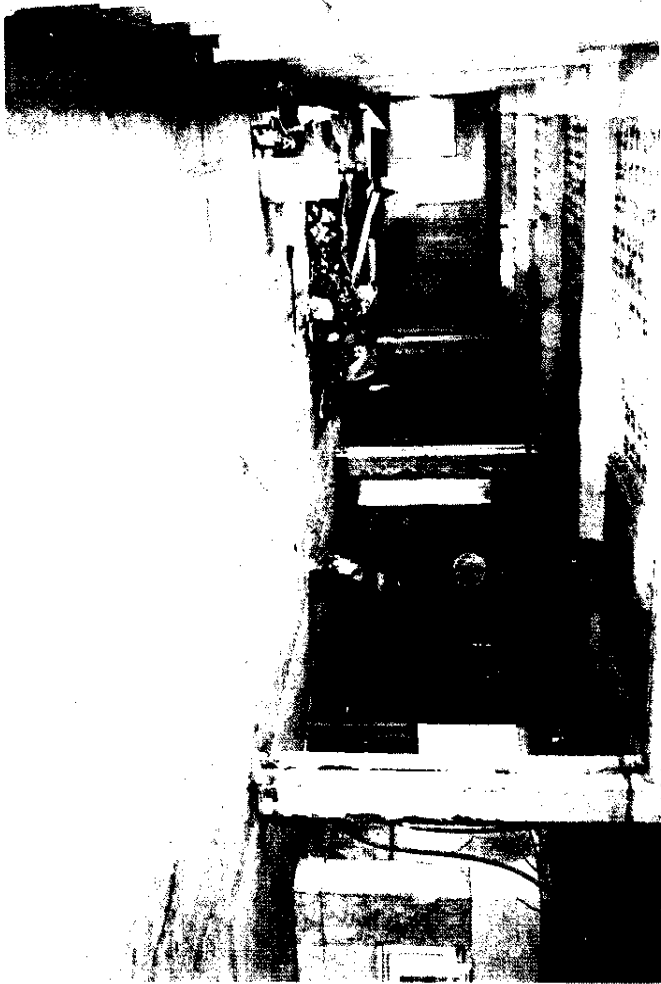


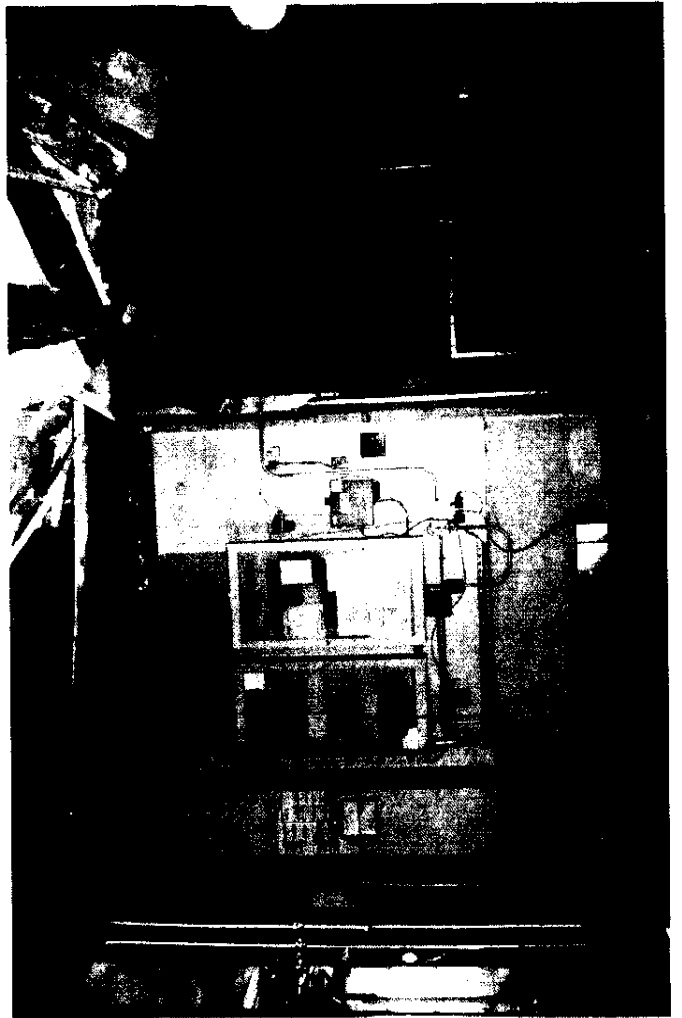
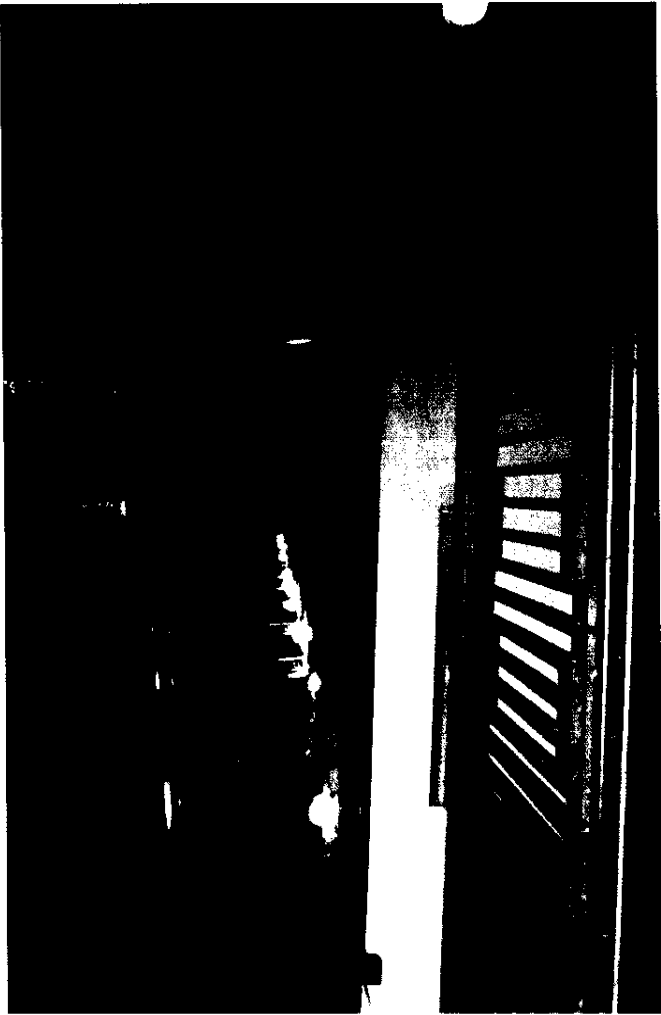


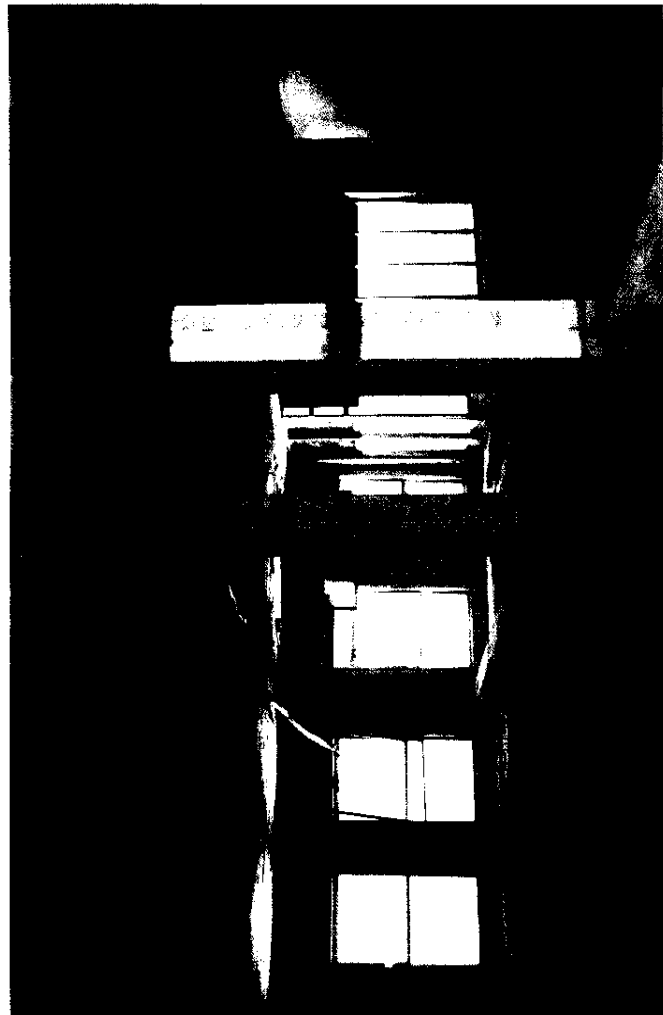
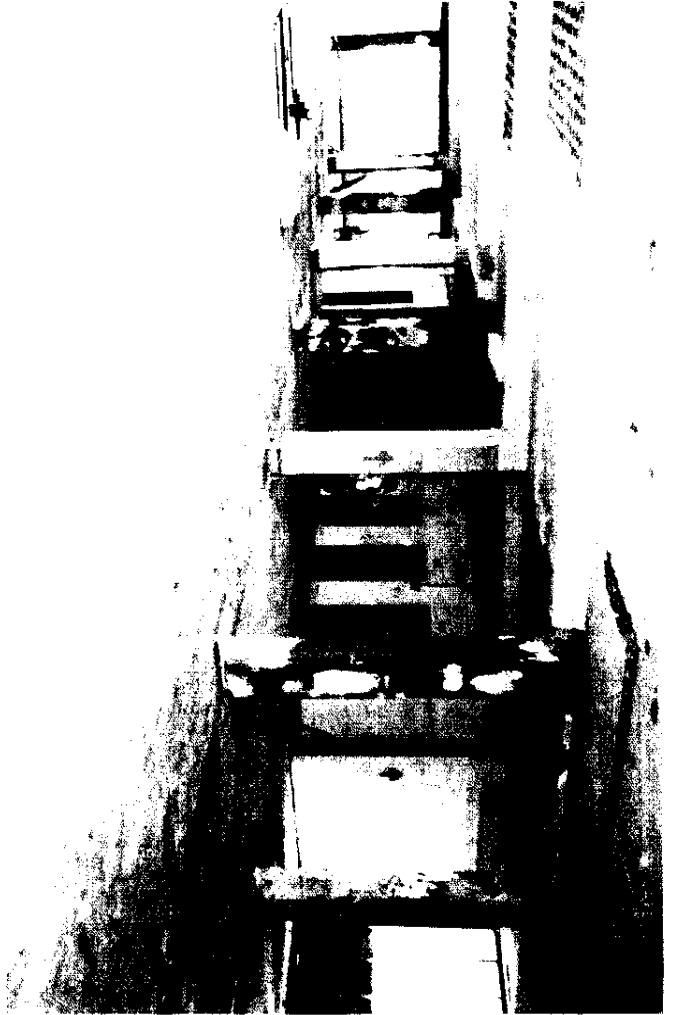




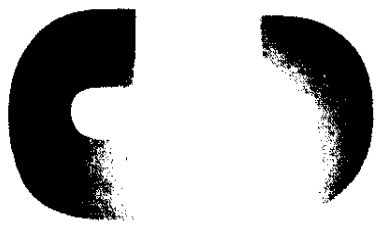






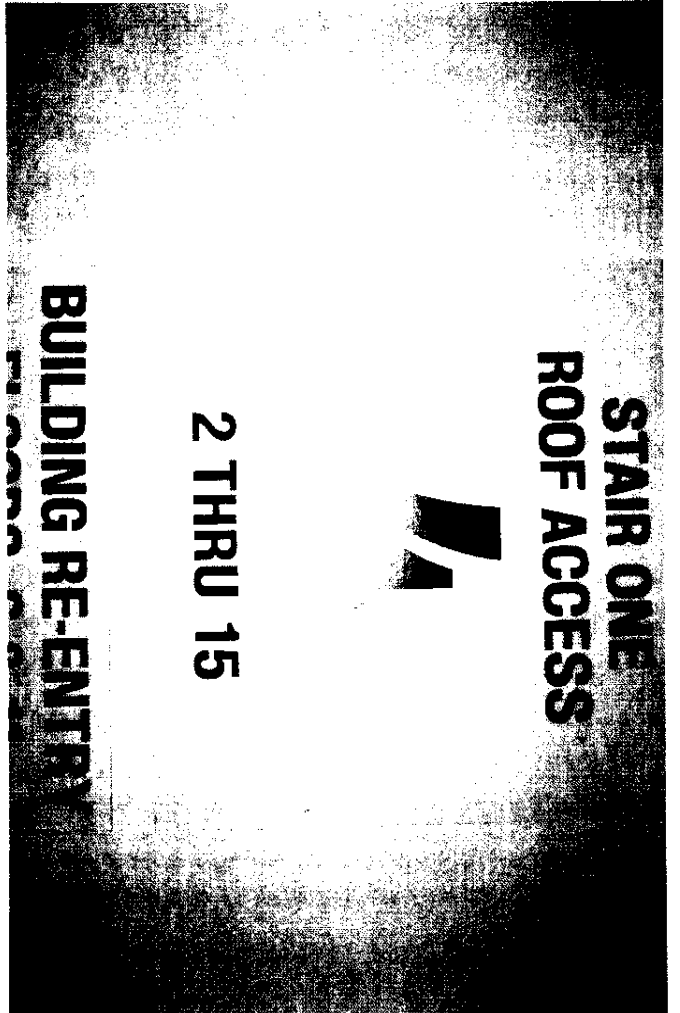
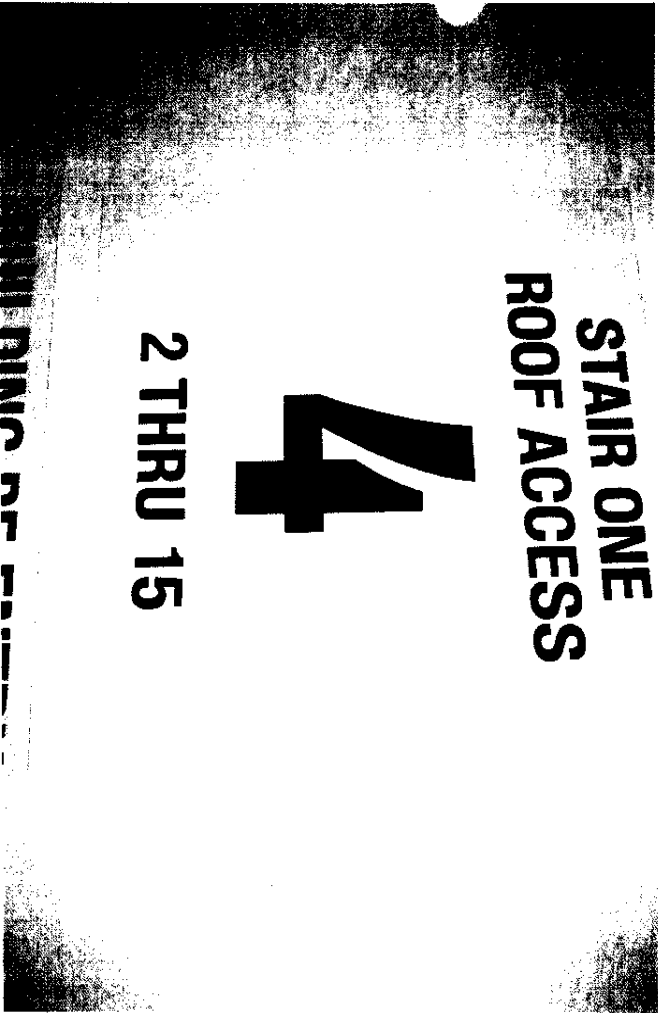


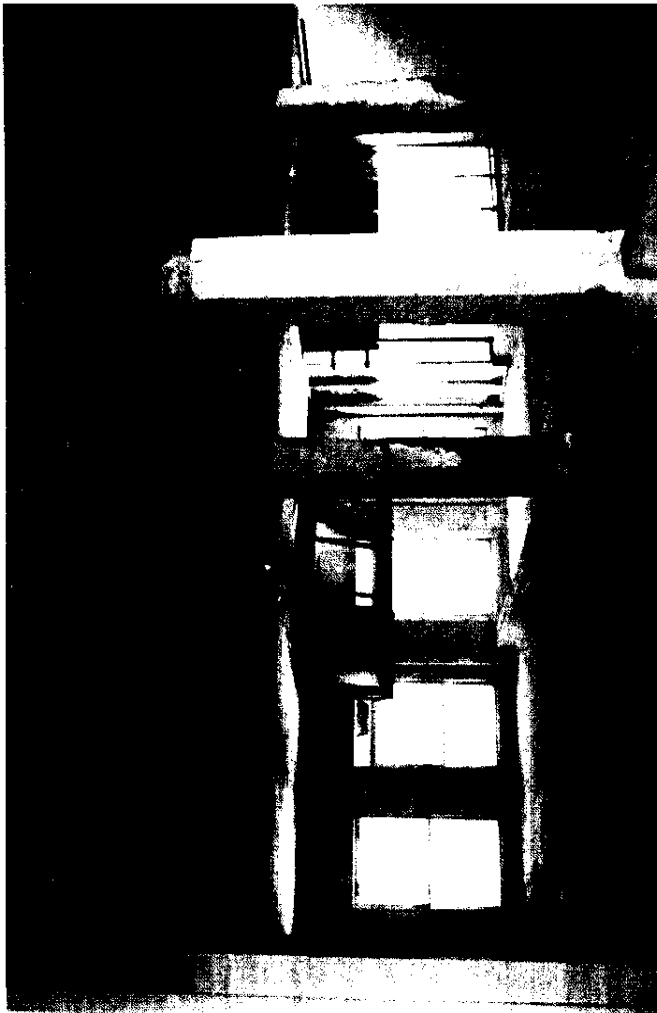
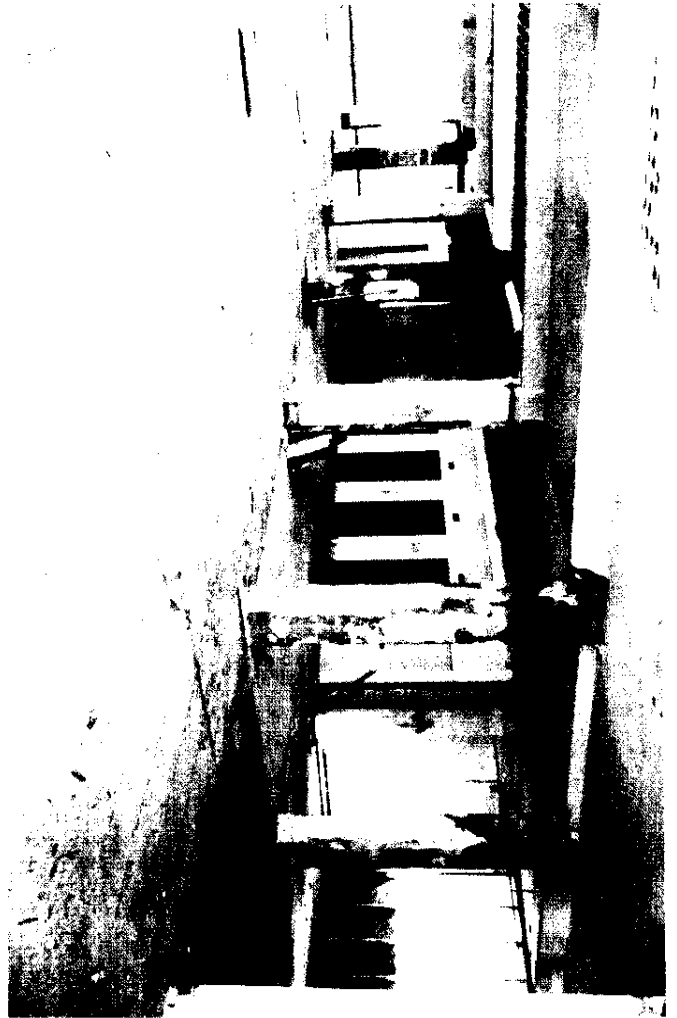
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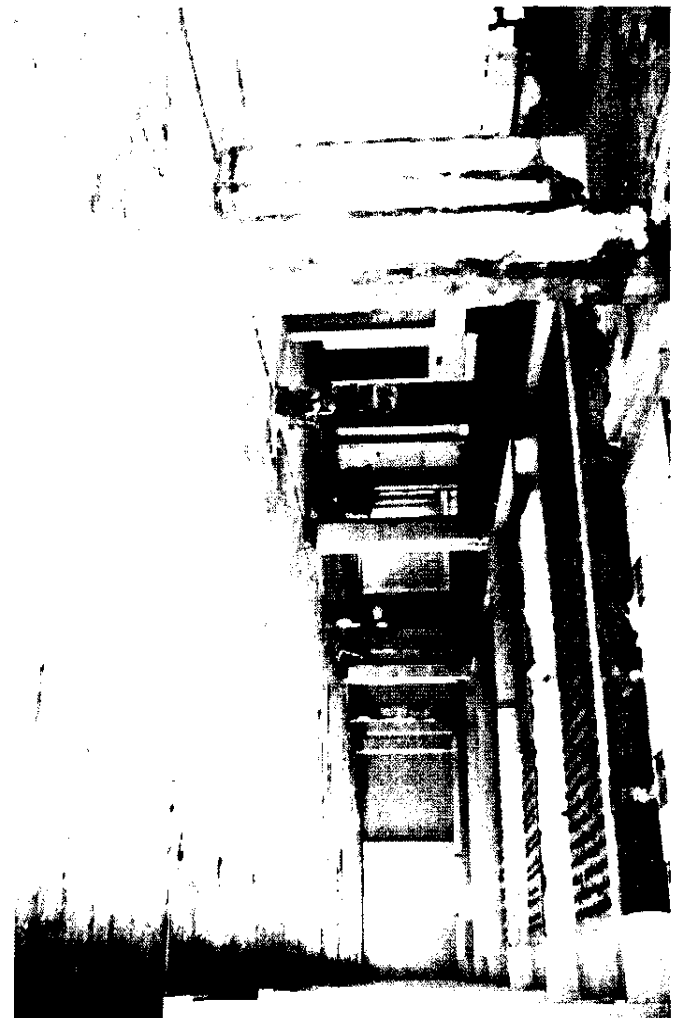


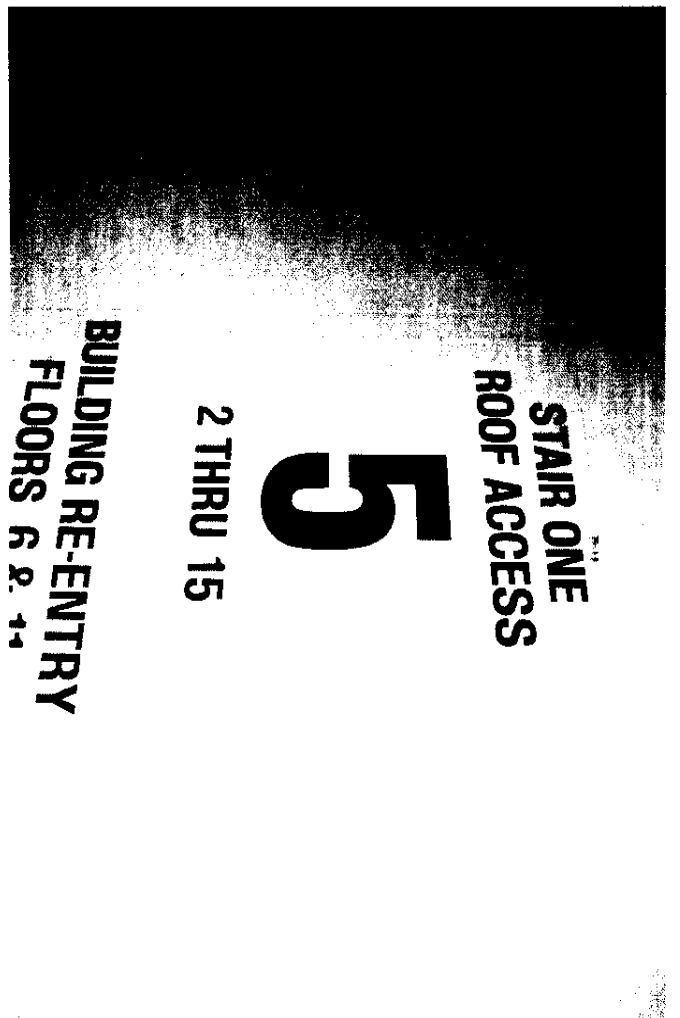
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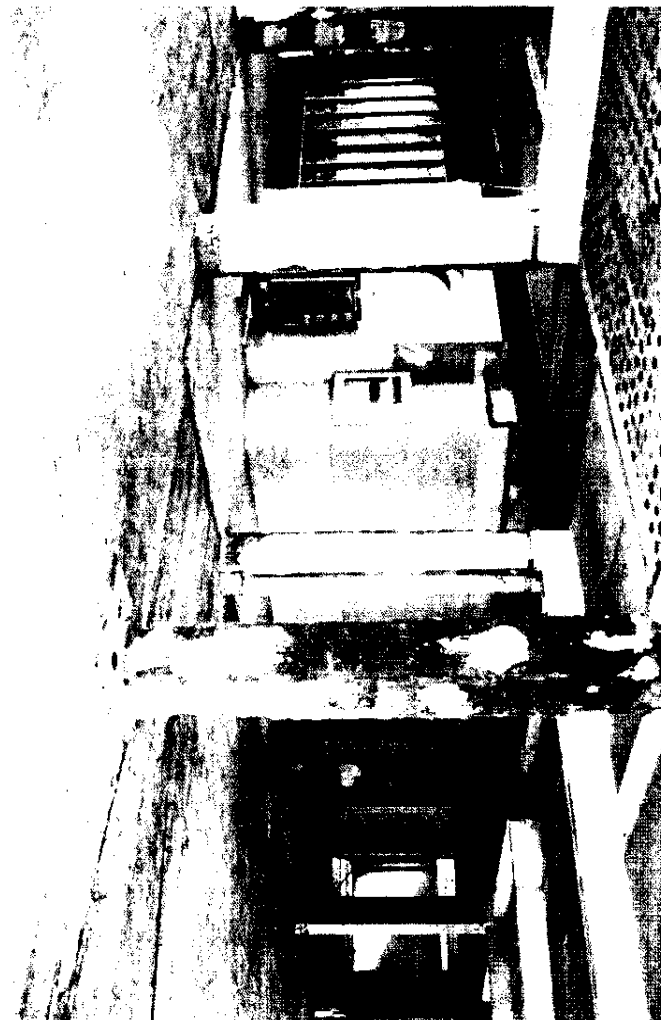
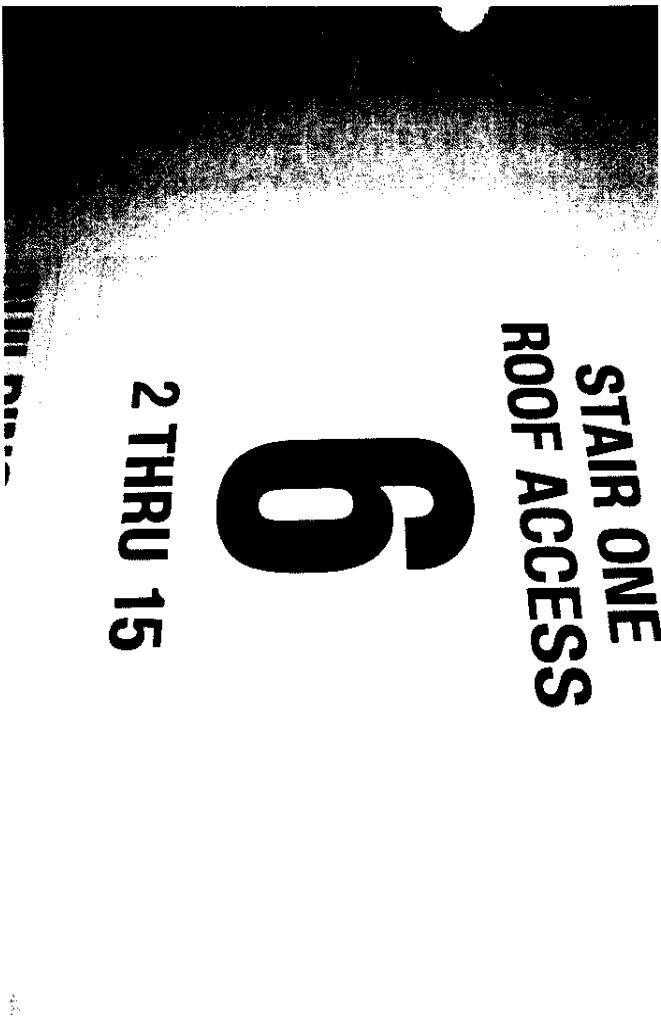
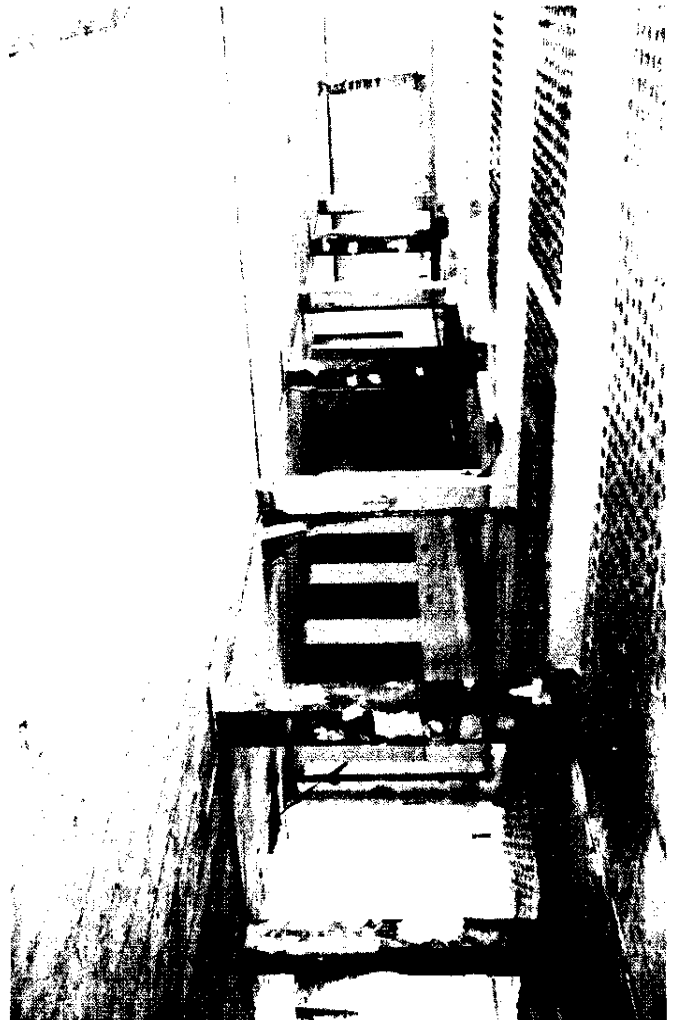
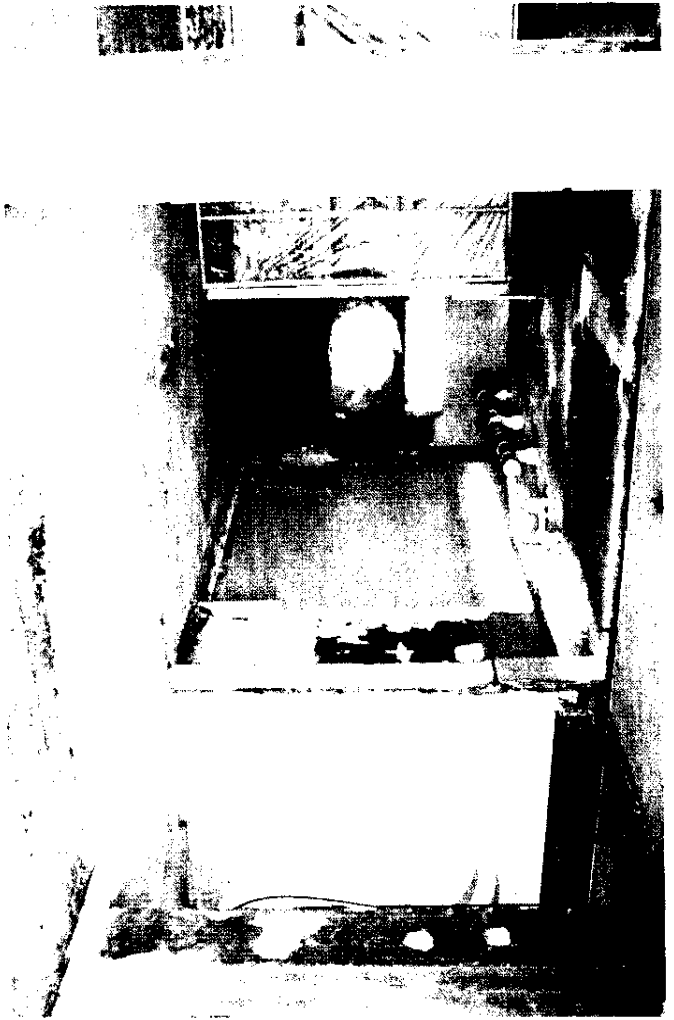


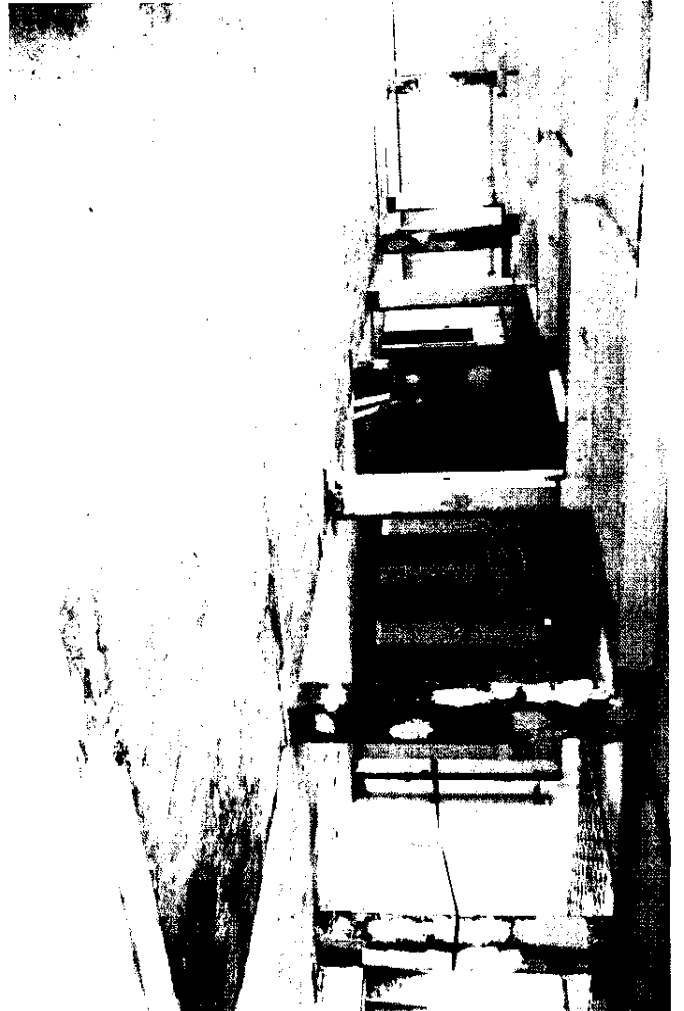


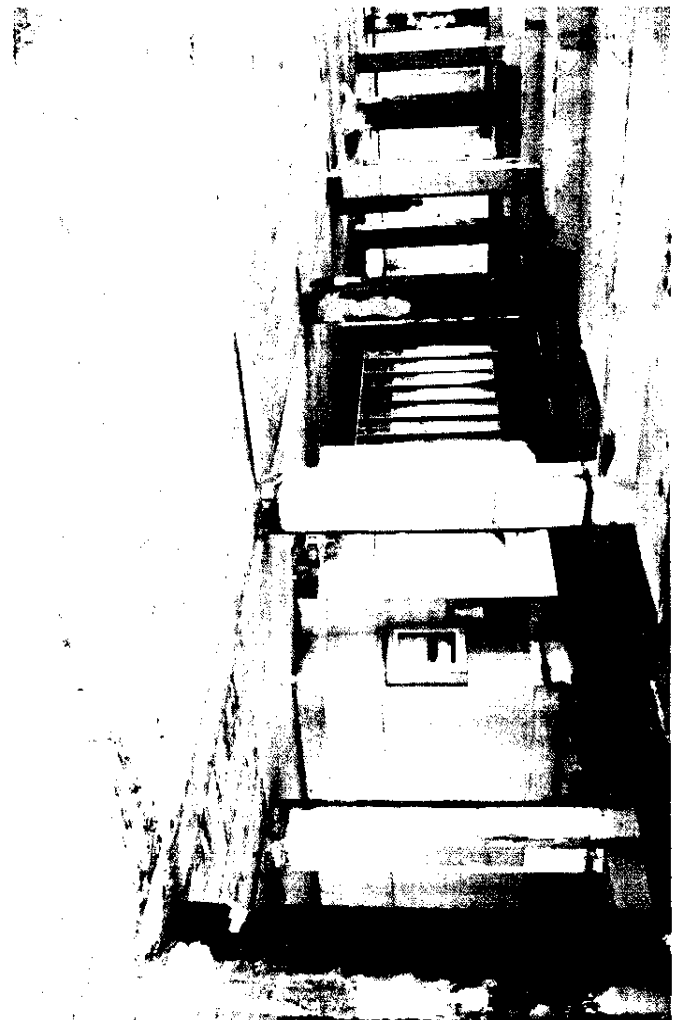
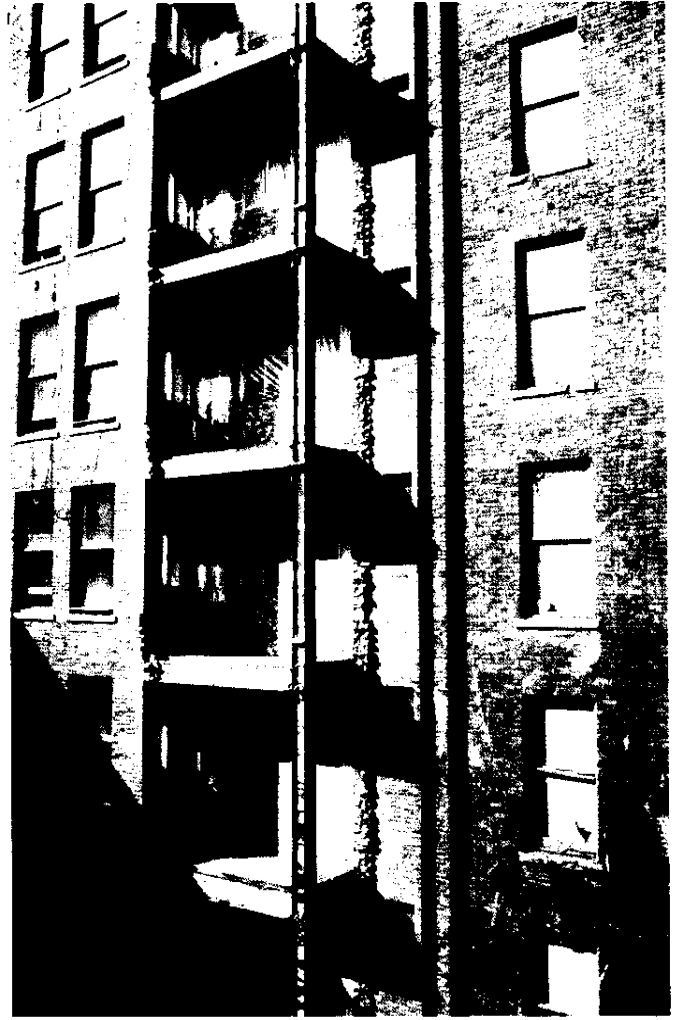


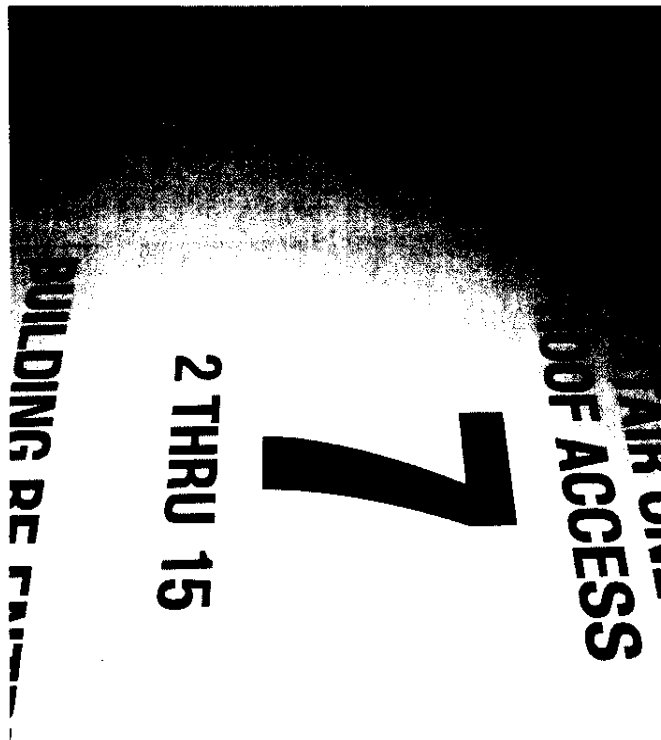
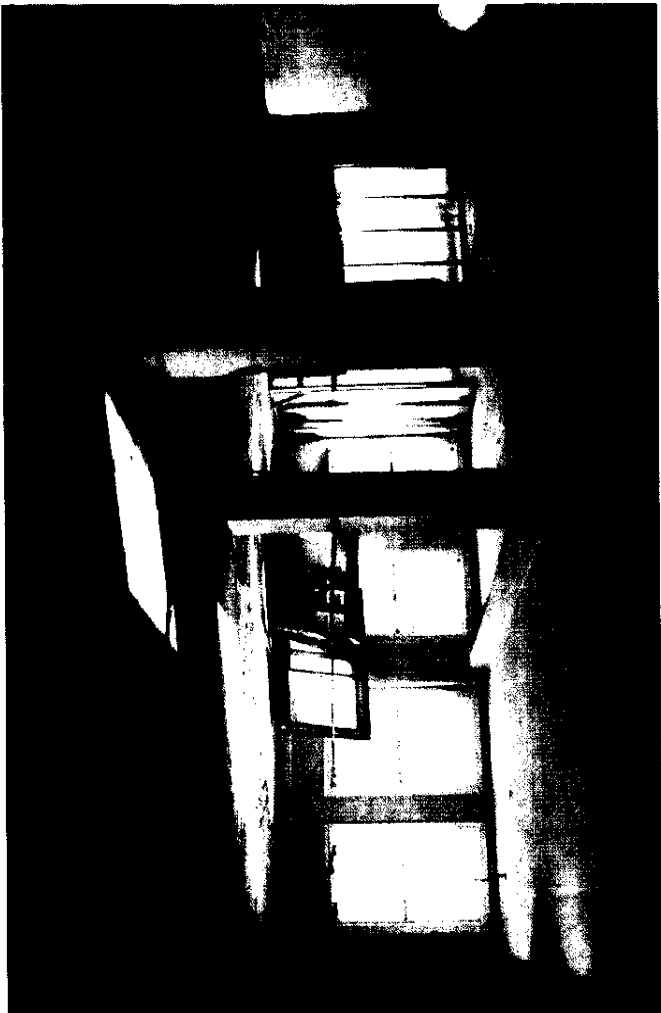


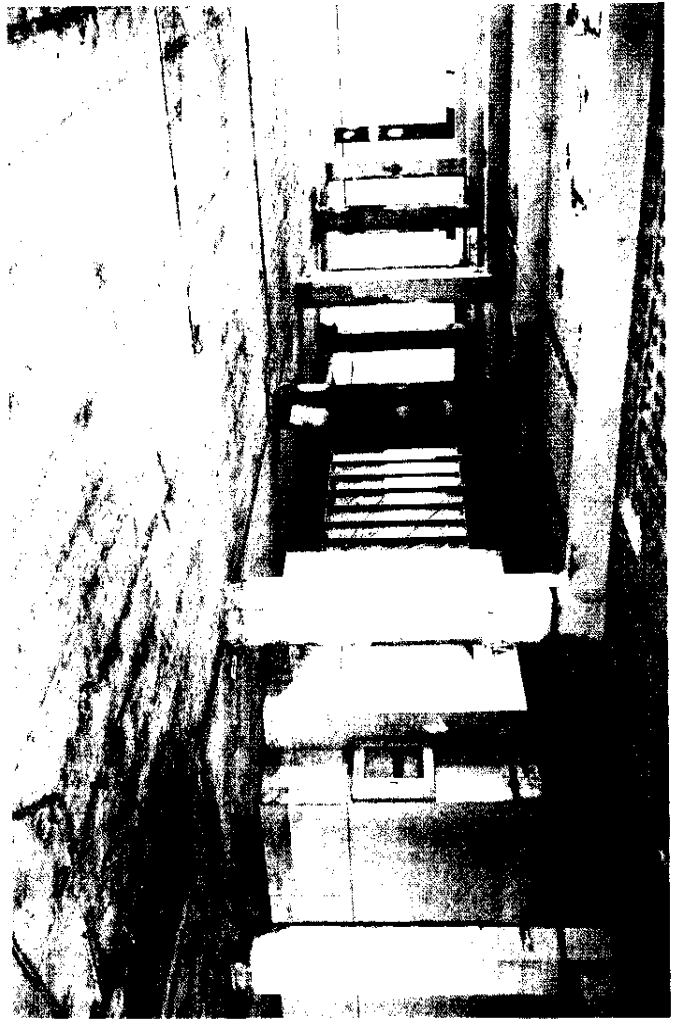












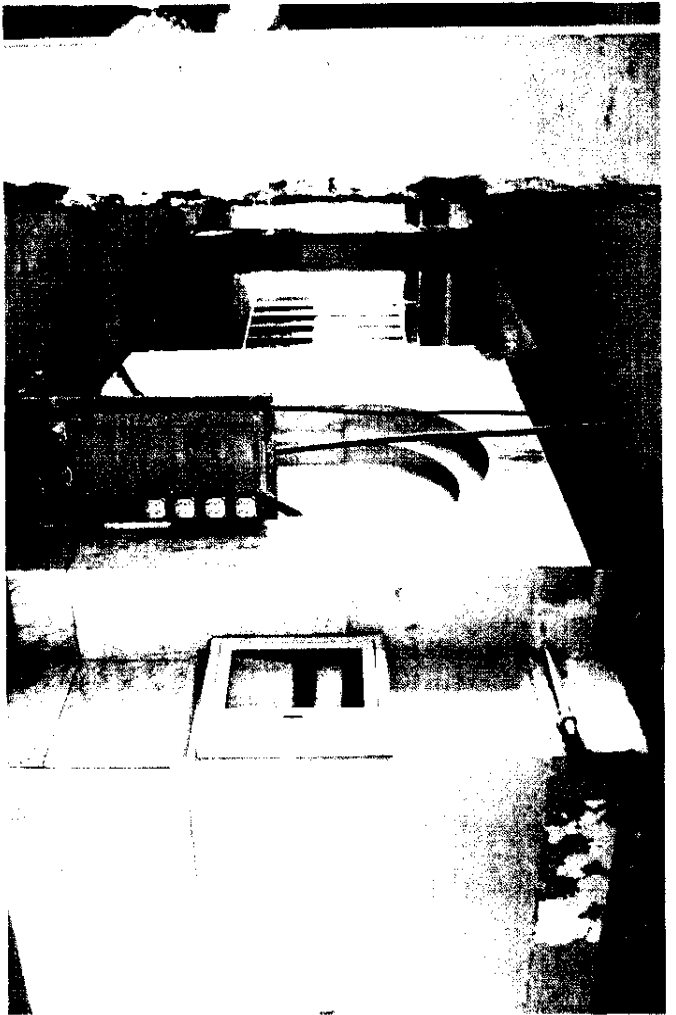
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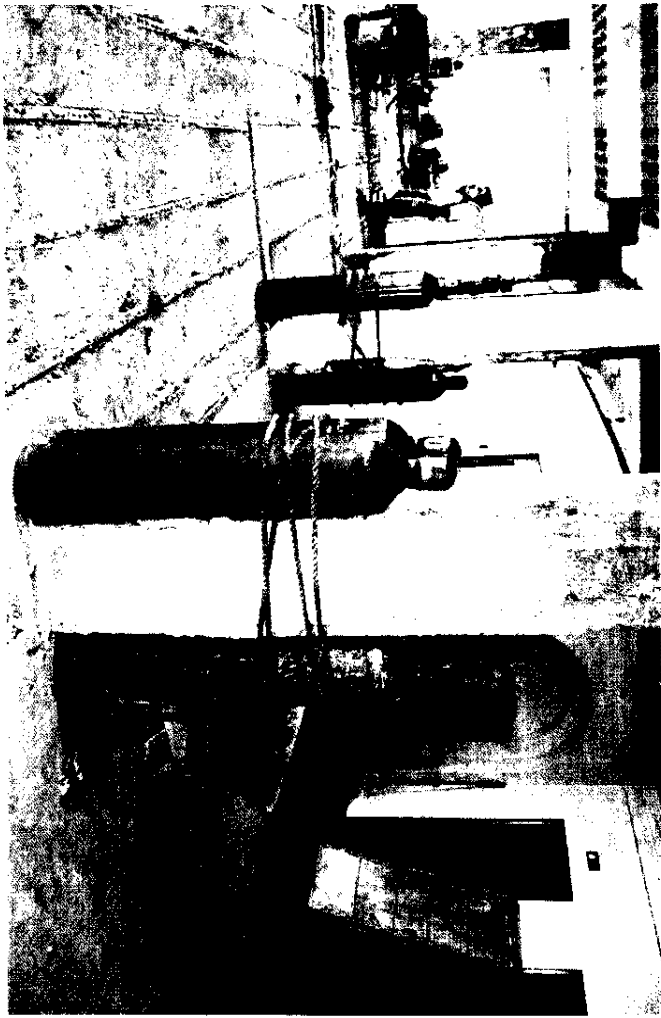


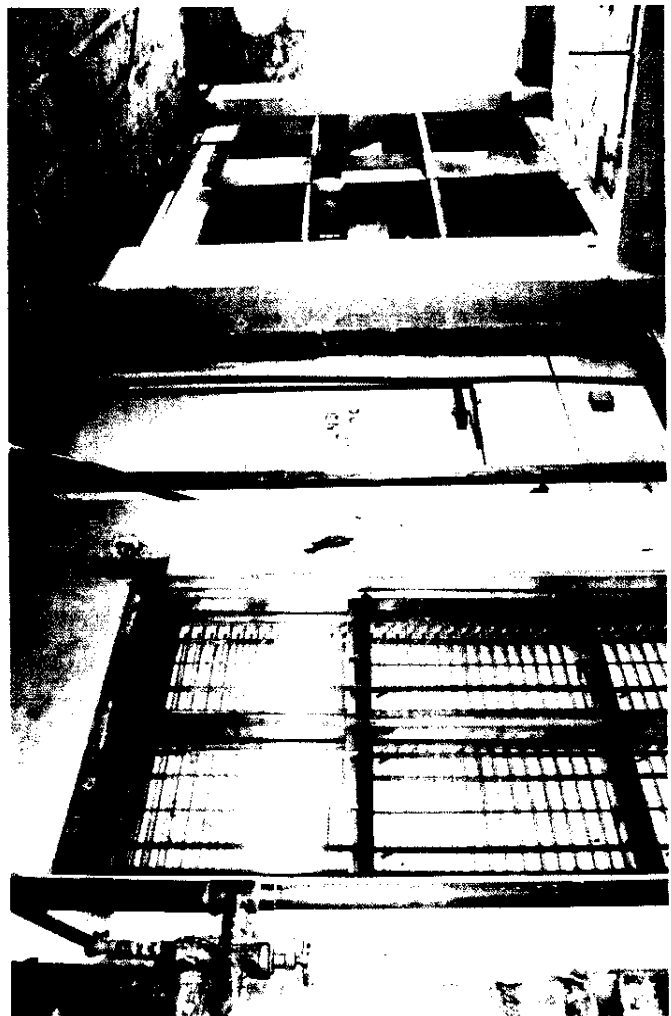


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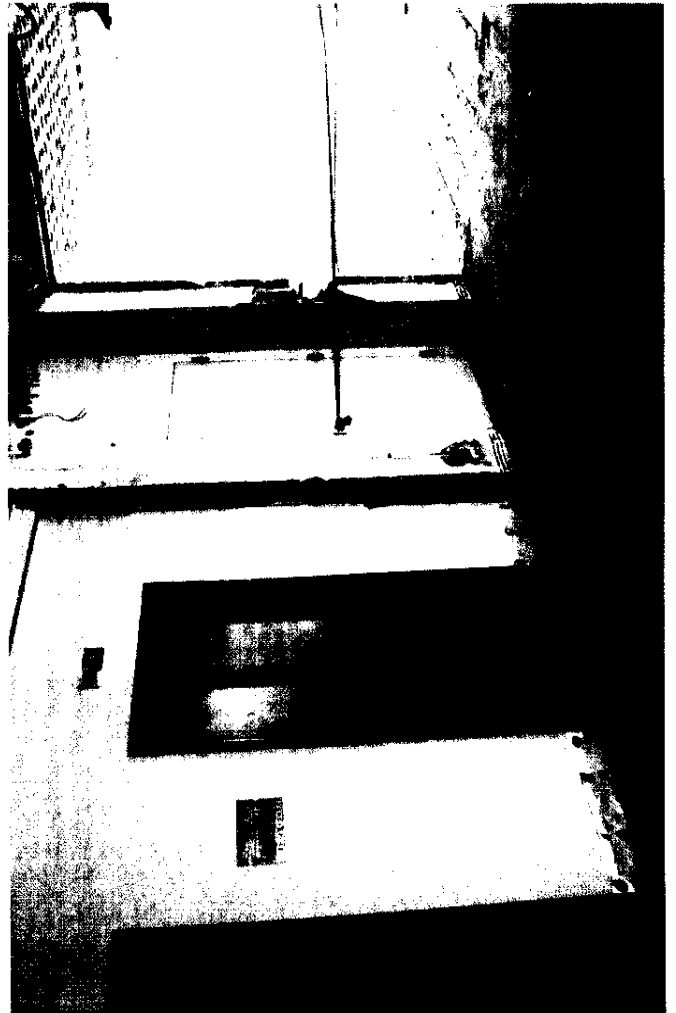


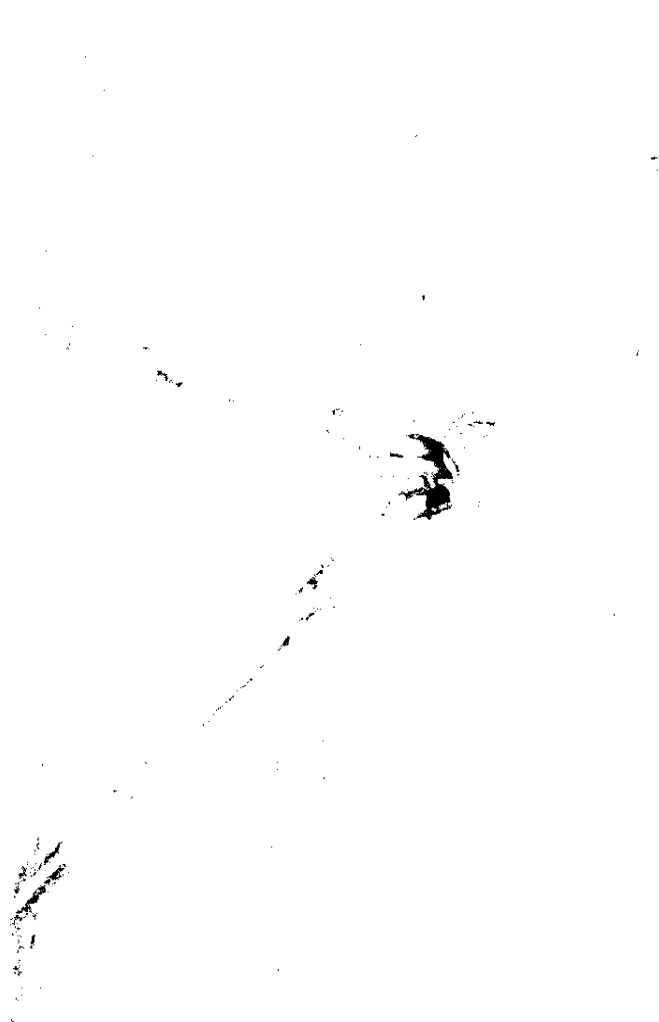
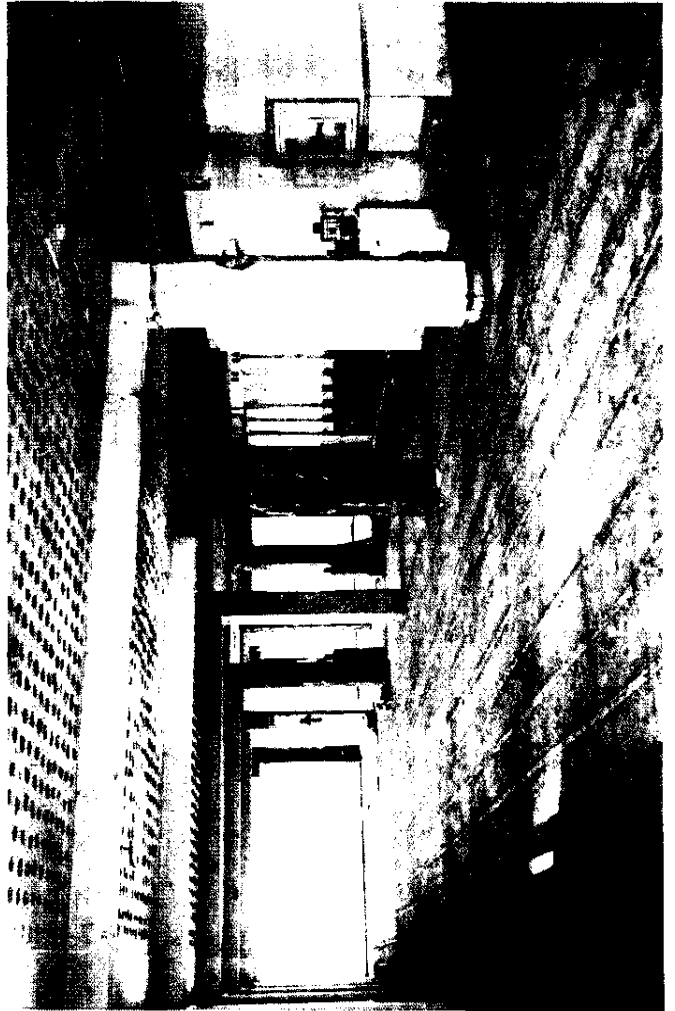
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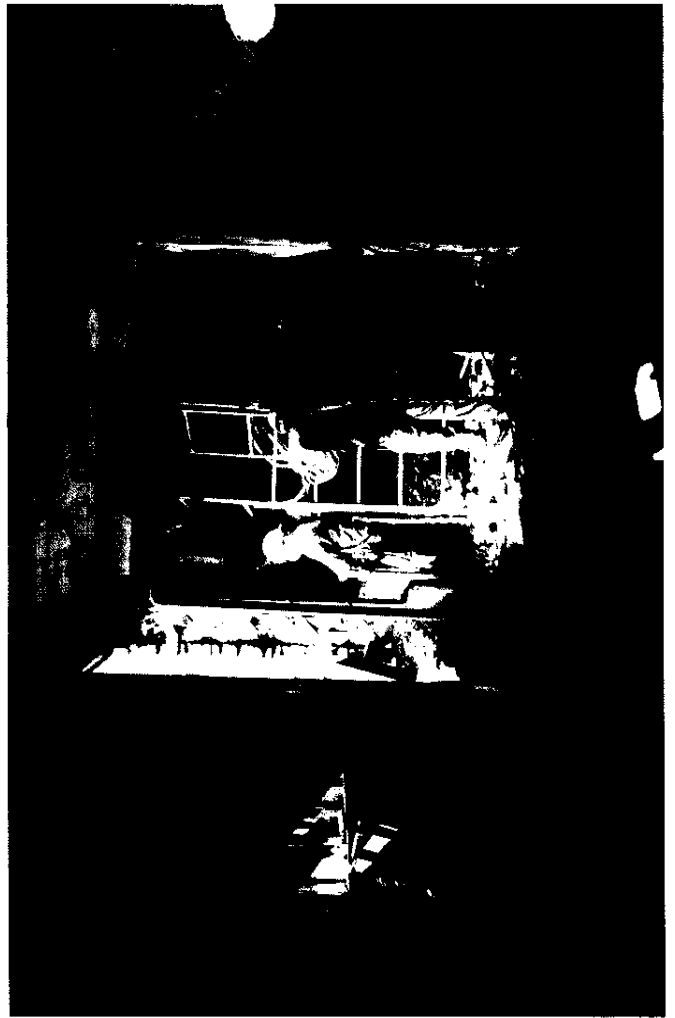
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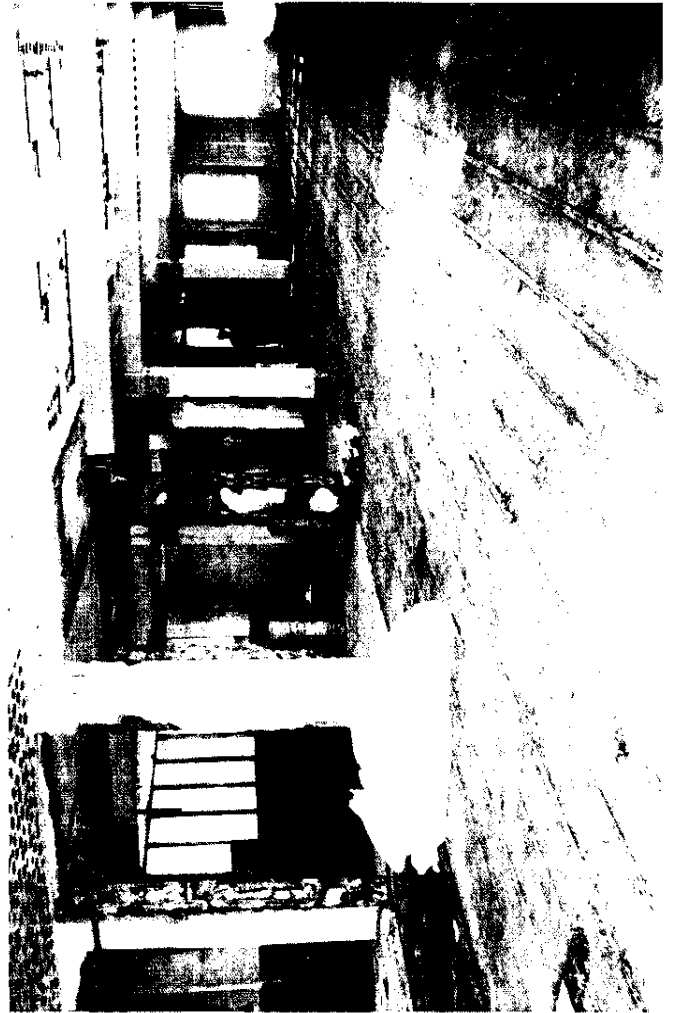
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BUILDING RE-ENTRY





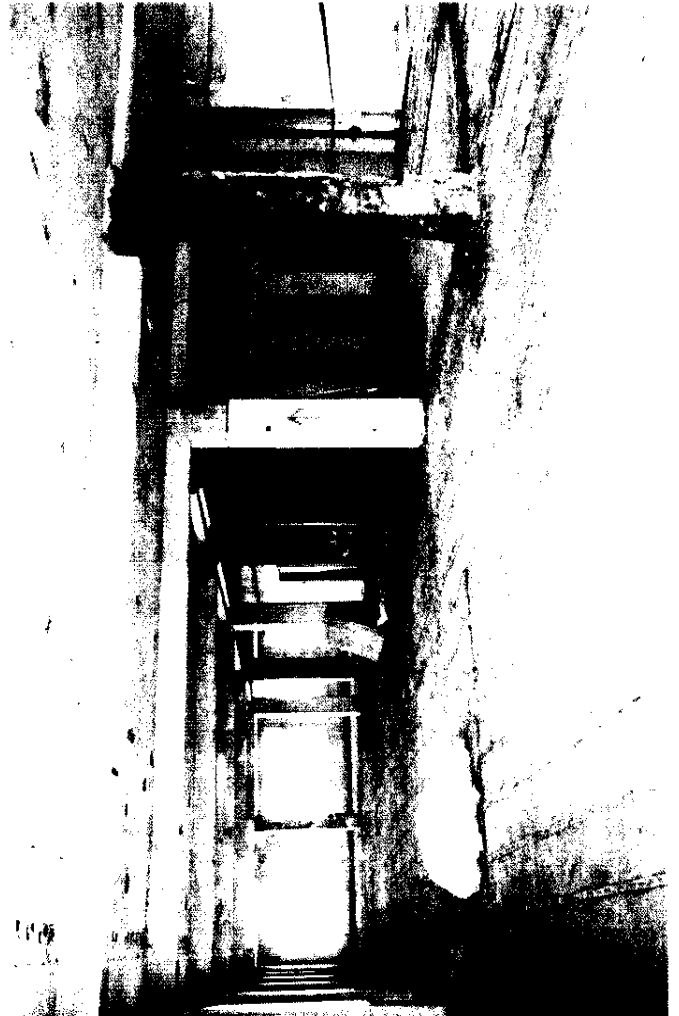
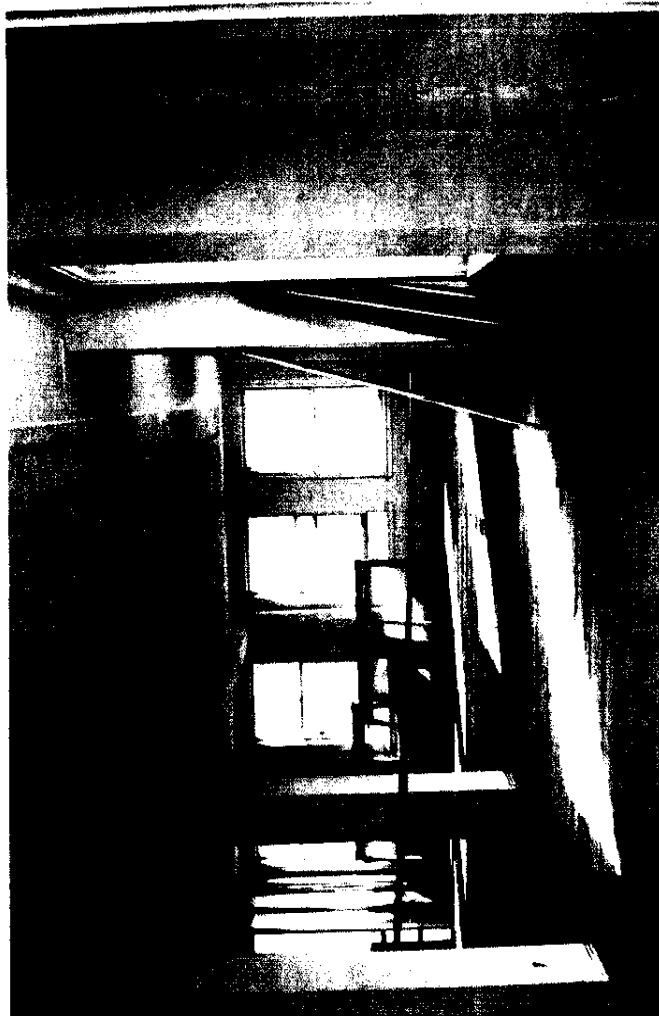
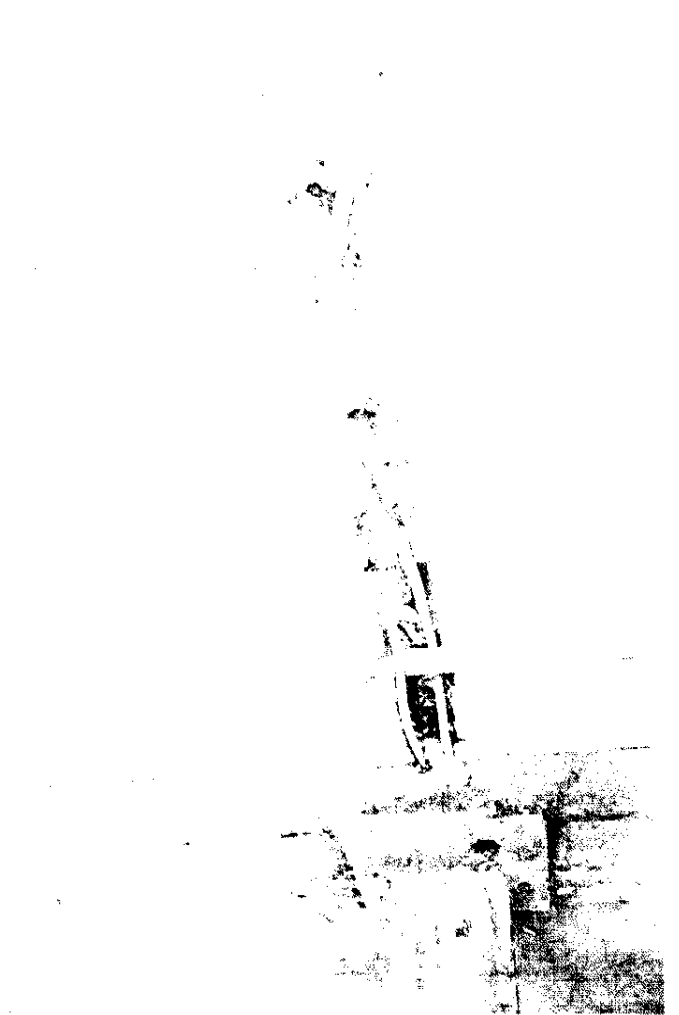




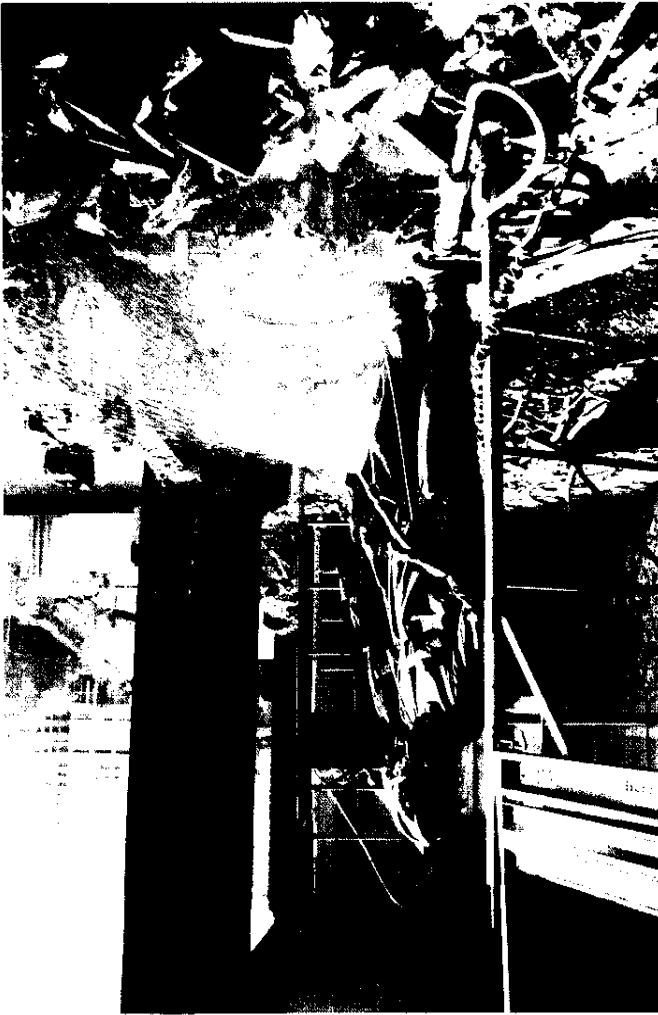
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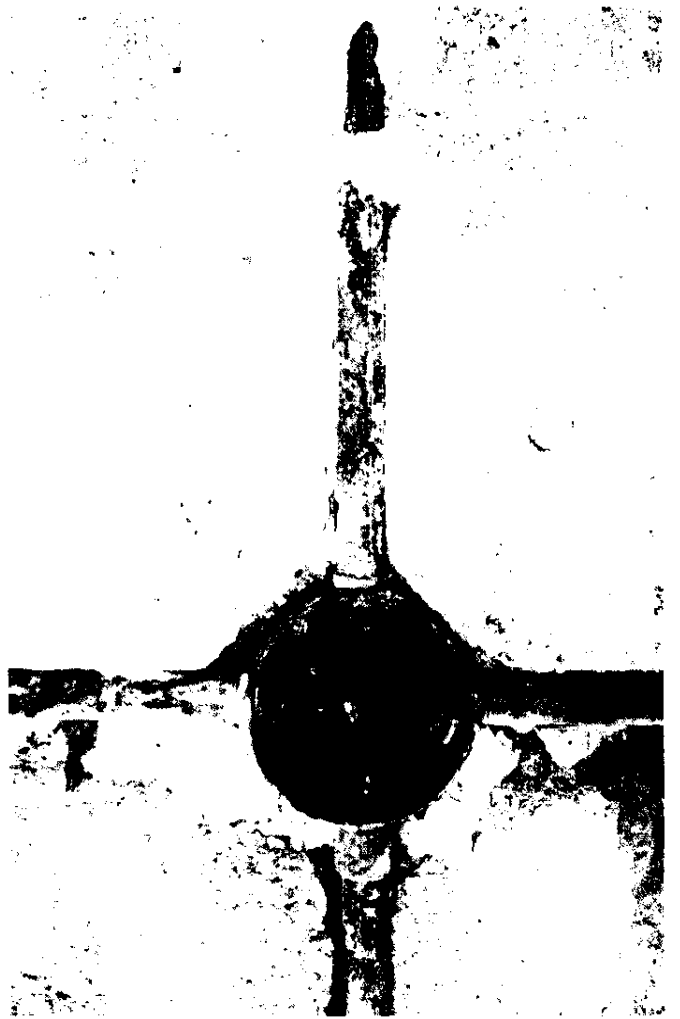




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(b)(5)

(b)(5)

(b)(5)

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119.5 on my calculator...but I'll concede the point anyway.

Point 3 Response:

Full time employment is 35 hours per week NOT 40 hours per week (look at the regulation and the 2003 EB-5 statute) wherein the total in fact adds up to 57. Again, not a big factor here anyway.

Point 4 Response:

Their numbers are a result of the input data to their approved Washington State IMPLAN model, all of which already was submitted by American Life through all 139 of its investors in response to the CSC RFE that was issued to them back in April of 2008. The response included 19 supplements, which included detailed input data in support of the projected "indirect" and "induced" secondary indirect jobs outputted from the approved model. Now if you want to argue in more substantive detail, I'll be glad to bring the entire package from that initial RFE response received by CSC this past July, although CSC and I have already given it a pretty detailed look, and the issue simply put was one of "timeline" within which a sufficient number of total jobs would be expected to occur. I believe the response to my August 6th email satisfies that issue. However, be my guest at going back to once again RE-EXAMINE their initial filing and their subsequent detailed supplemental filing of economic analytical evidence in response to the initial extensive RFE that was concurred in by OCC.

Point 5 Response:

No, it means that the Managing General Partner is (1) legitimately exercising its authority to effect a change in each respective investor's subscription agreement to comply with CIS' requirement; and (2) using the power of attorney authority to authorize that the executed and valid subscription agreement amendment be placed in each alien investor partner's case file to reflect that the subscription agreement contained in the approved case file (WHETHER THE CASE IS APPROVED OR DENIED) as part of the record.

Thanks,

Morrie

-----Original Message-----

From: Kruszka, Robert F

Sent: Tuesday, August 19, 2008 1:49 PM

To: Berez, Morrie R; Cummings, Kevin J; Velarde, Barbara Q

Subject: Re: American Life-Marriott Hotel 618 Second Avenue Partnership

(b)(5)

(b)(5)

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(b)(5)

The suspension will allow the Department time to complete the mandatory proceeding, which may result in a referendum of industry producers to determine whether they favor any amendments that may result from the hearing.

The Committee also has recommended that the industry be allowed a year or two to test operations under any such amended order before being asked to vote on whether or not to continue the program. Although the Department could potentially hold a continuance referendum in 1995, that would result in conducting three producer referenda within a five year period. Such action would be an unnecessary use of the time and funds of the industry and the Department.

Therefore, the provisions regarding the initial continuance referendum and the requirement for a referendum every sixth year thereafter will be temporarily suspended through July 31, 1998, which is when the next continuance referendum would have been scheduled. However, the Department could decide to hold a continuance referendum earlier than July 31, 1998, if an order amendment referendum is not held.

This rule will not have a significant economic impact on small producers or handlers. The temporary suspension of the order provision will allow the Secretary to conduct a continuance referendum later than the initial date specified in the order. No increased costs on producers or handlers are anticipated as a result of this administrative action.

Based on available information, the Administrator of the AMS has determined that the issuance of this rule will not have a significant economic impact on a substantial number of small entities.

After consideration of all available information, it is found that the first sentence in section 945.83(d), does not tend to effectuate the declared policy of the Act for the period specified herein and should be temporarily suspended for that period.

List of Subjects in 7 CFR Part 945

Marketing agreements, Potatoes, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 945 is amended by suspending a provision thereof as follows:

PART 945—IRISH POTATOES GROWN IN CERTAIN DESIGNATED COUNTIES IN IDAHO, AND MALHEUR COUNTY, OR

1. The authority citation for 7 CFR part 945 is revised to read as follows:

Authority: 7 U.S.C. 601-674.

Note: This section will appear in the annual Code of Federal Regulations.

§ 945.83 [Amended]

2. In section 945.83, paragraph (d), the first sentence is temporarily suspended through July 31, 1998.

Dated: August 17, 1993.

Eugene Branstool,
Assistant Secretary, Marketing and Inspection Services.

[FR Doc. 93-20387 Filed 8-23-93; 8:45 am]

BILLING CODE 3410-02-P

DEPARTMENT OF JUSTICE

Immigration and Naturalization Service

8 CFR Parts 103 and 204

[INS No. 1609-931]

RIN 1115-AD38

Immigrant Investor Pilot Program

AGENCY: Immigration and Naturalization Service, Justice.

ACTION: Interim rule with request for comments.

SUMMARY: This interim rule implements section 610 of the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act of 1993 ("Appropriations Act"). Section 610 of the Appropriations Act provides that the Secretary of State, together with the Attorney General, shall set aside visas for a pilot program (the "Immigrant Investor Pilot Program") to implement the provisions of section 203(b)(5) of the Immigration and Nationality Act, as amended, (the "Act"). Under the pilot program, 300 immigrant visas will be set aside annually for five years for aliens who make qualifying investments in commercial enterprises located within regional centers in the United States for the promotion of economic growth, including increased export sales, improved regional productivity, job creation, and increased domestic capital investment.

DATES: This interim rule is effective on August 24, 1993. Written comments must be submitted on or before September 23, 1993.

ADDRESSES: Please submit written comments, in triplicate, to the Records

Systems Division, Director, Policy Directives and Instructions Branch, Immigration and Naturalization Service 425 I Street, NW., Room 5307, Washington, DC 20536. To ensure proper handling please reference INS No. 1609-93 on your correspondence.

FOR FURTHER INFORMATION CONTACT: Michael W. Straus, Senior Immigration Examiner, Adjudications Division, Immigration and Naturalization Service, 425 I Street NW., room 7122, Washington, DC 20536, telephone (202) 514-5014.

SUPPLEMENTARY INFORMATION:

Section 203(b)(5) of the Act

Under section 203(b)(5) of the Act, an alien may qualify for an immigrant visa if he or she is seeking to enter the United States for the purpose of engaging in a new commercial enterprise which the alien has established, in which he or she has invested one million dollars (or a lower amount for targeted areas), and which will benefit the United States economy and create full-time employment for no fewer than 10 eligible United States workers. Under current Immigration and Naturalization Service (Service) regulations, such full-time employment must be in the commercial enterprise established by the alien.

Under section 203(b)(5) of the Act, visas in a number not to exceed 7.1 percent of the worldwide level (approximately 10,000) are available to qualified immigrants, including their spouses and unmarried minor children. Of that number, not less than 3,000 visas are set aside for immigrants establishing commercial enterprises in targeted areas (rural areas and areas of high unemployment).

Section 610 of the Appropriations Act

In order to increase interest in the existing alien entrepreneur immigrant classification under section 203(b)(5) of the Act, Congress enacted section 610(a) of the Appropriations Act, Public Law 102-395, dated October 6, 1992. Section 610(a) of the Appropriations Act creates a pilot program which "shall involve a regional center in the United States for the promotion of economic growth, including increased export sales, improved regional productivity, job creation, and increased domestic capital investment."

Section 610(c) of the Appropriations Act expressly relaxes the job creation requirement currently set forth in 8 CFR 204.6 by allowing aliens investing in new commercial enterprises located within regional centers to establish "reasonable methodologies" for

determining the number of jobs created, "including such jobs which are estimated to have been created indirectly through revenues generated from increased exports resulting from the pilot program." Under section 610(c), while the revenues generated by the qualifying commercial enterprise must result in exports, the commercial enterprise need not be engaged directly in generating exports of goods or services. Therefore, immigrants participating in the pilot program may credit jobs they create indirectly through contract or subcontract with commercial enterprises involved in direct export. See S. Rep. No. 918, 102 Cong., 2d Sess. (1992). To establish the requisite relation to exports, however, the alien must demonstrate the existence of a reasonable nexus between the commercial enterprise and the production of exports.

Under the pilot program, 300 visas of the overall total number for the fifth employment-based immigrant visa classification will be set aside annually for five years, commencing not later than October 1, 1993. The annual figure of 300 visas includes visas for qualified immigrants, as well as their spouses and unmarried minor children.

Requirements for Obtaining Approval as a Regional Center

Section 610(a) of the Appropriations Act states that the pilot program "shall involve a regional center in the United States for the promotion of economic growth, including increased export sales, improved regional productivity, job creation, and increased domestic capital investment." Section 610(a), however, does not designate a particular regional center in the United States for the program. This interim regulation sets forth at 8 CFR 204.6(m)(3) the criteria by which interested regional centers may obtain approval for participation in the pilot program.

Time for Submission of Proposals

Upon publication of this interim rule, the Service will begin accepting proposals from regional centers for participation in the Immigrant Investor Pilot Program.

Criteria for Participation as a Regional Center

Under 8 CFR 204.6(m)(3), each proposal for participation as a regional center must:

(1) Clearly describe how the center focuses on a geographical region of the United States and how it will promote economic growth through increased export sales, improved regional

productivity, job creation, and increased domestic capital investment;

(2) Provide in verifiable detail how jobs will be created indirectly through increased exports;

(3) Provide a detailed statement regarding the amount and source of capital which has been committed to the regional center, as well as a description of the promotional efforts taken and planned by the sponsors of the regional center;

(4) Contain a detailed prediction regarding the manner in which the center will have a positive impact on the regional or national economy in general as reflected by such factors as increased household earnings, greater demand for business services, utilities, maintenance and repair, and construction both within and without the regional center; and

(5) Be supported by economically or statistically valid forecasting tools, including, but not limited to, feasibility studies, analyses of foreign and domestic markets for the goods or services to be exported, and/or multiplier tables.

Although section 610(a) of the Appropriations Act provides that the pilot program "shall involve a regional center" (emphasis added), the Service recognizes that more than one regional center may be able to meet the statutory criteria for participation under the pilot program. Absent a clear statutory directive requiring the Service to select only one regional center for participation in the pilot program, the Service believes that the purpose of Congress in enacting section 610(a)—to obtain empirical evidence of the effectiveness of the regional center concept in promoting economic growth—will be best served by permitting more than one statutorily qualifying regional center to participate in the pilot program. If more than one regional center is found to be qualified, all selected regional centers will draw off the annual allocation of 300 visas which section 610(b) of the Appropriations Act requires to be set aside for the pilot program. To ensure that regional centers continue to meet the requirements of section 610(a) of the Appropriations Act, the Service shall have the authority to terminate the participation of a regional center in the pilot program should it fail to satisfy these requirements.

Requirements for Filing Petitions for Alien Entrepreneurs

Section 610 of the Appropriations Act permits aliens under the pilot program to meet the requirement of job creation by establishing "reasonable

methodologies" for determining the number of jobs created, including such jobs which are estimated to have been created indirectly through revenues generated from increased exports resulting from the program. Such reasonable methodologies may include multiplier tables, feasibility studies, analyses of foreign and domestic markets for the goods or services to be exported, and other economically or statistically valid forecasting devices which indicate the likelihood that the business will result in increased employment.

It is important to note that section 610 of the Appropriations Act does not relieve individuals seeking to immigrate to this country as alien entrepreneurs from any of the other requirements of section 203(b)(5) of the Act or 8 CFR 204.6. Therefore, among other things, prospective immigrants must show actual commitment of the required amount of capital in the commercial enterprise and be able to demonstrate that such capital was lawfully obtained. To demonstrate that the investment in a new commercial enterprise is *bona fide*, the prospective immigrant should also provide credible projections of the costs of doing business, including, but not limited to, estimated salaries to be paid to employees. In addition, persons immigrating pursuant to section 203(b)(5) of the Act must show that they are or will be engaged in the management of the new commercial enterprise, either through the exercise of day-to-day managerial control or through policy formulation, as opposed to maintaining a purely passive role in regard to the investment. Alien entrepreneurs will also be required to apply for removal of the conditional basis of permanent residence during the ninety-day period before the second anniversary of their lawful admission for conditional permanent residence.

To effect the above, the Service is revising the definitions of the terms "employee" and "full-time employment" in 8 CFR 204.6(e), and adding a definition of the term "regional center." In addition, the Service is amending 8 CFR 204.6(j) to reflect the evidence to be submitted with a petition for classification as an alien entrepreneur under the Immigrant Investor Pilot Program. Finally, the Service is adding a new paragraph, 8 CFR 204.6(m).

This new paragraph sets forth the specific procedures to be followed by regional centers seeking to participate in the pilot program. In addition, 8 CFR 204.6(m) provides procedures for aliens seeking to immigrate under the pilot program. This new paragraph also

provides for termination of participation, under certain circumstances, of a regional center to participate in the pilot program, and describes the impact such termination will have on alien entrepreneurs who have obtained lawful permanent residence on a conditional basis pursuant to the pilot program.

Time for Filing of Petitions

Commencing on October 1, 1993, petitions will be accepted for filing and adjudicated in accordance with the provisions of this section if the alien entrepreneur has invested or is actively in the process of investing within a regional center which has been approved by the Service for participation in the pilot program.

The Service's implementation of this rule as an interim rule, with provision for post-promulgation public comment, is based upon the "good cause" exceptions found at 5 U.S.C. 553(b)(3)(B), (d)(3). The reasons and necessity for immediate implementation of this interim rule are as follows:

Immediate promulgation of this interim rule is necessary to ensure fair and orderly administration of the pilot program. In light of the limited number of visas available under the pilot program, the Service wishes to begin soliciting proposals from qualifying regional centers for participation in the pilot program immediately upon publication of this interim rule. The Service must allow a reasonable time for interested regional centers to submit their proposals before beginning the adjudication of individual visas petitions. Under this interim rule, the Service will be able to make the determinations with respect to interested regional centers in time to begin accepting for filing individual visa petitions on October 1, 1993, the deadline imposed by Congress for "setting aside" visas for the pilot program. Immediate implementation of this rule will ensure that on October 1, 1993, all aliens seeking to qualify under the pilot program will have an equal opportunity to participate. Without immediate implementation, the Service would be required to take the unacceptable choice of delaying adjudication of individual petitions until a date well after October 1, 1993, pending determination of proposals by regional centers to participate in the pilot program. For these reasons, immediate implementation is necessary to further Congress' goal in creating the pilot program of promoting economic growth, including job creation, in regional centers as soon as possible.

In accordance with 5 U.S.C. 605(b), the Acting Commissioner of the Immigration and Naturalization Service certifies that this rule does not have a significant adverse economic impact on a substantial number of small entities. This rule is not a major rule within the meaning of section 1(b) of Executive Order 12291, nor does this rule have Federalism implications warranting the preparation of a Federalism Assessment in accordance with Executive Order 12612.

The information collection requirements contained in this rule have been cleared by the Office of Management and Budget (OMB) under the provisions of the Paperwork Reduction Act. The OMB control number for this collection is 1115-0183.

List of Subjects

8 CFR Part 103

Administrative practice and procedures, Archives and records, Authority delegations (Government agencies), Bonding, Fees, Forms, Freedom of Information, Organization and functions (Government agencies), Privacy, Reporting and recordkeeping requirements, surety bonds.

8 CFR Part 204

Administrative practice and procedure, Aliens, Employment, Immigration, Petitions.

Accordingly, chapter I of title 8 of the Code of Federal Regulations is amended as follows:

PART 103—POWERS AND DUTIES OF SERVICE OFFICERS; AVAILABILITY OF SERVICE RECORDS

1. The authority citation for part 103 continues to read as follows:

Authority: 5 U.S.C. 552, 552a; 8 U.S.C. 1101, 1103, 1201, 1252 note, 1252b, 1304, 1356; 31 U.S.C. 9701; E.O. 12356, 47 FR 14874, 15557; 3 CFR, 1982 Comp., p. 166; 8 CFR part 2.

2. In § 103.1, paragraph (f)(2) is amended by:

- a. Removing the word "and" at the end of paragraph (f)(2)(xxcvi);
- b. Replacing the "." with a ";" at the end of paragraph (f)(2)(xxcvii); and by
- c. Adding new paragraph (f)(2)(xxcviii) and (f)(2)(xxcix), to read as follows:

§ 103.1 Delegations of authority.

- (f) * * *
- (2) * * *
- (xxcviii) Request for participation as a regional center under § 204.6(m) of this chapter; and

(xxcix) Termination of participation of regional center under § 204.6(m) of this chapter.

PART 204—IMMIGRANT PETITIONS

3. The authority citation for part 204 continues to read as follows:

Authority: 8 U.S.C. 1101, 1103, 1151, 1153, 1154, 1182, 1186a, 1255; 8 CFR part 2.

4. In § 204.6, paragraph (e) is amended by revising the definition of "Employee", "Full-time employment"; and by adding the definition "Regional center" in alphabetical sequence, to read as follows:

§ 204.6 Petitions for employment creation aliens.

(e) * * *

Employee means an individual who provides services or labor for the new commercial enterprise and who receives wages or other remuneration directly from the new commercial enterprise. In the case of the Immigrant Investor Pilot Program, "employee" also means an individual who provides services or labor in a job which has been created indirectly through investment in the new commercial enterprise. This definition shall not include independent contractors.

Full-time employment means employment of a qualifying employee by the new commercial enterprise in a position that requires a minimum of 35 working hours per week. In the case of the Immigrant Investor Pilot Program, "full-time employment" also means employment of a qualifying employee in a position that has been created indirectly through revenues generated from increased exports resulting from the Pilot Program that requires a minimum of 35 working hours per week. A job-sharing arrangement whereby two or more qualifying employees share a full-time position shall count as full-time employment provided the hourly requirement per week is met. This definition shall not include combinations of part-time positions even if, when combined, such positions meet the hourly requirement per week.

Regional center means any economic unit, public or private, which is involved with the promotion of economic growth, including increased export sales, improved regional productivity, job creation, and increased domestic capital investment.

5. Section 204.6 is amended by:

- a. Revising introductory text in paragraph (j);
- b. Adding a new paragraph (j)(4)(iii); and by
- c. Adding a new paragraph (m), to read as follows:

§ 204.6 Petitions for employment creation aliens.

(j) *Initial evidence to accompany petition.* A petition submitted for classification as an alien entrepreneur must be accompanied by evidence that the alien has invested or is actively in the process of investing lawfully obtained capital in a new commercial enterprise in the United States which will create full-time positions for not fewer than 10 qualifying employees. In the case of petitions submitted under the Immigrant Investor Pilot Program, a petition must be accompanied by evidence that the alien has invested, or is actively in the process of investing, capital obtained through lawful means within a regional center designated by the Service in accordance with paragraph (m)(4) of this section. The petitioner may be required to submit information or documentation that the Service deems appropriate in addition to that listed below. * * *

(4) * * *

(iii) *Immigrant Investor Pilot Program.* To show that the new commercial enterprise located within a regional center approved for participation in the Immigrant Investor Pilot Program meets the statutory employment creation requirement, the petition must be accompanied by evidence that the investment will create full-time positions for not fewer than 10 persons either directly or indirectly through revenues generated from increased exports resulting from the Pilot Program. Such evidence may be demonstrated by reasonable methodologies including those set forth in paragraph (m)(3) of this section. * * *

(m) *Immigrant Investor Pilot Program.*

(1) *Scope.* The Immigrant Investor Pilot Program is established solely pursuant to the provisions of section 610 of the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriation Act, and subject to all conditions and restrictions stipulated in that section. Except as provided herein, aliens seeking to obtain immigration benefits under this paragraph continue to be subject to all conditions and restrictions set forth in section 203(b)(5) of the Act and this section.

(2) *Number of immigrant visas allocated.* The annual allocation of the visas available under the Immigrant Investor Pilot Program is set at 300 for each of the five fiscal years commencing on October 1, 1993.

(3) *Requirements for regional centers.* Each regional center wishing to participate in the Immigrant Investor Pilot Program shall submit a proposal to the Assistant Commissioner for Adjudications, which:

(i) Clearly describes how the regional center focuses on a geographical region of the United States, and how it will promote economic growth through increased export sales, improved regional productivity, job creation, and increased domestic capital investment;

(ii) Provides in verifiable detail how jobs will be created indirectly through increased exports;

(iii) Provides a detailed statement regarding the amount and source of capital which has been committed to the regional center, as well as a description of the promotional efforts taken and planned by the sponsors of the regional center;

(iv) Contains a detailed prediction regarding the manner in which the regional center will have a positive impact on the regional or national economy in general as reflected by such factors as increased household earnings, greater demand for business services, utilities, maintenance and repair, and construction both within and without the regional center; and

(v) is supported by economically or statistically valid forecasting tools, including, but not limited to, feasibility studies, analyses of foreign and domestic markets for the goods or services to be exported, and/or multiplier tables.

(4) *Submission of proposals to participate in the Immigrant Investor Pilot Program.* On August 24, 1993, the Service will accept proposals from regional centers seeking approval to participate in the Immigrant Investor Pilot Program. Regional centers that have been approved by the Assistant Commissioner for Adjudications will be eligible to participate in the Immigrant Investor Pilot Program.

(5) *Decision to participate in the Immigrant Investor Pilot Program.* The Assistant Commissioner for Adjudications shall notify the regional center of his or her decision on the request for approval to participate in the Immigrant Investor Pilot Program, and, if the petition is denied, of the reasons for the denial and of the regional center's right of appeal to the Associate Commissioner for Examinations. Notification of denial and appeal rights,

and the procedure for appeal shall be the same as those contained in 8 CFR 103.3.

(6) *Termination of participation of regional centers.* To ensure that regional centers continue to meet the requirements of section 610(a) of the Appropriations Act, the Assistant Commissioner for Adjudications shall issue a notice of intent to terminate the participation of a regional center in the pilot program upon a determination that the regional center no longer serves the purpose of promoting economic growth, including increased export sales, improved regional productivity, job creation, and increased domestic capital investment. The notice of intent to terminate shall be made upon notice to the regional center and shall set forth the reasons for termination. The regional center must be provided thirty days from receipt of the notice of intent to terminate to offer evidence in opposition to the ground or grounds alleged in the notice of intent to terminate. If the Assistant Commissioner for Adjudications determines that the regional center's participation in the Pilot Program should be terminated, the Assistant Commissioner for Adjudications shall notify the regional center of the decision and of the reasons for termination. The regional center may appeal the decision within thirty days after the service of notice to the Associate Commissioner for Examinations as provided in 8 CFR 103.3.

(7) *Requirements for alien entrepreneurs.* An alien seeking an immigrant visa as an alien entrepreneur under the Immigrant Investor Pilot Program must demonstrate that his or her qualifying investment is within a regional center approved pursuant to paragraph (m)(4) of this section and that such investment will create jobs indirectly through revenues generated from increased exports resulting from the new commercial enterprise.

(i) *Exports.* For purposes of paragraph (m) of this section, the term "exports" means services or goods which are produced directly or indirectly through revenues generated from a new commercial enterprise and which are transported out of the United States;

(ii) *Indirect job creation.* To show that 10 or more jobs are actually created indirectly by the business, reasonable methodologies may be used. Such methodologies may include multiplier tables, feasibility studies, analyses of foreign and domestic markets for the goods or services to be exported, and other economically or statistically valid forecasting devices which indicate the

likelihood that the business will result in increased employment.

(8) *Time for submission of petitions for classification as an alien entrepreneur under the Immigrant Investor Pilot Program.* Commencing on October 1, 1993, petitions will be accepted for filing and adjudicated in accordance with the provisions of this section if the alien entrepreneur has invested or is actively in the process of investing within a regional center which has been approved by the Service for participation in the Pilot Program.

(9) *Effect of termination of approval of regional center to participate in the Immigrant Investor Pilot Program.*

Upon termination of approval of a regional center to participate in the Immigrant Investor Pilot Program, the director shall send a formal written notice to any alien within the regional center who has been granted lawful permanent residence on a conditional basis under the Pilot Program, and who has not yet removed the conditional basis of such lawful permanent residence, of the termination of the alien's permanent resident status, unless the alien can establish continued eligibility for alien entrepreneur classification under section 203(b)(5) of the Act.

Dated: July 29, 1993.

By Sale,

Acting Commissioner, Immigration and Naturalization Service.

[FR. Doc. 93-20174 Filed 8-23-93; 8:45 am]

BILLING CODE 4410-10-M

NUCLEAR REGULATORY COMMISSION

10 CFR Part 2

RIN 3150-AE56

Withdrawal of Below Regulatory Concern Policy Statements

AGENCY: Nuclear Regulatory Commission.

ACTION: Withdrawal of policy statements.

SUMMARY: The Nuclear Regulatory Commission is formally withdrawing its Below Regulatory Concern (BRC) policy statements. This action is necessary to comply with provisions of the Energy Policy Act of 1992. Specifically, this action removes the BRC Policy Statement issued on July 3, 1990, and the BRC Policy issued in 1986

governing the submittal of petitions for removal of radioactive waste streams from regulatory concern that were set forth in the Commission's regulations.

EFFECTIVE DATE: This action is effective August 24, 1993.

FOR FURTHER INFORMATION CONTACT: Francis X. Cameron, Office of the General Counsel, U.S. Nuclear Regulatory Commission, Washington, DC 20555. Telephone (301) 504-1642.

SUPPLEMENTARY INFORMATION: Section 10 of the Low-Level Radioactive Waste Policy Amendments Act (LLRWPA) of 1985 directed the Commission to develop criteria and procedures to act upon petitions "to exempt specific radioactive waste streams from regulation * * * due to the presence of radionuclides * * * in sufficiently low concentrations or quantities as to be below regulatory concern." The Commission responded to this statutory provision by issuing a policy statement on August 29, 1986 (51 FR 30839) that contained criteria for evaluating such petitions. These criteria and the procedures for NRC staff implementation are set forth in 10 CFR part 2, appendix B, of the Commission's regulations. In order to establish a consistent risk framework for making regulatory exemption decisions across the broad spectrum of activities regulated by the Commission, the Commission later issued a second policy statement addressing the below regulatory concern issue, "General Statement of Policy on Below Regulatory Concern," July 3, 1990 (55 FR 27522).

In reaction to the public concern about the implications of the 1990 Policy, the Commission initiated a consensus-building process in July 1991 to seek the advice of affected interests on a re-evaluation of the Policy. In conjunction with the initiation of the consensus-building process, the Commission placed a moratorium on the implementation of the 1990 Policy. When the consensus-building process was terminated in December 1991 due to the difficulty of obtaining the participation of all affected interests in the process, the Commission indefinitely extended the moratorium on the implementation of the Policy. In October 1992, the Congress enacted the Energy Policy Act of 1992 (H.R. 776), and the bill was subsequently signed into law by President Bush. Section 2901 revoked the Commission's 1986 and 1990 BRC Policy Statements.

The Commission formally withdraws the two BRC Policy Statements in response to the Congressional action. In a document published in the proposed rule section of this issue of the Federal Register, the Commission also announces the termination of a

rulemaking action that was initiated to implement the 1986 BRC Policy.

Although section 2901 of the Energy Policy Act effectively revoke the 1986 BRC Policy Statement by providing that it should have no further effect, it did not explicitly remove the Commission's obligation under section 10 of the Low-Level Radioactive Waste Policy Amendments Act of 1985 to develop criteria and procedures for evaluating exemption requests for specific radioactive waste streams on an expedited basis. Nor did the Act revoke the Commission's authority under the Atomic Energy Act to exempt classes of materials from licensing. The Commission does not believe that it is necessary at this time to initiate the development of new generic criteria and procedures to replace those established in the 1986 Policy Statement that implemented section 10 of the LLRWPA. The Commission believes that the current situation could allow these types of exemption requests to be effectively handled on a case-by-case basis using the Commission's existing authority under the Atomic Energy Act and the existing general procedures for the expedited processing of petitions for rulemaking. This is consistent with the Commission's policy to address individual exemption requests using the criteria and guidance in existence prior to the July 3, 1990, BRC Policy Statement.

Paperwork Reduction Act Statement

Withdrawal of this policy statement removes information collection matters that were subject to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.). Office of Management and Budget approval of the provisions contained in appendix B to 10 CFR part 2 was allowed to expire on December 31, 1992. The 10 CFR part 2 information collection requirements that remain in effect were approved by the Office of Management and Budget approval number 3150-0136.

List of Subjects in 10 CFR Part 2

Administrative practice and procedure, Antitrust, Byproduct material, Classified information, Environmental protection, Nuclear materials, Nuclear power plants and reactors, Penalties, Sex discrimination, Source material, Special nuclear material, Waste treatment and disposal.

For the reasons set out in the preamble and under the authority of the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974, as amended, and 5 U.S.C. 552 and 553, the NRC is adopting the following amendment to 10 CFR part 2.

Rules and Regulations

Federal Register
Vol. 56, No. 230
Friday, November 29, 1991

This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect, most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510. The Code of Federal Regulations is sold by the Superintendent of Documents. Prices of new books are listed in the first FEDERAL REGISTER issue of each week.

DEPARTMENT OF JUSTICE

Immigration and Naturalization Service

8 CFR Parts 103 and 204

[INS No. 1434-91]

RIN 1115-AC59

Employment-Based Immigrants

AGENCY: Immigration and Naturalization Service, Justice.

ACTION: Final rule.

SUMMARY: This final rule implements section 121 of the Immigration Act of 1990, Public Law 101-649, November 29, 1990 (IMMACT), by providing petitioning procedures for employment-based immigrants under sections 203(b)(1) through (5) of the Immigration and Nationality Act (Act). It will also implement new immigrant classifications and requirements established by Public Law 101-649, and clarify, for the general public and businesses, requirements for classification and admission for these new immigrant classifications. This rule is necessary to help American businesses hire highly skilled, specially trained personnel to fill increasingly sophisticated jobs for which domestic personnel cannot be found.

EFFECTIVE DATE: November 29, 1991.

FOR FURTHER INFORMATION CONTACT: Edward H. Skerrett, Senior Immigration Examiner, or Carla J. Hengerer, Immigration Examiner, Adjudications Division, Immigration and Naturalization Service, 425 I Street NW, room 7122, Washington, DC 20536, telephone (202) 514-3946.

SUPPLEMENTARY INFORMATION: On July 5, 1991, at 56 FR 30703, the Immigration and Naturalization Service published a proposed rule with request for

comments from interested parties by August 5, 1991.

The Service received 340 comments on the proposed rule. All of the comments were reviewed and considered in writing this final rule. The discussion which follows groups the comments into major subject areas where comments were made, provides the Service position on the issue, and indicates any revisions made based on the comments.

Procedural Issues

There were four procedural issues in the proposed rule which elicited a substantial number of comments: Filing of petitions only at Service Centers, transition to the new law, priority dates, and determination of the ability of a prospective employer to pay the immigrant's wage.

The Service proposed that petitions for employment-based immigrants be filed only at the four Service Centers. In effect, this means the elimination of concurrent filing at local offices of employment-based petitions with applications for permanent residence (Form I-485). There were two reasons for this proposal. First, it appears that as of October 1, 1991, visa numbers will be current for the new employment-based classifications, and the Service did not want an oppressive workload to fall to local offices. Second, during the transition to the provisions of the new law, training and guidance could be concentrated at the four Service Centers.

One hundred and fourteen commenters objected to this proposal, for the most part seeing it not only as shifting work to the Service Centers but also as increasing the total Service workload. Some of these commenters suggested that concurrent filings be suspended only temporarily.

As provided in a final rule published by the Service on October 2, 1991 (56 FR 49839), the Service will not reinstate concurrent filing. As explained in the preamble to that rule, the Service wishes to ensure uniformity of adjudication, to the degree possible. This goal seems best accomplished if jurisdiction over these petitions is assigned to the four Service Centers, rather than to the many local offices. However, the Service intends to monitor the adjudication process during its first few months under the new regulatory scheme in

order to determine whether reinstatement of concurrent filing becomes desirable. The final rule thus provides that petitions may be specifically designated for local filing by the Associate Commissioner for Examinations. This would permit a general reinstatement of concurrent filing or more limited designations, if appropriate.

A great number of commenters expressed concern about the transition to the provisions of the new law. Most of these commenters felt that the Service should provide for automatic conversion of third and sixth preference petitions to the new classifications. The proposed rule instead contained the requirement, imposed by the Act, that a new employment-based immigration petition must be filed by October 1, 1993 to retain a priority date established for a third or sixth preference petition before October 1, 1991. On October 1, 1991, however, the President signed into law the Armed Forces Immigration Adjustment Act of 1991, Public Law 102-110. Section 4 of this law created essentially the conversion system suggested by the commenters. Any third or sixth preference petition filed before October 1, 1991, and approved on any date will be deemed a petition approved under sections 203(b)(2) or 203(b)(3) of the Act, respectively. The final rule has been adjusted to reflect this change to the statute.

In the proposed rule, the Service indicated that for classification under sections 203(b)(1), (2), and (3) of the Act, the priority date of the petition would be the date the petition was properly filed with the Service. This proposal resulted in 186 comments. The public concern arose from the fact that many petitions under the new classifications will continue to be accompanied by individual labor certifications from the Department of Labor. Commenters pointed to lengthy processing times at some Department of Labor certifying offices and suggested that both employers and aliens in some areas of the country would be disadvantaged. The most significant objection to this proposal came from the Department of Labor itself.

The final rule reflects a return to priority date establishment as continued in current regulation. When a petition for classification under section 203(b)(2) or (3) of the Act is accompanied by an

individual labor certification from the Department of Labor, the priority date will be the earliest date the application for certification was accepted for processing by any office within the employment service system of the Department of Labor. For a petition which was not preceded by an individual application to the Department of Labor, including a petition with an application for Schedule A determination or with evidence that the alien's occupation is a shortage occupation within the Department of Labor's Labor Market Information Program, the priority date will be the date on which the petition is properly filed with the Service.

As a consequence of this modification, the paragraph in the proposed rule concerning labor certification applications filed before October 1, 1991 is unnecessary and will be removed from the final rule.

The final rule also contains a new provision, 8 CFR 204.5(e), which should help to alleviate past problems with employment-based priority dates. This part will allow an alien to retain the priority date of an employment-based petition on his or her behalf which has been approved under sections 203(b) (1), (2), or (3) of the Act. This priority date, once established, will apply to subsequent petitions on behalf of the alien under sections 203(b) (1), (2), or (3) of the Act. It will only be lost if the initial petition is revoked under sections 204(e) or 205 of the Act. The priority date will not, however, be applicable to petitions under section 203(b) (4) or (5) of the Act, or to family-based classifications. Nor will a petitioning employer be permitted to substitute a different alien for the original on a labor certification and retain the original priority date.

Section 204.5(d) of the final rule has also been changed to provide a method for assigning priority dates to petitions for classification as a special immigrant under section 203(b)(4) of the Act. The priority date for such a petition shall be the date the completed, signed petition, including all initial evidence and the correct fee, is properly filed with the Service. An alien whose application for such special immigrant classification under the prior law was filed before October 1, 1991 but had not been adjudicated as of that date must file a Form I-360 for classification under section 203(b)(4). However, the priority date shall be the date the alien submitted the application under prior law for an immigrant visa or adjustment of status.

The final general issue which met with some public response was the issue

of the ability of the prospective employer to pay the wage. Twelve commenters found the requirement, as stated in the proposed rule, to be restrictive or cumbersome. Suggestions ranged from accepting types of financial evidence other than an annual report or tax return to waiving the requirement for established employers or asking for documentation only in questionable cases.

The Service will retain the requirement as provided in the proposed rule, with two modifications. First, the final rule will allow organizations which employ at least 100 workers to submit a statement from a financial officer of the organization on the organization's ability to pay the wage. Second, the final rule will permit organizations to demonstrate ability to pay the wage by submitting an audited financial statement.

Aliens of Extraordinary Ability

Four commenters questioned how the standards in the proposed rule for a showing "extraordinary ability" under the first employment-based classification related to those required for a showing of "exceptional ability" under the Department of Labor's Schedule A/Group II. Schedule A/Group II, found at 20 CFR 656.10, exempts certain aliens of "exceptional ability" from the need to obtain an individual labor certification. IMMACT created a new immigrant visa preference classification for aliens of "extraordinary ability" (as well as a new nonimmigrant visa classification for such aliens). It also carried over a separate immigrant visa preference classification for aliens of "exceptional ability." It is the Service's duty, then, to discern the standards that Congress meant to apply to these two classifications. The legislative history indicates at House Report 101-723, p. 59, that Congress intended for IMMACT's "extraordinary ability" classification to be comparable to the Department of Labor's "exceptional ability" standard set out in Schedule A/Group II. Unfortunately, IMMACT also uses the term "exceptional ability" when referring to certain immigrants under the new second employment-based classification; yet IMMACT indicates that its "exceptional ability" classification is a less restrictive one than its "extraordinary ability" classification. Therefore, IMMACT's "exceptional ability" classification is necessarily also less restrictive than the Department of Labor's Schedule A/Group II "exceptional ability" standard.

Despite the undesirable confusion, however, the Service must use the terms

selected by Congress. Accordingly, the rule's standards governing "extraordinary ability" are comparable to the Schedule A/Group II standards governing "exceptional ability" and the rule's standards governing "exceptional ability" are less restrictive than the Schedule A/Group II standards governing "exceptional ability." An alien meeting the criteria for "extraordinary" under 8 CFR 204.5(h) need not obtain a labor certification. An alien who fails to meet these criteria may qualify as "exceptional" by meeting the criteria of 8 CFR 204.5(k), however, such a petition must be accompanied by a labor certification. An alien who would also meet the criteria for "exceptional" under Schedule A/Group II—though that alien might also qualify under the rule as "extraordinary"—has the additional option, if visa availability or other circumstances make it desirable, to seek classification as an "exceptional" alien under section 203(b)(2), thereby avoiding the necessity of the employer obtaining an individual labor certification.

The Service received essentially three sorts of objections to its standards for extraordinary ability. First, three commenters argued that the definition itself—a level of ability indicating that the alien is one of the "few who has risen to the very top" of the field—was too stringent, and suggested that the word "few" be removed from the definition. Second, nineteen commenters believed that the criteria governing the determination of extraordinary ability could exclude some aliens who do in fact possess extraordinary ability in business. Finally, one commenter felt that all athletes performing at a major league level should be deemed to have extraordinary ability.

To address the objection to the definition itself, the Service reexamined the legislative history on this point. In House Report 101-723, the House Committee on the Judiciary used the words "small percentage" where the proposed rule used "few." The final rule has been revised accordingly.

After considering the objection concerning business persons, the Service has concluded that the truly extraordinary business person can qualify based on the criteria set forth in the proposed rule. Several of the criteria, including such indicia of achievement as awards, articles by or about the alien in major publications, and salary level, are written in terms broadly applicable even within the business community. In addition, 8 CFR 204.5(h)(4) permits those who believe the established criteria do not readily apply to their occupation to

submit comparable evidence of extraordinary ability.

The Service disagrees that all athletes performing at the major league level should automatically meet the "extraordinary ability" standard. Performance at that level may frequently help to establish that the athlete meets several of the listed criteria. However, section 203(b)(1)(A)(i) of the Act, as amended by section 121(a) of Public Law 101-649, states that the alien's extraordinary ability must be "demonstrated by sustained national or international acclaim." Not all athletes, particularly those new to major league competition, would be able to meet this standard. A blanket rule for all major league athletes would contravene Congress' intent to reserve this category to "that small percentage of individuals who have risen to the very top of their field of endeavor."

For clarification, the Service has subdivided some of the eligibility criteria so that there are now ten. This part has also been changed to make clear that athletic and business-related contributions of major significance will meet the criterion relating to the alien's original contributions in the field.

Outstanding Professors and Researchers

There were two primary areas of comment regarding the proposed rule as it relates to outstanding professors and researchers.

Sixty-five commenters, several from major academic institutions, advised that it is unusual for colleges and universities to place researchers in tenured or tenure-track positions. In the final rule, the Service recognizes that a research position having no fixed term and in which the employee will ordinarily have an expectation of permanent employment is "comparable" to a tenured or tenure-track position within the meaning of section 203(b)(1)(B)(iii)(II) of the Act. The final rule has been modified to reflect this recognition.

Fifty-nine commenters urged the Service to consider significant research toward an advanced degree as counting toward determination of the three-year requirement of teaching and/or research experience. A few commenters also felt that teaching experience gained by a candidate for an advanced degree should count in meeting the teaching/research requirement.

The final rule reflects that research or teaching experience gained while working on an advanced degree will count toward the three-year requirement only if the advanced degree has been granted and only if the research is recognized within the academic field as

outstanding, or if the alien had full responsibility for courses taught. Experience as a laboratory or teaching assistant will not qualify toward the three-year research or teaching requirement.

Five commenters felt that the requirement that a teaching offer be for a tenured or tenure-track position was too stringent, and a few commenters felt that the requirement of three years of experience was unfair. Both of these requirements are statutory; therefore, the Service could not change the final rule on either point.

Finally, the Service changed the evidentiary criterion at 8 CFR 204.5(i)(3)(i)(A). In the proposed rule, the petitioner was required to submit evidence that the alien had received major international awards. The word "international" has been removed in order to accommodate the possibility that an alien might be recognized internationally as outstanding for having received a major award that is not international.

Certain Multinational Executives and Managers

Seventy-two commenters found the proposed definition of affiliate, as applied to multinational executives and managers, to be too restrictive. For the most part, the commenters felt that the definition did not reflect business reality.

In the final regulation, the definition of affiliate will be changed to comport with the current definition of affiliate as found at 8 CFR 214.2(1)(1)(ii)(L) as it applies to nonimmigrant intracompany transferees. This definition is broader and more attuned to the commenters' concerns than the definition in the proposed rule. This part of the final rule does not require that a group of individuals entirely own and control two legal entities in order for the entities to be considered affiliated. Nor does this part require each individual in the group directly to own and control the same proportion of each entity.

One commenter noted the inclusion of international accounting partnerships in the definition and urged that similar arrangements in other industries be included. The inclusions of international accounting partnerships as affiliates was through a specific provision of Public Law 101-649 at section 208(a), which mandated that the Service apply that inclusion when adjudicating petitions for classification under section 203(b)(1)(C). The Service has no authority to extend this application beyond international accounting partnerships.

Another commenter objected that the proposed rule required that the affiliate of an international accounting partnership must market its services under the same internationally recognized name. This commenter noted that some of these firms do not always use the same name in different countries. The Service may be flexible in accepting evidence, such as annual reports, demonstrating that the various affiliates of the accounting partnership use substantially the same name. The statute specifically limits this subsection, however, to accounting partnerships that market their accounting services "under the same internationally recognized name," and the Service cannot deviate from this requirement.

Two commenters felt that the requirement of the regulation that the United States entity be doing business for one year went beyond the language of the statute. One of these commenters also felt that the language "which has employees" must be removed from the definition of doing business in that staffing levels are not controlling when determining managerial or executive capacities.

The language "which has employees" has been removed in the final regulation, but the requirement of doing business for one year will be retained. This requirement is similar to one pertaining to intra-company transferees under the L-1 nonimmigrant classification. The requirement, which has been in existence for a number of years, provides for a one-year limitation on the initial admission of an L-1 nonimmigrant coming to a new business. After one year the alien may apply for an extension of stay, provided the qualifying United States entity is still in operation. The Service has found that the one-year time limit is important as a measure of the viability of the United States employer. It should be noted that, although this rule prohibits the approval of an immigrant visa petition on behalf of a multi-national executive or manager coming to work for a new business, a qualified alien would not be precluded from obtaining L-1 nonimmigrant status for one year and then seeking adjustment of status to that of lawful permanent resident based on this immigrant visa classification.

Aliens Who Are Members of the Professions Holding Advanced Degrees or Aliens of Exceptional Ability

The statute indicates that members of the professions holding advanced degrees or their equivalent may qualify for this classification. The Joint

Explanatory Statement of the Committee of Conference on this point says that the equivalent of an advanced degree shall be "a bachelor's degree with at least five years progressive experience in the professions." In the proposed rule, the Service followed this guidance and required the alien to have a United States advanced degree or a foreign equivalent advanced degree. To qualify for the exception, the petitioner must demonstrate that the alien has at least a bachelor's degree, or a foreign equivalent degree, plus five years of progressive experience in the profession. The Service interpreted this combination to equate with a master's degree, and indicated that if a doctoral degree was customarily required by the specialty, the alien would be required to have a doctorate. The Service notes that a foreign advanced degree determined by an evaluator to be the equivalent of a United States doctorate will qualify.

Eighty-three commenters felt that the requirement that aliens have degrees, both for this classification and for professional status in the third classification, was too restrictive. Several commenters were perplexed that no substitute of experience alone for a baccalaureate was allowed. Some pointed to past Service case law which allowed for substitution of experience for academic work. Some pointed to the Service's regulations pertaining to H-1B nonimmigrants which allow for equivalence of experience, and some pointed to section 214(i) of the Act, as amended by section 205(c) of the Immigration Act of 1990, wherein equivalency to the bachelor's or higher degree is permitted for H-1B nonimmigrants. Other commenters pointed to certain countries where possession of a degree is not the usual norm for classification as a professional.

The final rule will not change with regard to academic requirements for either professionals holding advanced degrees or professionals in the third classification. The Act states that, in order to qualify under the second classification, alien members of the professions must hold "advanced degrees or their equivalent." As the legislative history discussed above indicates, the equivalent of an advanced degree is "a bachelor's degree with at least five years progressive experience in the professions." Because neither the Act nor its legislative history indicates that bachelor's or advanced degrees must be United States degrees, the Service will recognize foreign equivalent degrees. But both the Act and its legislative history make clear that, in order to qualify as a professional under

the third classification or to have experience equating to an advanced degree under the second, an alien must have at least a bachelor's degree. Therefore, the Service believes that, to carry out Congress' intent, it must require a bachelor's degree in both contexts, and cannot permit an alien to meet this minimum requirement through experience alone. The Service also maintains that the equivalent of an advanced degree—a baccalaureate plus five years of progressive experience in the professions—equates to no more than a master's degree. Persons formerly qualifying for third preference by virtue of education and experience equating to a bachelor's degree will qualify for the third employment category as skilled workers with more than two years of training and experience. These individuals as well as holders of baccalaureate degree will fall into the same preference category.

Seventeen commenters felt that the criteria pertaining to a showing of exceptional ability were not flexible enough to demonstrate that a business person was of exceptional ability. The Service disagrees. Several of the criteria, concerning such indicia of achievement as degrees of higher education, experience, salary level, and membership in professional associations, are written in terms broadly applicable within the business community. The Service has, however, changed this part to permit those who believe the established criteria do not readily apply to their occupation to submit comparable evidence of exceptional ability.

With regard to the level of work the alien will be performing in the United States, the final rule clarifies that the job offer portion of the individual labor certification, the Schedule A application, or the Pilot Program application must show that the job requires a professional holding an advanced degree (or its equivalent) or an alien of exceptional ability.

Four commenters asked whether an exemption from, or waiver of, the job offer for an exceptional alien constituted waiver of the labor certification. The Service has consulted with Congressional sources and the Department of Labor on this issue, and all parties are in agreement that exemption from, or waiver of, the job offer constitutes waiver of the labor certification. The final rule reflects this determination.

Since the final rule clarifies that exemption from the job offer requirement constitutes exemption from the labor certification requirement, the

Service has removed the requirement that the alien present evidence that he or she is in a traditionally self-employed occupation or that his or her occupation is a shortage occupation within the Department of Labor's Labor Market Information Pilot Program.

One commenter indicated that the job offer exemption should be available to professionals as well as aliens of exceptional ability. The statute, however, limits this provision to aliens of exceptional ability.

Some commenters also asked that the phrase "in the national interest" be defined. One commenter suggested that the phrase should apply to any alien who would substantially benefit prospectively the national economy, cultural or educational interests, or welfare of the United States. The Act itself requires this showing of all aliens seeking to qualify as "exceptional," but adds the "national interest" test to permit a job offer waiver for certain aliens who have already satisfied the "prospective national benefit" test. The Service, therefore, cannot equate the two standards. Congress has not provided a more particular definition of the phrase in the national interest. The Service believes it appropriate to leave the application of this test as flexible as possible, although clearly an alien seeking to meet the standard must make a showing significantly above that necessary to prove "prospective national benefit." The burden will rest with the alien to establish that exemption from, or waiver of, the job offer will be in the national interest. Each case will be judged on its own merits.

Skilled Workers, Professionals, and Other Workers

As noted in the previous section, 83 commenters objected to the requirement that an alien actually possess a baccalaureate degree (or a foreign equivalent degree) and that the Service has made no allowance for an alien to qualify through experience in the profession. Once again, the language of the statute states that the professional must have a baccalaureate. The Service, therefore, will make no change in the final rule.

Thirty-eight commenters urged the Service to allow education to count when calculating the required two years of training or experience for skilled workers. The final rule contains a part wherein post-secondary education will count when calculating this requirement.

Thirty commenters indicated that the proposed regulation was not clear on how the Service would distinguish

between skilled and other workers. The final rule reflects that this determination will be based on the requirements of training and/or experience placed on the job by the prospective employer, as certified by the Department of Labor. In a Schedule A or Pilot Program case, the petitioner will be required to demonstrate to the Service, through a showing of industry standards or employers' past practice, that the job is skilled: i.e., one which requires at least two years of training and/or experience.

With regard to the work a professional will be doing in the United States, the final rule clarifies that the job offer portion of the individual labor certification, the Schedule A application, or the Pilot Program application must show that the job requires a professional holding a baccalaureate degree.

Religious Workers

Nineteen commenters objected to what they construed as a requirement in the proposed rule that an alien seeking to qualify as a minister within the meaning of section 101(a)(27) of the Act must possess a baccalaureate degree. The proposed rule, however, imposed no such requirement. Rather, it must be demonstrated that the alien has been authorized by a recognized religious denomination to conduct religious worship and to perform other duties usually performed by authorized members of the clergy of that religion.

Some commenters objected to the definition of minister as being unfairly biased toward Christian religions. It was the Service's intent to draft a broad enough definition to be applicable to non-Christian ministers of religion. The final rule has therefore been amended to make clear that the guiding principle is that there be a reasonable connection between the activities performed and the religious calling of the minister. The Service will indicate in its operations instructions the circumstances under which ordained Buddhist monks, commissioned officers of the Salvation Army, ordained deacons, and others may be considered as ministers of religion.

Thirty-eight commenters objected to the requirement that religious professionals possess the minimum of a United States baccalaureate degree or its foreign equivalent and that there was no provision for qualification as a religious professional through experience. The commenters noted that the Act does not specify a degree requirement for a religious worker in a professional capacity.

The rule included this requirement for two reasons. First, while the Act does

not define the term professional in the context of religious workers, it does so in the context of "skilled workers, professionals, and other workers." There the Act specifies that a "professional" must have a baccalaureate degree. The Act does not require a United States degree, and the Service will therefore recognize an equivalent foreign degree. The Act does not, however, refer to gaining baccalaureate degree equivalency through experience, as the legislative history does with respect to an advanced degree. Therefore, the Service believes that, to carry out Congress's intent, it must require a baccalaureate for professionals in all employment-based immigrant contexts. Second, the distinction between religious professionals and other workers in a religious vocation or occupation will have little practical effect. The visa numbers for both groups are limited to a total of no more than 5,000 a year. Therefore, a religious worker may be admitted within the 5,000 limit whether or not he or she is deemed a religious professional. Therefore, the Service has not changed this requirement in the final rule.

Several commenters felt that the definition of bona fide nonprofit, religious organization in the United States should be broader and should not make specific reference to exemption from taxation as described in section 501(c)(3) of the Internal Revenue Code of 1986 as it relates to religious organizations. Commenters also objected to the requirement that proof of the organization's tax-exempt status be part of the petition's initial evidence.

The Service views the definition and the requirement that proof of tax-exempt status be furnished as fair. If a religious organization relies for its tax-exempt status on its governing body, then that proof should be submitted with the petition. The Internal Revenue Service (IRS) routinely makes decisions concerning the non-profit nature of any organization which is seeking tax-exempt status. Whenever IRS has already made a determination in this regard, the Service will defer to that decision. However, because churches, unlike other religious organizations, are not required to apply for tax-exempt status (and thereby prove that they are non-profit organizations) in order to claim exemption, the final rule has been revised to provide that if for any reason an organization has never sought such tax-exempt status from IRS, the Service will allow the organization to submit to the Service the same documentation required by IRS.

Some commenters felt that the definition of religious denomination was written with an unfair bias toward western religious tradition. The definition has been rewritten in the final rule to show that, in addition to evidence of the listed factors, a petitioner may submit evidence of comparable indicia of a bona fide religious denomination.

Some additional commenters noted that the proposed regulation did not take into consideration the existence of bona fide inter-denominational religious organizations, such as the Billy Graham Evangelistic Association. The Service will accommodate these organizations in the final rule by treating them as denominations provided that they can establish that their United States organizations are exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code.

A few commenters felt that certain additional religious occupations should be placed in the definition of religious occupation. No such change in the final rule is necessary, however, because the definition is written in terms general enough to comprise occupations in addition to those listed. Further, the rule clearly states that the list of examples is illustrative rather than exhaustive.

Some commenters objected that the definition of religious vocation—a calling to religious life "as evidenced by the taking of vows"—was overly restrictive. The Service agrees that the definition should not exclude those faiths in which "a calling to religious life" may be demonstrated by comparable means other than taking vows. The definition has been revised accordingly.

Employment Creation Immigrants

In an effort to effectuate the intent of Congress in enacting the employment creation provisions of the Immigration Act of 1990 and to respond positively where possible to the comments on the proposed rule, the Service has included a number of substantive changes in the final rule.

The title of Form I-526 referred to at 8 CFR 204.6(a) has been changed from "Petition for Immigrant Entrepreneur," which is the title of the form as found in the proposed rulemaking, to "Immigrant Petition by Alien Entrepreneur." Additionally, an internal inconsistency in the proposed rulemaking has been clarified. The proposed rule stated at § 204.6(a) that "the petition must be signed by the petitioner or by his or her authorized representative," and at § 204.6(c) that it could be filed only by the alien entrepreneur. Accordingly, the

reference to authorized representatives has been removed from § 204.6(a).

The Service received suggestions that District Offices and suboffices, rather than the Service Centers, should have jurisdiction to adjudicate immigrant petitions by alien entrepreneurs. The Service has considered this alternative but concluded that the final rule should remain as proposed. The Service is concerned with uniformity of adjudication and is concentrating its training in this area at the Service Centers. The need for consistent adjudication of the often highly technical proposals in these new petitions outweighs, for the time being, any benefit offered by permitting their filing in District Offices or sub-offices.

The Service has decided, however, to assign jurisdiction for adjudication of Form I-526 only to the Service Center having jurisdiction over the area in which the alien entrepreneur's new commercial enterprise is principally doing business. Petitioners may not file with the Service Center having jurisdiction over the area in which the enterprise is established. This change is designed to facilitate a more even distribution of petitions among the jurisdictions of the four Service Centers.

Definitions

The definition of capital was limited in the proposed rule by excluding all types of intangible property, cash equivalents, and debt financing arrangements. Two commenters recommended that intangible property count as capital; four recommended that cash equivalent count; and fifty-six recommended that indebtedness count. Two commenters, on the other hand, felt that it was both reasonable and commercially viable to exclude debt from the definition.

Under the final rule, the definition of capital includes cash equivalents—such as certificates of deposit, Treasury bonds, or other instruments that can be converted readily into cash—and indebtedness. To qualify as capital, indebtedness must be secured by assets owned by the alien entrepreneur, provided that the alien entrepreneur is personally and primarily liable and that the assets of the new commercial enterprise upon which the petition is based are not used to secure any of the indebtedness. This requirement is designed to ensure that, by investing capital, the alien entrepreneur has placed funds or other capital assets directly at risk.

The Service has expanded the definition of capital for two reasons. First, the legislative history of the Act suggests that Congress intended the

definition to be broad. Discussing the employment creation provision in Senate Report 101-55, the Senate Committee on the judiciary endorsed the requirements set out for nonimmigrant "treaty investors" at 22 CFR 41.51. In note 5.1-2 to 22 CFR 41.51, the Department of State has indicated that "investment" includes the investment of debt. Second, the overwhelming majority of those commenting on this issue supported such a change, believing that excluding debt from the definition of capital would ignore modern business practice and severely limit the number of investors eligible or willing to apply under the employment creation provision.

The definition has also been changed to exclude assets "directly or indirectly" acquired by unlawful means. These words were added to effectuate Congress's intent that the visa process be discontinued "if it becomes known to the Government that the money invested was obtained by the alien through other than legal means (such as money obtained through the sale of illegal drugs)." S. Rep. No. 101-55, 101st Cong., 1st Sess. 21 (1989).

Fifty-seven commenters objected to the proposed definition of invest, which required the net infusion of capital into the United States economy from abroad. This requirement has therefore been eliminated in the final rule. After further review, the Service agrees that Congress has not specifically required that capital come from abroad in the statute or during its discussion in the Senate Judiciary Committee. Imposing such a requirement would therefore exceed Congressional intent, ignore modern business practices, and create grave enforcement problems.

The definition of commercial enterprise was clarified and expanded to encompass wholly-owned subsidiaries of holding companies. Ten commenters stated that the definition should be expanded, and six commenters specifically called for the inclusion of the holding company/subsidiary example under the commercial enterprise definition. Two commenters called for the definition of commercial enterprise to encompass not-for-profit entities. Because not-for-profit entities do not fundamentally "engage in commerce," the Service does not find the inclusion of such entities to be consistent with the statute.

Seventeen commenters suggested that independent contractors be included in the definition of employee. The final rule defines employee to include only those persons directly employed in a full-time position by the new enterprise. This section specifically excludes

independent contractors. The Service recognizes that certain business enterprises rely heavily on independent contractors, and that the required investment of capital may result in creating opportunities for new and existing independent contracts. Yet the Service interprets the Act to require the creation of long-term, full-time employment by the enterprise. Accordingly, the Service has concluded that independent contractors, whose relationship with the enterprise is less than that of employer-employee and may often last only a short time, do not properly fall within the definition of employee.

In the proposed rule, the definition of full-time employment did not contain a specific reference to the concept of job-sharing. The Service has added a direct reference to job-sharing and a specific exclusion of part-time employment. Under the common job-sharing arrangement, two employees simply combine to fill what is clearly demonstrated as one full-time employment position. Therefore, the Service interprets the Act to require the creation of the requisite number of full-time employment positions, even if two employees combine to fill a single position. Several commenters sought the inclusion of part-time employment within the definition through the use of various formulae for combining hours worked to obtain the equivalent of a normal work week. The Service cannot accept these suggestions. Even putting aside the complications that such formulae would invite, the Act precludes their use: Section 203(b)(5) of the Act requires that the new commercial enterprise must "create full-time employment." The Service therefore cannot find that part-time employment is consistent with the clear language of the statute.

The final rule includes a definition of the term troubled business. In the proposed rule, the Service sought comments relating to the concept of job creation and its relation to job retention within a failing business. Five commenters felt that job retention should count toward meeting the statutory requirement of employment creation. Additionally, the Service determined that job retention comports with Congressional intent. See S. Debate on Conf. Rep. S 358, 136 Cong. Rec. S17105-18 (Oct. 1989). Therefore, the term "troubled business" has been defined in the final rule, and the term is referenced within the final rule at 8 CFR 204.6(f)(3)(ii) relating evidentiary requirements of employment creation.

Required Amount of Capital

The proposed rule required a capital investment of one million dollars (\$1,000,000) for all areas. Eighty-two commenters called for lowering the amount of capital required to make a qualifying investment in a targeted employment area to five hundred thousand dollars (\$500,000). The commenters felt that lowering the investment capital requirement would promote the purpose of the Act to stimulate investment in rural and high unemployment areas. They further felt that viable businesses could be maintained with the lower investment amount. The final rule contains the lowered investment amount of five hundred thousand dollars (\$500,000) for rural and high unemployment areas. No other adjustments in qualifying investment amounts were made. Although the Act gives the Attorney General authority to raise the qualifying investment amount for high employment areas, no commenters supported such a change and the Service does not wish to pursue any increase at the outset of the program.

Multiple Investors

Several commenters expressed concern that employment positions created as a result of the establishment of new enterprises by multiple investors, some of whom may not be seeking visas under the provision, should be allocated only to those alien entrepreneurs seeking classification under section 203(b)(5) of the Act. The final rule contains language permitting this practice and recognizes any reasonable agreements among alien entrepreneurs regarding identification and allocation of the created positions. The final rule also makes clear that, in the case of multiple investors, all sources of capital invested in the enterprise must be identified and must have been acquired by lawful means. This includes capital invested by individuals who are seeking visas under this section.

Establishment of a New Commercial Enterprise

The proposed rule allowed for three methods by which an alien entrepreneur could establish a new commercial enterprise: The creation of an original business, the purchase of an existing business with subsequent changes to that business's organization and operation, and the infusion of capital into an existing business such that a substantial increase in its net worth or number of employees resulted. Substantial was defined as 140 percent of the pre-investment figure.

Ten commenters felt that the 140 percent standard was too restrictive, and 18 commenters requested clarification of both the 140 percent standard and the change of operations language. Three commenters recommended clarification of the time at which net worth was measured.

The final rule restructures and clarifies the three establishment criteria. First, the language relating to the creation of an original business has been retained. Second, the provision relating to purchase of an existing business has been simplified, and the operational change language has been removed. Instead, the final rule now states that establishment may consist of the purchase of an existing business and the restructure or reorganization of that existing business into a new commercial enterprise. Third, the language regarding establishment through the expansion of an existing business, without bringing into existence a new commercial enterprise, has been clarified. Substantial change has been defined more precisely to mean a 40 percent increase either in the net worth or in the number of employees, so that the new net worth or number of employees amounts to at least 140 percent of the business's pre-expansion net worth or number of employees. For example, a business with a pre-expansion net worth of \$5 million dollars would meet this criterion following a capital infusion of \$2 million dollars, resulting in a net worth of \$7 million dollars (i.e., 140% of pre-expansion net worth of \$5 million dollars).

It was suggested that the Service abandon the 40 percent increase requirement in favor of a sliding scale rule, under which larger businesses could expand by smaller percentages and still qualify. The 40 percent rule, it was argued, might discourage investment in larger existing enterprises, since expanding by a fixed percentage becomes more difficult the larger the existing enterprise is. Although the Service appreciates this concern, it has concluded that the simplicity of application offered by the standard 40 percent rule is preferable, at least at the outset of the program. The Service has therefore retained the 40 percent standard but will consider, after assessing how the program operates under that standard, whether some modification is desirable.

The final rule has also been changed to clarify that the investor seeking to establish a new commercial enterprise through the expansion of an existing business is not exempt from the capital

amount and employment creation requirements.

State Designation of a High Unemployment Area

The proposed rule did not contain any provision under which an area within a non-rural area—i.e., within either a metropolitan statistical area or a city or town with a population of 20,000 or more—could qualify as an area of high unemployment, and thus as a targeted employment area. Twelve commenters called for the Service to change the definition of targeted employment area and provide a method by which a component of a non-rural area could so qualify.

The Service cannot, of course, alter the statutory definition of targeted employment area. The Service has concluded, however, that the designation of smaller geographic or political areas within metropolitan statistical areas or within cities or towns with a population of 20,000 or more as areas of high unemployment would comport with the intent of Congress regarding targeted employment areas.

This part of the rule contains a method for the designation of such geographic or political subdivisions as areas of high unemployment. Under the final rule, a state government may delegate to any agency, board, or other appropriate state governmental entity the authority to certify that geographic or political subdivisions of non-rural areas within the state qualify as areas of high unemployment. The delegation must be reported to the Immigration and Naturalization Service through the Associate Commissioner for Examinations prior to issuance of any area designation. The evidence of such area designations that a state provides to a prospective alien entrepreneur should include a description of the boundaries of the geographic or political subdivision and the method or methods by which the unemployment statistics were obtained.

This part is not intended to place an unnecessary burden upon any state. With respect to geographic and political subdivisions of this size, however, the Service believes that the enterprise of assembling and evaluating the data necessary to select targeted areas, and particularly the enterprise of defining the boundaries of such areas, should not be conducted exclusively at the Federal level without providing some opportunity for participation from state or local government. This part of the rule is merely intended to afford the states a method whereby particular

areas of high unemployment within their boundaries may qualify as "targeted," and to allow alien entrepreneurs the opportunity to invest in such areas under the targeted employment area guidelines, including lowered investment amounts.

Initial Evidence

Establishment

The proposed rule contained initial evidence requirements relating to establishment of a new commercial enterprise. The final rule contains additional examples of the types of legal agreements evidencing the establishment of a new commercial enterprise. The final rule also provides for the possibility that a new commercial enterprise may be located in a jurisdiction and yet be organized in such a manner that no evidence of lawful creation may be available within that jurisdiction.

Investment

The evidentiary showing necessary to establish that the petitioner either has invested or is in the process of investing the required amount of capital is modeled after requirements used by the Department of State for nonimmigrant "treaty investors." As with that program, the concept of investment here denotes the placing of funds or other capital assets at risk for the purpose of generating a return on the funds placed at risk. Evidence of mere intent to invest, or of prospective investment arrangements entailing no present commitment, will not suffice to show that the petitioner is actively in the process of investing. The alien must show actual commitment of the required amount of capital. The final rule contains the evidentiary categories contained in the proposed rule, as well as an added category to accommodate the revised definitions of capital and invest.

Lawful Source of Capital

The final rule requires a petitioner to furnish additional evidence as part of the initial evidentiary showing. The petitioner must submit foreign business registration records, personal and commercial tax returns, evidence identifying any other sources of capital, and evidence of judicial or administrative actions involving money judgments against the petitioner. This additional evidentiary requirement carries out Congress's instruction that "processing of an individual visa not continue under this section if it becomes known to the Government that the money invested was obtained by the

alien through other than legal means (such as money received through the sale of illegal drugs)." S. Rep. 101-55, p. 21.

Employment Creation

The initial evidence requirement relating to the creation of employment has been restructured and now encompasses the concept of job retention following the infusion of capital into a troubled business. In order to demonstrate that job retention meets the employment creation criteria, the alien entrepreneur's petition must be accompanied by evidence that the number of existing employees is being maintained or will be maintained at no less than the pre-investment level for a period of at least two years. This evidence shall be submitted using a copy of a comprehensive business plan and appropriate evidence of the required number of qualifying employees, such as the I-9 form or relevant IRS forms.

Engaged in Management

The proposed rule required the submission of evidence that the alien entrepreneur participated either in the day-to-day management of the new commercial enterprise or in policy formulation. Eight commenters objected to this requirement. The Senate Committee on the Judiciary specifically endorsed a requirement of some degree of participation on the part of the alien entrepreneur beyond mere passive investment. The final rule requires evidence of such participation, and contains additional language to address restrictions placed on limited partners.

Targeted Employment Areas

The proposed rule required the petitioner to provide evidence that the new commercial enterprise has been established within a targeted employment area. The final rule carries over this requirement but also provides for the submission by the petitioner of a letter from an authorized body of a State government which certifies that a particular geographic or political subdivision within a nonrural area qualifies as an area of high unemployment. Under the proposed rule, the high unemployment criteria could only be applied to metropolitan statistical areas or to cities or towns with a population of 20,000 or more. The final rule at 8 CFR 204.6(i) allows for designation of smaller areas within metropolitan statistical areas or within cities or towns with a population of 20,000 or more to be designated as areas of high unemployment, and the evidentiary requirement of a letter from

a State government entity is contained therein. The final rule also relaxes requirements governing the source of data showing that an area is one of high unemployment and permits petitioners to submit evidence, without obtaining State certification, that a county within a metropolitan statistical area is one of high unemployment.

Removal of Conditions

The Service will publish a separate rule establishing the procedures and criteria for removal of the conditional basis of residence for employment creation immigrants. These procedures and criteria will take into account the requirements set forth in this rule, experience gained through the operation of the employment creation program, the views of the Interagency Working Group discussed below, and the Service's considerable experience in the process for removing conditions established by the Immigration Marriage Fraud Amendments of 1986.

Interagency Working Group

The Office of Management and Budget (OMB) has determined that, because of the employment creation provisions of 8 CFR 204.6, this is a major rule within the meaning of section 1(b) of Executive Order 12291. Under section 8(b) of E.O. 12291, OMB is exempting INS from preparing for this specific rule the regulatory impact analysis ordinarily required for a major rule. However, in the interest of public policy analysis and in order to assess the economic impact of the employment creation visa program, the Department of Justice and the Service have established an interagency working group chaired by the Service and composed of representatives from the Departments of State, Commerce, Treasury, Agriculture, and Labor and the Small Business Administration. The Service is now developing, in consultation with OMB, the formula by which the working group will collect and analyze data over a two-year period on such economic and demographic aspects of the program as level of investment, size of business, type of industry, and impact on targeted employment areas. The working group will focus on indicators of the program's success, such as estimates of how the program has affected different economic sectors and whether program investments have created long-term employment. As the Service devised the proposed and final rules, agencies within the working group contributed data on such issues as how to define targeted areas and where to set minimum investment levels.

Finally, this rule amends 8 CFR Part 103 to reflect that appellate jurisdiction over decisions on petitions for immigrant visa classification based on employment or as a special immigrant or entrepreneur under 8 CFR 204.5 and 8 CFR 204.6 rests with the Associate Commissioner, Examinations, except when denial of the petition is based upon lack of labor certification.

In accordance with 5 U.S.C. 605(b), the Commissioner of the Immigration and Naturalization Service certifies that this rule will not have a significant adverse economic impact on a substantial number of small entities. The Commissioner also certifies that this rule does not have Federalism implications warranting the preparation of a Federal Assessment in accordance with Executive Order 12812.

The information collection requirements contained in this rule have been cleared by OMB under the provisions of the Paperwork Reduction Act. Clearance numbers of these collections are contained in 8 CFR 299.5, Display of Control Numbers.

List of Subjects

8 CFR Part 103

Administrative practice and procedures, Archives and records, Authority delegations (Government agencies), Bonding, Fees, Forms, Freedom of Information, Organization and functions (Government agencies), Privacy, Reporting and recordkeeping requirements, Surety bonds.

8 CFR Part 204

Administrative practice and procedures, Aliens, Employment, Immigration, Petitions.

Accordingly, chapter I of title 8 of the Code of Federal Regulations is amended as follows:

PART 103—POWERS AND DUTIES OF SERVICE OFFICERS; AVAILABILITY OF SERVICE RECORDS

1. The authority citation for part 103 continues to read as follows:

Authority: 5 U.S.C. 552; 8 U.S.C. 1101, 1103, 1201, 1304; 31 U.S.C. 9701; E.O. 12356, 47 FR 14874, 15557, 3 CFR, 1982 Comp., p. 166; 8 CFR part 2.

2. Section 103.1 is amended by revising paragraph (f)(2)(ii) to read as follows:

§ 103.1 Delegations of authority.

- (f) * * *
- (2) * * *
- (ii) Petitions for immigrant visa classification based on employment or as a special immigrant or entrepreneur

under §§ 204.5 and 204.6 of this chapter except when the denial of the petition is based upon lack of a certification by the Secretary of Labor under section 212(a)(5)(A) of the Act;

PART 204—PETITION TO CLASSIFY ALIEN AS IMMEDIATE RELATIVE OF A UNITED STATES CITIZEN OR AS A PREFERENCE IMMIGRANT

3. The authority citation for part 204 is revised to read as follows:

Authority: 8 U.S.C. 1101, 1103, 1151, 1153, 1154, 1182, 1186a, 1255; 8 CFR Part 2.

4. Sections 204.5 and 204.6 are revised to read as follows:

§ 204.5 Petitions for employment-based immigrants.

(a) *General.* A petition to classify an alien under section 203(b)(1), 203(b)(2), or 203(b)(3) of the Act must be filed on Form I-140, Petition for Immigrant Worker. A petition to classify an alien under section 203(b)(4) (as it relates to special immigrants under section 101(a)(27)(C)) must be filed on Form I-360, Petition for Amerasian, Widow, or Special Immigrant. A separate Form I-140 or I-360 must be filed for each beneficiary, accompanied by the applicable fee. A petition is considered properly filed if it is:

- (1) Accepted for processing under the provisions of part 103;
 - (2) Accompanied by any required individual labor certification, application for Schedule A designation, or evidence that the alien's occupation qualifies as a shortage occupation within the Department of Labor's Labor Market Information Pilot Program; and
 - (3) Accompanied by any other required supporting documentation.
- (b) *Jurisdiction.* Form I-140 or I-360 must be filed with the Service Center having jurisdiction over the intended place of employment, unless specifically designated for local filing by the Associate Commissioner for Examinations.

(c) *Filing petition.* Any United States employer desiring and intending to employ an alien may file a petition for classification of the alien under section 203(b)(1)(B), 203(b)(1)(C), 203(b)(2), or 203(b)(3) of the Act. An alien, or any person in the alien's behalf, may file a petition for classification under section 203(b)(1)(A) or 203(b)(4) of the Act (as it relates to special immigrants under section 101(a)(27)(C) of the Act).

(d) *Priority date.* The priority date of any petition filed for classification under section 203(b) of the Act which is accompanied by an individual labor certification from the Department of

Labor shall be the date the request for certification was accepted for processing by any office within the employment service system of the Department of Labor. The priority date of any petition filed for classification under section 203(b) of the Act which is accompanied by an application for Schedule A designation or with evidence that the alien's occupation is a shortage occupation within the Department of Labor's Labor Market Information Pilot Program shall be the date the completed, signed petition (including all initial evidence and the correct fee) is properly filed with the Service. The priority date of a petition filed for classification as a special immigrant under section 203(b)(4) of the Act shall be the date the completed, signed petition (including all initial evidence and the correct fee) is properly filed with the Service. The priority date of an alien who filed for classification as a special immigrant prior to October 1, 1991, and who is the beneficiary of an approved I-360 petition after October 1, 1991, shall be the date the alien applied for an immigrant visa or adjustment of status. In the case of a special immigrant alien who applied for adjustment before October 1, 1991, Form I-360 may be accepted and adjudicated at a Service District Office or sub-office.

(e) *Retention of section 203(b) (1), (2), or (3) priority date.*—A petition approved on behalf of an alien under sections 203(b) (1), (2), or (3) of the Act accords the alien the priority date of the approved petition for any subsequently filed petition for any classification under sections 203(b) (1), (2), or (3) of the Act for which the alien may qualify. In the event that the alien is the beneficiary of multiple petitions under sections 203(b) (1), (2), or (3) of the Act, the alien shall be entitled to the earliest priority date. A petition revoked under sections 204(e) or 205 of the Act will not confer a priority date, nor will any priority date be established as a result of a denied petition. A priority date is not transferable to another alien.

(f) *Maintaining the priority date of a third or sixth preference petition filed prior to October 1, 1991.*—Any petition filed before October 1, 1991, and approved on any date, to accord status under section 203(a)(3) or 203(a)(6) of the Act, as in effect before October 1, 1991, shall be deemed a petition approved to accord status under section 203(b)(2) or within the appropriate classification under section 203(b)(3), respectively, of the Act as in effect on or after October 1, 1991, provided that the alien applies for an immigrant visa or adjustment of status within the two

years following notification that an immigrant visa is immediately available for his or her use.

(g) *Initial evidence*—(1) *General*. Specific requirements for initial supporting documents for the various employment-based immigrant classifications are set forth in this section. In general, ordinary legible photocopies of such documents (except for labor certifications from the Department of Labor) will be acceptable for initial filing and approval. However, at the discretion of the director, original documents may be required in individual cases. Evidence relating to qualifying experience or training shall be in the form of letter(s) from current or former employer(s) or trainer(s) and shall include the name, address, and title of the writer, and a specific description of the duties performed by the alien or of the training received. If such evidence is unavailable, other documentation relating to the alien's experience or training will be considered.

(2) *Ability of prospective employer to pay wage*. Any petition filed by or for an employment-based immigrant which requires an offer of employment must be accompanied by evidence that the prospective United States employer has the ability to pay the proffered wage. The petitioner must demonstrate this ability at the time the priority date is established and continuing until the beneficiary obtains lawful permanent residence. Evidence of this ability shall be either in the form of copies of annual reports, federal tax returns, or audited financial statements. In a case where the prospective United States employer employs 100 or more workers, the director may accept a statement from a financial officer of the organization which establishes the prospective employer's ability to pay the proffered wage. In appropriate cases, additional evidence, such as profit/loss statements, bank account records, or personnel records, may be submitted by the petitioner or requested by the Service.

(h) *Aliens with extraordinary ability*—(1) An alien, or any person on behalf of the alien, may file an I-140 visa petition for classification under section 203(b)(1)(A) of the Act as an alien of extraordinary ability in the sciences, arts, education, business, or athletics.

(2) *Definition*. As used in this section: *Extraordinary ability* means a level of expertise indicating that the individual is one of that small percentage who have risen to the very top of the field of endeavor.

(3) *Initial evidence*. A petition for an alien of extraordinary ability must be

accompanied by evidence that the alien has sustained national or international acclaim and that his or her achievements have been recognized in the field of expertise. Such evidence shall include evidence of a one-time achievement (that is, a major, international recognized award), or at least three of the following:

(i) Documentation of the alien's receipt of lesser nationally or internationally recognized prizes or awards for excellence in the field of endeavor;

(ii) Documentation of the alien's membership in associations in the field for which classification is sought, which require outstanding achievements of their members, as judged by recognized national or international experts in their disciplines or fields;

(iii) Published material about the alien in professional or major trade publications or other major media, relating to the alien's work in the field for which classification is sought. Such evidence shall include the title, date, and author of the material, and any necessary translation;

(iv) Evidence of the alien's participation, either individually or on a panel, as a judge of the work of others in the same or an allied field of specification for which classification is sought;

(v) Evidence of the alien's original scientific, scholarly, artistic, athletic, or business-related contributions of major significance in the field;

(vi) Evidence of the alien's authorship of scholarly articles in the field, in professional or major trade publications or other major media;

(vii) Evidence of the display of the alien's work in the field at artistic exhibitions or showcases;

(viii) Evidence that the alien has performed in a leading or critical role for organizations or establishments that have a distinguished reputation;

(ix) Evidence that the alien has commanded a high salary or other significantly high remuneration for services, in relation to others in the field; or

(x) Evidence of commercial successes in the performing arts, as shown by box office receipts or record, cassette, compact disk, or video sales.

(4) If the above standards do not readily apply to the beneficiary's occupation, the petitioner may submit comparable evidence to establish the beneficiary's eligibility.

(5) *No offer of employment required*. Neither an offer for employment in the United States nor a labor certification is required for this classification; however, the petition must be accompanied by

clear evidence that the alien is coming to the United States to continue work in the area of expertise. Such evidence may include letter(s) from prospective employer(s), evidence of prearranged commitments such as contracts, or a statement from the beneficiary detailing plans on how he or she intends to continue his or her work in the United States.

(i) *Outstanding professors and researchers*. (1) Any United States employer desiring and intending to employ a professor or researcher who is outstanding in an academic field under section 203(b)(1)(B) of the Act may file an I-140 visa petition for such classification.

(2) *Definitions*. As used in this section: *Academic field* means a body of specialized knowledge offered for study at an accredited United States university or institution of higher education.

Permanent, in reference to a research position, means either tenured, tenure-track, or for a term of indefinite or unlimited duration, and in which the employee will ordinarily have an expectation of continued employment unless there is good cause for termination.

(3) *Initial evidence*. A petition for an outstanding professor or researcher must be accompanied by:

(i) Evidence that the professor or researcher is recognized internationally as outstanding in the academic field specified in the petition. Such evidence shall consist of at least two of the following:

(A) Documentation of the alien's receipt of major prizes or awards for outstanding achievement in the academic field;

(B) Documentation of the alien's membership in associations in the academic field which require outstanding achievements of their members;

(C) Published material in professional publications written by others about the alien's work in the academic field. Such material shall include the title, date, and author of the material, and any necessary translation;

(D) Evidence of the alien's participation, either individually or on a panel, as the judge of the work of others in the same or an allied academic field;

(E) Evidence of the alien's original scientific or scholarly research contributions to the academic field; or

(F) Evidence of the alien's authorship of scholarly books or articles (in scholarly journals with international circulation) in the academic field;

(ii) Evidence that the alien has at least three years of experience in teaching and/or research in the academic field. Experience in teaching or research while working on an advanced degree will only be acceptable if the alien has acquired the degree, and if the teaching duties were such that he or she had full responsibility for the class taught or if the research conducted toward the degree has been recognized within the academic field as outstanding. Evidence of teaching and/or research experience shall be in the form of letter(s) from current or former employer(s) and shall include the name, address, and title of the writer, and a specific description of the duties performed by the alien; and

(iii) An offer of employment from a prospective United States employer. A labor certification is not required for this classification. The offer of employment shall be in the form of a letter from:

(A) A United States university or institution of higher learning offering the alien a tenured or tenure-track teaching position in the alien's academic field;

(B) A United States university or institution of higher learning offering the alien a permanent research position in the alien's academic field; or

(C) A department, division, or institute of a private employer offering the alien a permanent research position in the alien's academic field. The department, division, or institute must demonstrate that it employs at least three persons full-time in research positions, and that it has achieved documented accomplishments in an academic field.

(j) *Certain multinational executives and managers.* (1) A United States employer may file a petition on Form I-140 for classification of an alien under section 203(b)(1)(C) of the Act as a multinational executive or manager.

(2) *Definitions.* As used in this section: *Affiliate* means:

(A) One of two subsidiaries both of which are owned and controlled by the same parent or individual;

(B) One of two legal entities owned and controlled by the same group of individuals, each individual owning and controlling approximately the same share or proportion of each entity; or

(C) In the case of a partnership that is organized in the United States to provide accounting services, along with managerial and/or consulting services, and markets its accounting services under an internationally recognized name under an agreement with a worldwide coordinating organization that is owned and controlled by the member accounting firms, a partnership (or similar organization) that is organized outside the United States to provide accounting services shall be

considered to be an affiliate of the United States partnership if it markets its accounting services under the same internationally recognized name under the agreement with the worldwide coordinating organization of which the United States partnership is also a member.

Doing business means the regular, systematic, and continuous provision of goods and/or services by a firm, corporation, or other entity and does not include the mere presence of an agent or office.

Executive capacity means an assignment within an organization in which the employee primarily:

(A) Directs the management of the organization or a major component or function of the organization;

(B) Establishes the goals and policies of the organization, component, or function;

(C) Exercises wide latitude in discretionary decisionmaking; and

(D) Receives only general supervision or direction from higher level executives, the board of directors, or stockholders of the organization.

Managerial capacity means an assignment within an organization in which the employee primarily:

(A) Manages the organization, or a department, subdivision, function, or component of the organization;

(B) Supervises and controls the work of other supervisory, professional, or managerial employees, or manages an essential function within the organization, or a department or subdivision of the organization;

(C) If another employee or other personnel actions (such as promotion and leave authorization), or, if no other employee is directly supervised, functions at a senior level within the organizational hierarchy or with respect to the function managed; and

(D) Exercises direction over the day-to-day operations of the activity or function for which the employee has authority.

Multinational means that the qualifying entity, or its affiliate, or subsidiary, conducts business in two or more countries, one of which is the United States.

Subsidiary means a firm, corporation, or other legal entity of which a parent owns, directly or indirectly, more than half of the entity and controls the entity; or owns, directly or indirectly, half of the entity and controls the entity; or owns, directly or indirectly, 50 percent of a 50-50 joint venture and has equal control and veto power over the entity;

or owns, directly or indirectly, less than half of the entity, but in fact controls the entity.

(3) *Initial evidence*—(i) *Required evidence.* A petition for a multinational executive or manager must be accompanied by a statement from an authorized official of the petitioning United States employer which demonstrates that:

(A) If the alien is outside the United States, in the three years immediately preceding the filing of the petition the alien has been employed outside the United States for at least one year in a managerial or executive capacity by a firm or corporation, or other legal entity, or by an affiliate or subsidiary of such a firm or corporation or other legal entity; or

(B) If the alien is already in the United States working for the same employer or a subsidiary or affiliate of the firm or corporation, or other legal entity by which the alien was employed overseas, in the three years preceding entry as a nonimmigrant, the alien was employed by the entity abroad for at least one year in a managerial or executive capacity;

(C) The prospective employer in the United States is the same employer or a subsidiary or affiliate of the firm or corporation or other legal entity by which the alien was employed overseas; and

(D) The prospective United States employer has been doing business for at least one year.

(ii) *Appropriate additional evidence.* In appropriate cases, the director may request additional evidence.

(4) *Determining managerial or executive capacities.*—(i) *Supervisors as managers.* A first-line supervisor is not considered to be acting in a managerial capacity merely by virtue of his or her supervisory duties unless the employees supervised are professional.

(ii) *Staffing levels.* If staffing levels are used as a factor in determining whether an individual is acting in a managerial or executive capacity, the reasonable needs of the organization, component, or function, in light of the overall purpose and stage of development of the organization, component, or function, shall be taken into account. An individual shall not be considered to be acting in a managerial or executive capacity merely on the basis of the number of employees that the individual supervises or has supervised or directs or has directed.

(5) *Offer of employment.* No labor certification is required for this classification; however, the prospective employer in the United States must

furnish a job offer in the form of a statement which indicates that the alien is to be employed in the United States in a managerial or executive capacity. Such letter must clearly describe the duties to be performed by the alien.

(k) *Aliens who are members of the professions holding advanced degrees or aliens of exceptional ability.* (1) Any United States employer may file a petition on Form I-140 for classification of an alien under section 203(b)(2) of the Act as an alien who is a member of the professions holding an advanced degree or an alien of exceptional ability in the sciences, arts, or business. If an alien is claiming exceptional ability in the sciences, arts, or business and is seeking an exemption from the requirement of a job offer in the United States pursuant to section 203(b)(2)(B) of the Act, then the alien, or anyone in the alien's behalf, may be the petitioner.

(2) *Definitions.* As used in this section: *Advanced degree* means any United States academic or professional degree or a foreign equivalent degree above that of baccalaureate. A United States baccalaureate degree or a foreign equivalent degree followed by at least five years of progressive experience in the specialty shall be considered the equivalent of a master's degree. If a doctoral degree is customarily required by the specialty, the alien must have a United States doctorate or a foreign equivalent degree.

Exceptional ability in the sciences, arts, or business means a degree of expertise significantly above that ordinarily encountered in the sciences, arts, or business.

Profession means one of the occupations listed in section 101(a)(32) of the Act, as well as any occupation for which a United States baccalaureate degree or its foreign equivalent is the minimum requirement for entry into the occupation:

(3) *Initial evidence.* The petition must be accompanied by documentation showing that the alien is a professional holding an advanced degree or an alien of exceptional ability in the sciences, the arts, or business.

(i) To show that the alien is a professional holding an advanced degree, the petition must be accompanied by:

(A) An official academic record showing that the alien has a United States advanced degree or a foreign equivalent degree; or

(B) An official academic record showing that the alien has a United States baccalaureate degree or a foreign equivalent degree, and evidence in the form of letters from current or former employer(s) showing that the alien has

at least five years of progressive post-baccalaureate experience in the specialty.

(ii) To show that the alien is an alien of exceptional ability in the sciences, arts, or business, the petition must be accompanied by at least three of the following:

(A) An official academic record showing that the alien has a degree, diploma, certificate, or similar award from a college, university, school, or other institution of learning relating to the area of exceptional ability;

(B) Evidence in the form of letter(s) from current or former employer(s) showing that the alien has at least ten years of full-time experience in the occupation for which he or she is being sought;

(C) A license to practice the profession or certification for a particular profession or occupation;

(D) Evidence that the alien has commanded a salary, or other remuneration for services, which demonstrates exceptional ability;

(E) Evidence of membership in professional associations; or

(F) Evidence of recognition for achievements and significant contributions to the industry or field by peers, governmental entities, or professional or business organizations.

(iii) If the above standards do not readily apply to the beneficiary's occupation, the petitioner may submit comparable evidence to establish the beneficiary's eligibility.

(4) *Labor certification or evidence that alien qualifies for Labor Market Information Pilot Program—(i) General.* Every petition under this classification must be accompanied by an individual labor certification from the Department of Labor, by an application for Schedule A designation (if applicable), or by documentation to establish that the alien qualifies for one of the shortage occupations in the Department of Labor's Labor Market Information Pilot Program. To apply for Schedule A designation or to establish that the alien's occupation is within the Labor Market Information Program, a fully executed uncertified Form ETA-750 in duplicate must accompany the petition. The job offer portion of the individual labor certification, Schedule A application, or Pilot Program application must demonstrate that the job requires a professional holding an advanced degree or the equivalent or an alien of exceptional ability.

(ii) *Exemption from job offer.* The director may exempt the requirement of a job offer, and thus of a labor certification, for aliens of exceptional ability in the sciences, arts, or business

if exemption would be in the national interest. To apply for the exemption, the petitioner must submit Form ETA-750B, Statement of Qualifications of Alien, in duplicate, as well as evidence to support the claim that such exemption would be in the national interest.

(1) *Skilled workers, professionals, and other workers.* (1) Any United States employer may file a petition on Form I-140 for classification of an alien under section 203(b)(3) as a skilled worker, professional, or other (unskilled) worker

(2) *Definitions.* As used in this part:

Other worker means a qualified alien who is capable, at the time of petitioning for this classification, of performing unskilled labor (requiring less than two years training or experience), not of a temporary or seasonal nature, for which qualified workers are not available in the United States.

Professional means a qualified alien who holds at least a United States baccalaureate degree or a foreign equivalent degree and who is a member of the professions.

Skilled worker means an alien who is capable, at the time of petitioning for this classification, of performing skilled labor (requiring at least two years training or experience), not of a temporary or seasonal nature, for which qualified workers are not available in the United States. Relevant post-secondary education may be considered as training for the purposes of this provision.

(3) *Initial evidence—(i) Labor certification or evidence that alien qualifies for Labor Market Information Pilot Program.* Every petition under this classification must be accompanied by an individual labor certification from the Department of Labor, by an application for Schedule A designation, or by documentation to establish that the alien qualifies for one of the shortage occupations in the Department of Labor's Labor Market Information Pilot Program. To apply for Schedule A designation or to establish that the alien's occupation is a shortage occupation with the Labor Market Pilot Program, a fully executed uncertified Form ETA-750 in duplicate must accompany the petition. The job offer portion of an individual labor certification, Schedule A application, or Pilot Program application for a professional must demonstrate that the job requires the minimum of a baccalaureate degree.

(ii) *Other documentation—(A) General.* Any requirements of training or experience for skilled workers, professionals, or other workers must be supported by letters from trainers or

employers giving the name, address, and title of the trainer or employer, and a description of the training received or the experience of the alien.

(B) *Skilled workers.* If the petition is for a skilled worker, the petition must be accompanied by evidence that the alien meets the educational, training or experience, and any other requirements of the individual labor certification, meets the requirements for Schedule A designation, or meets the requirements for the Labor Market Information Pilot Program occupation designation. The minimum requirements for this classification are at least two years of training or experience.

(C) *Professionals.* If the petition is for a professional, the petition must be accompanied by evidence that the alien holds a United States baccalaureate degree or a foreign equivalent degree and by evidence that the alien is a member of the professions. Evidence of a baccalaureate degree shall be in the form of an official college or university record showing the date the baccalaureate degree was awarded and the area of concentration of study. To show that the alien is a member of the professions, the petitioner must submit evidence showing that the minimum of a baccalaureate degree is required for entry into the occupation.

(D) *Other workers.* If the petition is for an unskilled (other) worker, it must be accompanied by evidence that the alien meets any educational, training and experience, and other requirements of the labor certification.

(4) *Differentiating between skilled and other workers.* The determination of whether a worker is a skilled or other worker will be based on the requirements of training and/or experience placed on the job by the prospective employer, as certified by the Department of Labor. In the case of a Schedule A occupation or a shortage occupation within the Labor Market Pilot Program, the petitioner will be required to establish to the director that the job is a skilled job, i.e., one which requires at least two years of training and/or experience.

(m) *Religious workers.*—(1) An alien, or any person in behalf of the alien, may file an I-360 visa petition for classification under section 203(b)(4) of the Act as a section 101(a)(27)(C) special immigrant religious worker. Such a petition may be filed by or for an alien, who (either abroad or in the United States) for at least the two years immediately preceding the filing of the petition has been a member of a religious denomination which has a bona fide nonprofit religious organization in the United States. The

alien must be coming to the United States solely for the purpose of carrying on the vocation of a minister of that religious denomination, working for the organization at the organization's request in a professional capacity in a religious vocation or occupation for the organization or a bona fide organization which is affiliated with the religious denomination and is exempt from taxation as an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 at the request of the organization. All three types of religious workers must have been performing the vocation, professional work, or other work continuously (either abroad or in the United States) for at least the two-year period immediately preceding the filing of the petition. Petitions for professional workers and other workers must be filed on or before September 30, 1994.

(2) *Definitions.* As used in this section: *Bona fide nonprofit religious organization in the United States* means an organization exempt from taxation as described in section 501(c)(3) of the Internal Revenue Code of 1986 as it relates to religious organizations, or one that has never sought such exemption but establishes to the satisfaction of the Service that it would be eligible therefor if it had applied for tax exempt status.

Bona fide organization which is affiliated with the religious denomination means an organization which is closely associated with the religious denomination and which is exempt from taxation as described in section 501(c)(3) of the Internal Revenue Code of 1986 as it relates to religious organizations.

Minister means an individual duly authorized by a recognized religious denomination to conduct religious worship and to perform other duties usually performed by authorized members of the clergy of that religion. In all cases, there must be a reasonable connection between the activities performed and the religious calling of the minister. The term does not include a lay preacher not authorized to perform such duties.

Professional capacity means an activity in a religious vocation or occupation for which the minimum of a United States baccalaureate degree or a foreign equivalent degree is required.

Religious denomination means a religious group or community of believers having some form of ecclesiastical government, a creed or statement of faith, some form of worship, a formal or informal code of doctrine and discipline, religious services and ceremonies, established places of religious worship, religious

congregations, or comparable indicia of a bona fide religious denomination. For the purposes of this definition, an inter-denominational religious organization which is exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986 will be treated as a religious denomination.

Religious occupation means an activity which relates to a traditional religious function. Examples of individuals in religious occupations include, but are not limited to, liturgical workers, religious instructors, religious counselors, cantors, catechists, workers in religious hospitals or religious health care facilities, missionaries, religious translators, or religious broadcasters. This group does not include janitors, maintenance workers, clerks, fund raisers, or persons solely involved in the solicitation of donations.

Religious vocation means a calling to religious life evidenced by the demonstration of commitment practiced in the religious denomination, such as the taking of vows. Examples of individuals with a religious vocation include, but are not limited to, nuns, monks, and religious brothers and sisters.

(3) *Initial evidence.* Unless otherwise specified, each petition for a religious worker must be accompanied by:

(i) Evidence that the organization qualifies as a nonprofit organization in the form of either:

(A) Documentation showing that it is exempt from taxation in accordance with section 501(c)(3) of the Internal Revenue Code of 1986 as it relates to religious organizations (in appropriate cases, evidence of the organization's assets and methods of operation and the organization's papers of incorporation under applicable state law may be requested); or

(B) Such documentation as is required by the Internal Revenue Service to establish eligibility for exemption under section 501(c)(3) of the Internal Revenue Code of 1986 as it relates to religious organizations; and

(ii) A letter from an authorized official of the religious organization in the United States which (as applicable to the particular alien) establishes:

(A) That, immediately prior to the filing of the petition, the alien has the required two years of membership in the denomination and the required two years of experience in the religious vocation, professional religious work, or other religious work; and

(B) That, if the alien is a minister, he or she has authorization to conduct religious worship and to perform other duties usually performed by authorized

members of the clergy, including a detailed description of such authorized duties. In appropriate cases, the certificate of ordination or authorization may be requested; or

(C) That, if the alien is a religious professional, he or she has at least a United States baccalaureate or its foreign equivalent required for entry into the religious profession. In all professional cases, an official academic record showing that the alien has the required degree must be submitted; or

(D) That, if the alien is to work in another religious vocation or occupation, he or she is qualified in the religious vocation or occupation. Evidence of such qualifications may include, but need not be limited to, evidence establishing that the alien is a nun, monk, or religious brother, or that the type of work to be done relates to a traditional religious function.

(iii) If the alien is to work in a non-ministerial and non-professional capacity for a bona fide religious organization which is affiliated with the religious denomination, the letter from the authorized official must explain how the affiliation exists. A tax-exempt certificate indicating that the affiliated organization is exempt from taxation in accordance with section 501(c)(3) of the Internal Revenue Code of 1986 as it relates to religious organizations is required in this instance.

(iv) In appropriate cases, the director may request appropriate additional evidence relating to the eligibility under section 203(b)(4) of the Act of the religious organization, the alien, or the affiliated organization.

(4) *Job offer.* The letter from the authorized official of the religious organization in the United States must also state how the alien will be solely carrying on the vocation of a minister (including any terms of payment for services or other remuneration), or how the alien will be paid or remunerated if the alien will work in a professional religious capacity or in other religious work. The documentation should clearly indicate that the alien will not be solely dependent on supplemental employment or solicitation of funds for support. In doubtful cases, additional evidence such as bank letters, recent audits, church membership figures, and/or the number of individuals currently receiving compensation may be requested.

(n) *Closing action—(1) Approval.* An approved employment-based petition will be forwarded to the United States Consulate selected by the petitioner and indicated on the petition. If a United States Consulate is not designated, the petition will be forwarded to the consulate having jurisdiction over the

place of the alien's last residence abroad. If the petition indicates that the alien will apply for adjustment to permanent residence in the United States, the approved petition will be retained by the Service for consideration with the application for permanent resident (Form I-485).

(2) *Denial.* The denial of a petition for classification under section 203(b)(1), 203(b)(2), 203(b)(3), or 203(b)(4) of the Act (as it relates to special immigrants under section 101(a)(27)(C) of the Act) shall be appealable to the Associate Commissioner for Examinations. The petitioner shall be informed in plain language of the reasons for denial and of his or her right to appeal.

(3) *Validity of approved petitions.* Unless revoked under section 203(e) or 205 of the Act, an employment-based petition is valid indefinitely.

§ 204.6 Petitions for employment creation aliens.

(a) *General.* A petition to classify an alien under section 203(b)(5) of the Act must be filed on Form I-526, Immigrant Petition by Alien Entrepreneur. The petition must be accompanied by the appropriate fee. Before a petition is considered properly filed, the petition must be signed by the petitioner or by his or her authorized representative, and the initial supporting documentation required by this section must be attached. Legible photocopies of supporting documents will ordinarily be acceptable for initial filing and approval. However, at the discretion of the director, original documents may be required.

(b) *Jurisdiction.* The petition must be filed with the Service Center having jurisdiction over the area in which the new commercial enterprise is or will be principally doing business.

(c) *Eligibility to file.* A petition for classification as an alien entrepreneur may only be filed by any alien on his or her own behalf.

(d) *Priority date.* The priority date of a petition for classification as an alien entrepreneur is the date the petition is properly filed with the Service or, if filed prior to the effective date of these regulations, the date the Form I-526 was received at the appropriate Service Center.

(e) *Definitions.* As used in this section:

Capital means cash, equipment, inventory, other tangible property, cash equivalents, and indebtedness secured by assets owned by the alien entrepreneur, provided that the alien entrepreneur is personally and primarily liable and that the assets of the new commercial enterprise upon which the

petition is based are not used to secure any of the indebtedness. All capital shall be valued at fair market value in United States dollars. Assets acquired, directly or indirectly, by unlawful means (such as criminal activities) shall not be considered capital for the purposes of section 203(b)(5) of the Act.

Commercial enterprise means any for-profit activity formed for the ongoing conduct of lawful business including, but not limited to, a sole proprietorship, partnership (whether limited or general), holding company, joint venture, corporation, business trust, or other entity which may be publicly or privately owned. This definition includes a commercial enterprise consisting of a holding company and its wholly-owned subsidiaries, provided that each such subsidiary is engaged in a for-profit activity formed for the ongoing conduct of a lawful business. This definition shall not include a noncommercial activity such as owning and operating a personal residence.

Employee means an individual who provides services or labor for the new commercial enterprise and who receives wages or other remuneration directly from the new commercial enterprise. This definition shall not include independent contractors.

Full-time employment means the employment of a qualifying employee by the new commercial enterprise in a position that requires a minimum of 35 working hours per week. A job-sharing arrangement whereby two or more qualifying employees share a full-time position shall count as full-time employment provided the hourly requirement per week is met. This definition shall not include combinations of part-time positions even if, when combined, such positions meet the hourly requirement per week.

High employment area means a part of a metropolitan statistical area that at the time of investment:

(i) Is not a targeted employment area; and

(ii) Is an area with an unemployment rate significantly below the national average unemployment rates.

Invest means to contribute capital. A contribution of capital in exchange for a note, bond, convertible debt, obligation, or any other debt arrangement between the alien entrepreneur and the new commercial enterprise does not constitute a contribution of capital for the purposes of this part.

New means established after November 29, 1990.

Qualifying employee means a United States citizen, a lawfully admitted permanent resident, or other immigrant

lawfully authorized to be employed in the United States including, but not limited to, a conditional resident, a temporary resident, an asylee, a refugee, or an alien remaining in the United States under suspension of deportation. This definition does not include the alien entrepreneur, the alien entrepreneur's spouse, sons, or daughters, or any nonimmigrant alien.

Rural area means any area not within either a metropolitan statistical area (as designated by the Office of Management and Budget) or the outer boundary of any city or town having a population of 20,000 or more.

Targeted employment area means an area which, at the time of investment, is a rural area or an area which has experienced unemployment of at least 150 percent of the national average rate.

Troubled business means a business that has been in existence for at least two years, has incurred a net loss for accounting purposes (determined on the basis of generally accepted accounting principles) during the twelve- or twenty-four month period prior to the priority date on the alien entrepreneur's Form I-526, and the loss for such period is at least equal to twenty percent of the troubled business's net worth prior to such loss. For purposes of determining whether or not the troubled business has been in existence for two years, successors in interest to the troubled business will be deemed to have been in existence for the same period of time as the business they succeeded.

(f) **Required amounts of capital.** (1) **General.** Unless otherwise specified, the amount of capital necessary to make a qualifying investment in the United States is one million United States dollars (\$1,000,000).

(2) **Targeted employment area.** The amount of capital necessary to make a qualifying investment in a targeted employment area within the United States is five hundred thousand United States dollars (\$500,000).

(3) **High employment area.** The amount of capital necessary to make a qualifying investment in a high employment area within the United States, as defined in section 203(b)(5)(C)(iii) of the Act, is one million United States dollars (\$1,000,000).

(g) **Multiple investors—(1) General.** The establishment of a new commercial enterprise may be used as the basis of a petition for classification as an alien entrepreneur by more than one investor, provided each petitioning investor has invested or is actively in the process of investing the required amount for the area in which the new commercial enterprise is principally doing business, and provided each individual

investment results in the creation of at least ten full-time positions for qualifying employees. The establishment of a new commercial enterprise may be used as the basis of a petition for classification as an alien entrepreneur even though there are several owners of the enterprise, including persons who are not seeking classification under section 203(b)(5) of the Act and non-natural persons, both foreign and domestic, provided that the source(s) of all capital invested is identified and all invested capital has been derived by lawful means.

(2) **Employment creation allocation.** The total number of full-time positions created for qualifying employees shall be allocated solely to those alien entrepreneurs who have used the establishment of the new commercial enterprise as the basis of a petition on Form I-526. No allocation need be made among persons not seeking classification under section 203(b)(5) of the Act or among non-natural persons, either foreign or domestic. The Service shall recognize any reasonable agreement made among the alien entrepreneurs in regard to the identification and allocation of such qualifying positions.

(h) **Establishment of a new commercial enterprise.** The establishment of a new commercial enterprise may consist of:

- (1) The creation of an original business;
- (2) The purchase of an existing business and simultaneous or subsequent restructuring or reorganization such that a new commercial enterprise results; or
- (3) The expansion of an existing business through the investment of the required amount, so that a substantial change in the net worth or number of employees results from the investment of capital. Substantial change means a 40 percent increase either in the net worth, or in the number of employees, so that the new net worth, or number of employees amounts to at least 140 percent of the pre-expansion net worth or number of employees. Establishment of a new commercial enterprise in this manner does not exempt the petitioner from the requirements of 8 CFR 204.6(j)(2) and (3) relating to the required amount of capital investment and the creation of full-time employment for ten qualifying employees. In the case of a capital investment in a troubled business, employment creation may meet the criteria set forth in 8 CFR 204.6(j)(3)(ii).

(i) **State designation of a high unemployment area.** The state government of any state of the United

States may designate a particular geographic or political subdivision located within a metropolitan statistical area or within a city or town having a population of 20,000 or more within such state as an area of high unemployment (at least 150 percent of the national average rate). Evidence of such designation, including a description of the boundaries of the geographic or political subdivision and the method or methods by which the unemployment statistics were obtained, may be provided to a prospective alien entrepreneur for submission with Form I-526. Before any such designation is made, an official of the state must notify the Associate Commissioner for Examinations of the agency, board, or other appropriate governmental body of the state which shall be delegated the authority to certify that the geographic or political subdivision is a high unemployment area.

(j) **Initial evidence to accompany petition.** A petition submitted for classification as an alien entrepreneur must be accompanied by evidence that the alien has invested or is actively in the process of investing lawfully obtained capital in a new commercial enterprise in the United States which will create full-time positions for not fewer than 10 qualifying employees. The petitioner may be required to submit information or documentation that the Service deems appropriate in addition to that listed below.

(1) To show that a new commercial enterprise has been established by the petitioner in the United States, the petition must be accompanied by:

(i) As applicable, articles of incorporation, certificate of merger or consolidation, partnership agreement, certificate of limited partnership, joint venture agreement, business trust agreement, or other similar organizational document for the new commercial enterprise;

(ii) A certificate evidencing authority to do business in a state or municipality or, if the form of the business does not require any such certificate or the State or municipality does not issue such a certificate, a statement to that effect; or

(iii) Evidence that, as of a date certain after November 29, 1990, the required amount of capital for the area in which an enterprise is located has been transferred to an existing business, and that the investment has resulted in a substantial increase in the net worth or number of employees of the business to which the capital was transferred. This evidence must be in the form of stock purchase agreements, investment agreements, certified financial reports,

payroll records, or any similar instruments, agreements, or documents evidencing the investment in the commercial enterprise and the resulting substantial change in the net worth, number of employees.

(2) To show that the petitioner has invested or is actively in the process of investing the required amount of capital, the petition must be accompanied by evidence that the petitioner has placed the required amount of capital at risk for the purpose of generating a return on the capital placed at risk. Evidence of mere intent to invest, or of prospective investment arrangements entailing no present commitment, will not suffice to show that the petitioner is actively in the process of investing. The alien must show actual commitment of the required amount of capital. Such evidence may include, but need not be limited to:

(i) Bank statement(s) showing amount(s) deposited in United States business account(s) for the enterprise;

(ii) Evidence of assets which have been purchased for use in the United States enterprise, including invoices, sales receipts, and purchase contracts containing sufficient information to identify such assets, their purchase costs, date of purchase, and purchasing entity;

(iii) Evidence of property transferred from abroad for use in the United States enterprise, including United States Customs Service commercial entry documents, bills of lading, and transit insurance policies containing ownership information and sufficient information to identify the property and to indicate the fair market value of such property;

(iv) Evidence of monies transferred or committed to be transferred to the new commercial enterprise in exchange for shares of stock (voting or nonvoting, common or preferred). Such stock may not include terms requiring the new commercial enterprise to redeem it at the holder's request; or

(v) Evidence of any loan or mortgage agreement, promissory note, security agreement, or other evidence of borrowing which is secured by assets of the petitioner, other than those of the new commercial enterprise, and for which the petitioner is personally and primarily liable.

(3) To show that the petitioner has invested, or is actively in the process of investing, capital obtained through lawful means, the petition must be accompanied, as applicable, by:

(i) Foreign business registration records;

(ii) Corporate, partnership (or any other entity in any form which has filed in any country or subdivision thereof any return described in this subpart),

and personal tax returns including income, franchise, property (whether real, personal, or intangible), or any other tax returns of any kind filed within five years, with any taxing jurisdiction in or outside the United States by or on behalf of the petitioner;

(iii) Evidence identifying any other source(s) of capital; or

(iv) Certified copies of any judgments or evidence of all pending governmental civil or criminal actions, governmental administrative proceedings, and any private civil actions (pending or otherwise) involving monetary judgments against the petitioner from any court in or outside the United States within the past fifteen years.

(4) *Job creation*—(i) *General*. To show that a new commercial enterprise will create not fewer than ten (10) full-time positions for qualifying employees, the petition must be accompanied by:

(A) Documentation consisting of photocopies of relevant tax records, Form I-9, or other similar documents for ten (10) qualifying employees, if such employees have already been hired following the establishment of the new commercial enterprise; or

(B) A copy of a comprehensive business plan showing that, due to the nature and projected size of the new commercial enterprise, the need for not fewer than ten (10) qualifying employees will result, including approximate dates, within the next two years, and when such employees will be hired.

(ii) *Troubled business*. To show that a new commercial enterprise which has been established through a capital investment in a troubled business meets the statutory employment creation requirement, the petition must be accompanied by evidence that the number of existing employees is being or will be maintained at no less than the pre-investment level for a period of at least two years. Photocopies of tax records, Forms I-9, or other relevant documents for the qualifying employees and a comprehensive business plan shall be submitted in support of the petition.

(5) To show that the petitioner is or will be engaged in the management of the new commercial enterprise, either through the exercise of day-to-day managerial control or through policy formulation, as opposed to maintaining a purely passive role in regard to the investment, the petition must be accompanied by:

(i) A statement of the position title that the petitioner has or will have in the new enterprise and a complete description of the position's duties;

(ii) Evidence that the petitioner is a corporate officer or a member of the corporate board of directors; or

(iii) If the new enterprise is a partnership, either limited or general, evidence that the petitioner is engaged in either direct management or policy making activities. For purposes of this section, if the petitioner is a limited partner and the limited partnership agreement provides the petitioner with certain rights, powers, and duties normally granted to limited partners under the Uniform Limited Partnership Act, the petitioner will be considered sufficiently engaged in the management of the new commercial enterprise.

(6) If applicable, to show that the new commercial enterprise has created or will create employment in a targeted employment area, the petition must be accompanied by:

(i) In the case of a rural area, evidence that the new commercial enterprise is principally doing business within a civil jurisdiction not located within any standard metropolitan statistical area as designated by the Office of Management and Budget, or within any city or town having a population of 20,000 or more as based on the most recent decennial census of the United States; or

(ii) In the case of a high unemployment area:

(A) Evidence that the metropolitan statistical area, the specific county within a metropolitan statistical area, or the county in which a city or town with a population of 20,000 or more is located, in which the new commercial enterprise is principally doing business has experienced an average unemployment rate of 150 percent of the national average rate; or

(B) A letter from an authorized body of the government of the state in which the new commercial enterprise is located which certifies that the geographic or political subdivision of the metropolitan statistical area or of the city or town with a population of 20,000 or more in which the enterprise is principally doing business has been designated a high unemployment area. The letter must meet the requirements of 8 CFR 204.6(i).

(k) *Decision*. The petitioner will be notified of the decision, and, if the petition is denied, of the reasons for the denial and of the petitioner's right of appeal to the Associate Commissioner for Examinations in accordance with the provisions of part 103 of this chapter. The decision must specify whether or not the new commercial enterprise is principally doing business within a targeted employment area.

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Berez, Morrie R

From: Divine, Robert [rdivine@bakerdonelson.com]
Sent: Monday, August 18, 2008 4:09 PM
To: Aytes, Michael
Cc: Melmed, Lynden D; Berez, Morrie R; Scharfen, Jonathan R
Subject: EB-5 interpretational corrections needed urgently
Importance: High
Attachments: EB-5 Argument to Aytes.pdf

Mike, languishing I-526 petitions for a well known EB-5 regional center project (Marriott in Seattle) have been held up further by new, incorrect interpretations about two issues. **I attach a detailed formal letter that I hope you will personally read, because the implications for the entire pilot program for regional centers are enormous and immediate.**

If you feel it might be the least bit helpful, I would like to come talk with you about these issues, and I would welcome participation of anyone involved in the decision chain.

Working this out through adverse adjudication and successful appeals would scare off investors, maybe for good, and from far more than American Life projects, undermining the success that has been building since Bill Yates revitalized the program with integrity.

In short, on the issue of requiring regional center projects to show the jobs will be created within two years, this is not even close. The statute provides no timeline, and the regulations clearly separate the pilot program from other investment types, requiring only indirect job creation by reasonable methodologies. And it just makes sense.

The second issue is more complex, but the more we look at it the more it makes sense to allow developers to agree to refund capital not only if the I-526 is denied, but also if the I-829 is denied. If you still were to choose otherwise, then it should be an across-the-board, well publicized policy to level the playing field and quell confusion.

Marriott program investors have become extremely concerned, and understandably so after a year awaiting I-526 adjudication and the with construction well underway. Held over a barrel, American Life has come forward to satisfy USCIS concerns by showing that in this particular case the jobs should be created by I-829 time and agreeing to remove the provision for return of capital for I-829 denial. Neither should not be necessary, but if it is, it should be promptly accepted and the petitions approved.

I am deeply concerned about USCIS stepping into a pattern of changing the rules in the middle of the game, especially with no legal basis or good reason.

Best regards,

Robert C. Divine

Shareholder, Immigration Group Chairman
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8/18/2008

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August 18, 2008

Mr. Michael Aytes, Deputy Director
U.S. Citizenship & Immigration Services
20 Massachusetts Avenue
Washington, D.C. 20529

Dear Mr. Aytes:

This letter is submitted on behalf of my client, American Life, Inc., which is and has been the general partner in numerous past, current and upcoming investment enterprises in connection with approved regional centers under the EB-5 program.

American Life has learned about two interpretations brewing within USCIS that we believe merit your personal attention, as they jeopardize the health of the EB-5 regional center program as a whole: (1) that a regional center must demonstrate that it will create the necessary jobs within two years for I-526 approval; and (2) that a promise of refund of investment if the I-829 is denied precludes I-526 approval.

The first interpretation is flatly wrong and must be officially refuted immediately to protect all regional centers. The second interpretation is an unnecessary stretch of an understandable position. It should be rejected, but even if not rejected it should be imposed only with a clear policy statement applicable to all programs.

I. THE LAW DOES NOT SUPPORT REQUIRING A PILOT PROGRAM BASED I-526 PETITION TO DEMONSTRATE THAT AT LEAST 10 JOBS PER INVESTOR WILL BE CREATED PRIOR TO THE END OF THE INVESTOR'S 2 YEAR CONDITIONAL RESIDENCE PERIOD.

USCIS has informally notified American Life that Pilot Program (regional center) based I-526 petitions must demonstrate that at least 10 jobs per investor will be created prior to the end of the investor's 2 year conditional residence period. This has no basis in statute or regulation, is contrary to the recognized purpose of the Pilot Program, and would serve to gut the Pilot Program as a practical matter.

A. The statute does not mention timing of job creation at all.

Neither the 1989 Act creating the EB-5 program nor the 1993 Appropriations Act creating the Pilot Program mention anything at all about a timeline for job creation. None. INA §§ 203(b)(5) and 216A contain no reference to a deadline for job creation.

B. The regulations impose no specific time limit for Pilot Program job creation.

In 1991 INS proposed and finalized the initial regulations for the newly created EB-5 program. The key section concerning eligibility at the initial I-526 stage was (and still is) 8 CFR 204.5(j), which contains separate sections for each of the primary eligibility requirements: enterprise establishment, investment (being) made, lawful means of obtaining capital, job creation, management, and targeted area (if applicable). The section on "Job Creation" at 8 CFR 204.6(j)(4) contained two subsections, one for "General" investments and one for "Troubled businesses." The "General" provision required showing that 10 jobs would be created within 2 years. The "Troubled business" provision required showing that the existing jobs would be preserved for at least two years. Interestingly, neither the proposed nor final rule discussed in their respective preambles the two-year requirements being created. See 56 Fed. Reg. 30707-08 (July 5, 1991); 56 Fed. Reg. 60901-04 (Nov. 29, 1991).

In 1993, Congress in an Appropriation Act created the Pilot Program for regional centers. In the August 1993 interim rule implementing the Pilot Program, INS stated, quoting the Appropriations Act:

Section 610 of the Appropriations Act expressly relaxes the job creation requirement currently set forth at 8 CFR 204.6 by allowing aliens investing in a new commercial enterprise located in regional centers to establish "reasonable methodologies" for determining the number of jobs created, "including such jobs which are estimated to have been created indirectly through revenues generated from increased exports resulting from the pilot program."

58 Fed. Reg. 44606-07 (August 24, 1993). See also 59 Fed Reg 17920 (April 15, 1994) (final rule, making no relevant changes). (Note: 2002 statutory amendments eliminated the export component but have not yet been incorporated in the regulations).

The 1993 regulation added a third way to meet the job creation requirement, unique to regional center investments and exclusive of the other two ways. Following these amendments, 8 CFR 204.6(j)(4) provides three separate adjudication scenarios - general, troubled business, and Pilot Program, and in the latter case for Pilot Program based petitions there is no requirement of a comprehensive business plan providing for job creation within 2 years. The current regulation is as follows, with the 1993 additions highlighted and certain emphasis added through bold and italics font:

(j) Initial evidence to accompany petition. A petition submitted for classification as an alien entrepreneur must be accompanied by evidence that the alien has invested or is actively in the process of investing lawfully obtained capital in a new commercial enterprise in the United States which will create full-time positions for not fewer than 10 qualifying employees. In the case of petitions submitted under the Immigrant Investor Pilot Program, a petition must be accompanied by evidence that the alien has invested, or is actively in the process of investing, capital obtained through lawful means within a regional center designated by the Service in accordance with paragraph (m)(4) of this section. The petitioner may be required to submit information or documentation that the Service deems appropriate in addition to that listed below.

[(1)-(3) re enterprise established, investment (being) made, lawful means of obtaining capital]

(4) Job creation --

(i) General. To show that a new commercial enterprise will create not fewer than ten (10) full-time positions for qualifying employees, the petition must be accompanied by:

(A) Documentation consisting of photocopies of relevant tax records, Forms I-9, or other similar documents for ten (10) qualifying employees, if such employees have already been hired following the establishment of the new commercial enterprise; or

(B) A copy of a comprehensive business plan showing that, due to the nature and projected size of the new commercial enterprise, the need for not fewer than ten (10) qualifying employees will result, including approximate dates, *within the next two years*, and when such employees will be hired.

(ii) Troubled business. To show that a new commercial enterprise which has been established through a capital investment in a troubled business meets the statutory employment creation requirement, the petition must be accompanied by evidence that the number of existing employees is being or will be maintained at no less than the pre-investment level *for a period of at least two years*. Photocopies of tax records, Forms I-9, or other relevant documents for the qualifying employees and a comprehensive business plan shall be submitted in support of the petition.

(iii) Immigrant Investor Pilot Program. To show that the new commercial enterprise located within a regional center approved

for participation in the Immigrant Investor Pilot Program meets the statutory employment creation requirement, the petition must be accompanied by evidence that the investment will create full-time positions for not fewer than 10 persons either **directly** or **indirectly** through revenues generated from increased exports resulting from the Pilot Program. Such evidence may be demonstrated by **reasonable methodologies** including those set forth in paragraph (m)(3) of this section.

[(5) and (6) re management and targeted area)

(b)(5)

The obvious is worth articulating: In subsections (j)(4)(i) and (ii), two years is clearly stated: 10 jobs will be created within 2 years, or existing employees will be maintained for 2 years. But in subsection (iii), which is totally separate and independent from (i) and (ii), there is NO MENTION OF A PERIOD OF TIME AT ALL. Paragraph (m)(3), referred to in subsection (j)(4)(iii) concerning "reasonable methodologies" that can be used to show job creation for regional centers, also does not contain any reference to a two-year period. That is not an accident. Subsection (iii) mentions the "statutory employment creation requirement," which does not include a time limitation. It says "will create" 10 jobs "either directly or indirectly." Indirect job creation takes time. "Promotion of economic growth" is the clear statutory purpose. Two years is too short. For example, obtaining permits and building anything substantial often takes more than two years, and the indirect job creation takes even longer. Indirect job creation can be predicted by a qualified economist but is not normally measured as of a particular time period, because it is not physically connected to the target investment. The regulation imposes time frames for job creation or retention in two instances and purposely leaves out any reference to two years for regional center investments. USCIS cannot impose a non-statutory requirement based on a regulation that clearly and purposely omits the requirement.

The framework of 8 CFR 204.6(j)(4) makes it clear that each of its subparts - (i), (ii) and (iii) - is intended to be read disjunctively. That is, when part (i) is applicable to adjudication of the I-526 petition, parts (ii) and (iii) do not also apply. Conversely, when part (iii) governs the adjudication of the I-526 petition for a regional center investment, then neither part (i) nor part (ii) apply. Any requirement applicable to all three subsections would have been articulated in introductory language of 204(j)(4) preceding the subsections, but there is no such language. The word "General" introducing subsection (i) refers to those cases not covered by the other two subsections—not to requirements generally applicable to all three subsections. For example, subsection (i) *General* requires evidence of tax records and I-9 forms for employees. Part (ii) *Troubled business* also explicitly requires evidence of tax records and I-9 forms for employees. There would be no need for this explicit reference in part (ii) if part (i) were intended to be interpreted as a catch-all set of requirements for all I-526 petitions. The correct reading, rather, is that parts (i), (ii) and (iii) are separate and alternative requirements; the petitioner satisfies the job creation aspect of the regulation by fitting within just one of

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these alternatives. Naturally, part (iii) relating to Pilot Program-based investor petitions does not require evidence of tax records and I-9 forms, let alone a comprehensive business plan that identifies specific employment positions within the 2 year conditional period, because indirect jobs are not susceptible to that kind of proof.

- C. Requiring proof of job creation within 2 years would frustrate congressional intent.

The Pilot Program was enacted "in order to increase interest in the existing alien entrepreneur immigrant classification under section 203(b)(5) of the Act" (Interim Rule, 58 Fed Reg 44606 Aug 24, 1993), and that is accomplished insofar as the Pilot Program "expressly relaxes the job creation requirement currently set forth in 8 CFR 204.6 by allowing alien investing in new commercial enterprises located within regional center to establish reasonable methodologies for determining the number of jobs created." (Id.) Thus, Pilot Program based petitions need not be based on qualified employees who are employed directly in the new commercial enterprise. The proposed standard, if adopted as law, would have the consequence of eliminating from EB5 consideration all those commercial ventures that have longer duration build-out or ramp-up periods. Rather than "increase interest" in EB5, such a standard would severely hinder its use.

- D. Not requiring regional center jobs within 2 years is consistent with standards for removing conditions.

The statute uses sparse words for what is required for approval of petitions to remove conditions. Originally, INA § 216A(d)(1) required proof that the alien established the enterprise; that the alien had invested, or was in the process of investing, the required capital; and that the alien had sustained the investment activity throughout the two years. The 2002 DOJ Act (Pub L No 107-273), at § 11036(b)(2), eliminated the "established" requirement and added a requirement that the alien "is otherwise conforming to the requirements of section 203(b)(5)." Regulations promulgated in 1999, and not amended to implement the 2002 statutory changes, include only the following concerning job creation:

Evidence that the alien created or can be expected to create within a reasonable time ten full-time jobs for qualifying employees. In the case of a "troubled business" as defined in 8 CFR 204.6(j)(4)(ii), the alien entrepreneur must submit evidence that the commercial enterprise maintained the number of existing employees at no less than the pre-investment level for the period following his or her admission as a conditional permanent resident. Such evidence may include payroll records, relevant tax documents, and Forms I-9.

8 CFR 216.6(a)(4)(iv) (emphasis added). The regulation already dealt with the job creation requirement, so the 2002 statutory amendment's requirement of compliance with applicable EB-5 requirements does not affect the regulation for purposes of the instant discussion.

The regulation for I-829 adjudication quoted above does not distinguish between "General" and Pilot Program investors. Interestingly, this regulation allows "General" investors, who are required to have shown at the I-526 stage that they will create the 10 jobs within two years, to confess that they did not accomplish the task, as long as they show at the I-829 stage that that they "can be expected to create [10 jobs] within a reasonable time."¹ For Pilot Program investors, this standard is the same as it was at the I-829 stage: within a reasonable time. Allowing regional centers to acknowledge from the start that their indirect job creation will take longer than two years accomplishes congressional intent, recognizes the reality of indirect job creation, and does not offend a framework that allows "General" investors to take more than two years in the end.

E. The 2002 Fix Provisions do not support a 2 year timeline for regional center jobs.

The 2002 Appropriations Act² does not put a timeline on regional center job creation and in fact supports the opposite. The 2002 Act included three types of provisions affecting the EB-5 program: (1) fixes for the investors who had gotten caught in an interpretational shift reflected in *Matter of Izummi* ("Fix Provisions"); (2) removing the requirement that any investor "establish" the enterprise rather than invest in it (including clarification that limited partnerships can qualify); and (3) removing regional centers' requirement to increase exports and allowing them to use "general predictions" of "positive economic effects" in their proposals to USCIS for designation.

First, the 2002 Appropriations Act was enacted by a different Congress than the one that enacted the EB-5 program in 1990 or the one that added the Pilot Program for regional centers in 1993. Any provisions not directly affecting the issue at hand do not establish Congressional intent behind any statute enacted by a previous Congress.

Even aside from that, the Fix Provisions were for a very specific and limited purpose, providing exceptions to the then-current interpretations of the statute for investors who had gotten caught in a change of interpretation reflected by *Matter of Izummi* and had been denied their I-829 petitions to remove conditions to their permanent residence. The covered petitioners must have obtained I-526 approval between 1995 and 1998—all at least 4 years before the 2002 Appropriations Act was enacted. The Fix Provisions did not direct INS/USCIS to go back and analyze matters as of the times that the denied petitions had been originally adjudicated. Rather, it allowed those investors to receive credit for jobs that were already created up to the date of a new first adjudication under the Fix Provisions and, if less than 10 jobs had been created (or less than the requisite capital had been invested), allowed them yet another two years to come back and demonstrate that any combination of enterprises had created 10 jobs. This was an

¹ "The Service recognizes that a bona-fide and good faith investment may not, by the end of the two-year period, meet all the expectations envisioned when the alien entrepreneur obtained conditional resident status." 59 Fed. Reg. 26587-26593 (May 23, 1994).

² 21st Century Department of Justice Appropriations Authorization Act, Public Law 107-273, dated November 2, 2002. USCIS has not issued regulations interpreting this Act.

extraordinary resolution for a complex problem that cannot reasonably be read to require that all 10 jobs have already been created for any EB-5 petition to be approved. INS/USCIS already had longstanding regulations allowing I-829 petitioners to show that any jobs not already created would be created "within a reasonable time." 8 CFR 216.6(a)(4)(iv). The Fix Provisions did not purport to change that, and USCIS has not found that regulation to be affected.

Moreover, even in requiring this special group of previously denied I-829 petitioners to show, at some point in the future, that 10 jobs would have already been created, the Fix Provisions still made the requirement of job creation "subject to subparagraphs (B) and (C)" of Section 11031(c)(1). Those excepted subsections changed the normal Fix Provision rule for two types of investments: Pilot Program and troubled business investments. These are the very same two types of investments that the regulations have always treated differently with regard to job creation. The Fix Provisions' exception for Pilot Program investments states simply that the investment must meet the requirements of the 1993 Appropriations Act creating the Pilot Program,³ which essentially reiterates the "reasonable methodologies" requirement at 8 CFR 204.6(j)(4)(iii). The Fix Provisions do not support the notion that regional center investments must meet the same timing requirements as "General" investments. Instead, the Fix Provisions confirm the distinction that had already been made by INS in the regulations, which allow inclusion of indirect jobs as shown by reasonable methodologies and naturally do not require their creation within two years.

X Proof of job creation within a 2 year period is not required for regional program investors.

II. THE "AT-RISK" REQUIREMENT DOES NOT PROHIBIT RETURN OF CAPITAL IN THE EVENT OF I-829 DENIAL.

The Mariott project involves "at-risk" investment that is not upset by the provision of refund of capital investment in the event of I-829 approval. That provision protects immigration benefit expectations while in fact enhancing incentives for actual job creation and thereby furthers the goals of attracting investment that creates jobs.

X The provision at issue, which has been contained in hundreds of previously approved petitions, states as follows:

Visa Denial. If the undersigned's I-526 or I-829 petition is denied, American Life, Inc. shall pay back the undersigned's Capital Contribution in cash within ninety days of the undersigned's written request. **In the event any visa petition is**

³ The Fix Provisions froze the Pilot Program rules, for this particular purpose, as of the moment of the Fix Provisions' enactment, protecting the special group of affected investors from any further rule changes that might have occurred for all other Pilot Program investments in the future.

denied, the undersigned's rights are limited to the return of his Capital Contribution only. The returned \$500,000 Capital Contribution is separate from any previously paid or currently due Partnership distribution of Profits.

- A. Petitioners have demonstrated an investment of capital that is at risk in the commercial enterprise.

8 CFR 204.6(j)(2) provides that "the petition must be accompanied by evidence that the petitioner has placed the required amount of capital at risk for the purpose of generating a return on the capital placed at risk." If petitioner demonstrates that capital is or will be used in the business, then the "at-risk" requirement is met, and if all other requirements are met, the I-526 petition should be approved.

Matter of Ho clarified that the subject regulation requires the petitioner to present evidence of "meaningful concrete action" taken and the "actual undertaking of business activity" by the commercial enterprise. These actions are required in order to provide sufficient assurance that deposited capital would be used during the two year conditional period to carry out the business objectives of the enterprise. The mere deposit of capital in a bank account and signing of a lease agreement does not suffice as proof that the capital is placed at risk.

The petitioners' investment in the Marriott/618 LP project satisfies the at risk standard as clarified in Matter of Ho 22 I&N Dec. 206 (BIA 1998). Investors will be engaged in the business for about 4 years by the time USCIS considers the I-829 petitions of investors. (Capital has been invested since early 2007; assuming I-526 petition approval, conditional residence would not likely commence until April 2009, and I-829 petitions therefore would be filed in 2011.) By then, all the investors' capital will have been expended in job-creating activities of the business as indicated in the business plan and accompanying exhibits.

- B. The contract relationship between the investor/petitioners and the limited partnership is clearly one for investment of equity capital; there is no provision for a debt arrangement.

The contract between the parties—the subscription agreement and related documents—clearly reflects an equity investment rather than a debt arrangement. The parties are the investor/petitioners on one hand and the limited partnership on the other hand. The language of the agreement clearly reflects that the parties intend an equity investment relationship whereby all the capital would be expended in the business, and the eventual return on investment would depend on the success of the enterprise.

(b)(5)

Numerous integrated provisions and the agreement as a whole reflect an equity investment. Paragraph I.A. of the subscription agreement provides for a capital contribution in the form of \$525,000 cash. This is not an investment agreement, like in Matter of Izummi, 22 I&N Dec. 169 (BIA 1998), involving a small deposit and a series of

installment payments and a balloon payment at the end. This deal is all cash up front. Paragraph 3(c) provides for distributions of pro rata shares of cash flow, not a fixed amount of annual return as in *Matter of Izummi*. Paragraph 3(c) further states this is a long term investment and there is no redemption option. This also is in contrast with *Matter of Izummi*, which included several provisions that the AAO considered to be tantamount to a debt arrangement. Paragraph II.J. cautions the investor that the investment is highly speculative and subject to substantial risks, including the possibility of the complete loss of all capital invested. Paragraph II.K. warns that the pro forma financial projections could vary in a materially adverse manner. Paragraph III.B. identifies financial risks, and advises investors not to rely on forecasts. Paragraph III.E. indicates that future market value of the investment could be lower than forecasted. Paragraph III.F. advises that the amount of distributions from operations would be due to market conditions for rentals, vacancy factors, costs or operations, and numerous other factors that cannot be controlled. In the Partnership Agreement, section 4.02 provides there is no right to return or withdrawal of capital until full winding up and liquidation of the limited partnership. Section 4.05 indicates there is no interest paid on capital contributions. Sections 6.02 and 2.06 state that distributions of available cash flow will be based on success of business and pro rata ownership of the limited partnership.

(b)(5)

These provisions in the subscription and partnership agreements clearly indicate an equity investment expended in the business, not a debt arrangement of the type prohibited by *Matter of Izummi*.

C. *Matter of Izummi* is not applicable to this equity investment.

Matter of Izummi does not apply to this case. In *Izummi*, the investor used a multi-payment plan and promissory note as his capital contribution and the AAU focused on the final balloon payment of \$290,000 which was due to be paid at the end of 5 or 6 years. Because the investor also could immediately after the final payment elect to sell the investment back to the partnership, the AAO determined that, with respect to at least the final \$290,000 balloon payment, it was an impermissible redemption agreement. Those funds were an impermissible loan of funds that would never be used in the business. In *Izummi* the investment arrangement was much too heavily weighted toward minimizing if not eliminating financial risk, such that it was very possible not all the required capital would be used in the commercial enterprise, and the alien would still have unconditional permanent residence.

The Marriott subscription agreement does not amount to a redemption or loan from the investor. All the required \$500,000 has been invested already. All the funds will be at work in the business, at risk of loss, for at least several years. What the investor gets at the end of the day will depend on the success or failure of the business.

Izummi's precise language demonstrates its inapplicability to the Marriott agreement:

The AAU does not find that an alien investor may never sell back his partnership interest. Rather, the AAU finds that, prior to completing all his cash payments under a promissory note (whether to the partnership or to some third party lender), an alien investor may not enter into any agreement granting him the right to sell his interest back to the partnership. In no event may he enter into such an agreement prior to the end of the two-year period of conditional residence. An investment assumes that a risk exists. The alien must go into the investment not knowing for sure if he will be able to sell his interest at all after he obtains his unconditional permanent resident status; and if he is successful in selling his interest, the sale price may be disappointingly low (or surprising high and more than what he paid). This way, the alien risks both gain and loss. To allow otherwise transforms the arrangement into a loan. (emphasis added)

The language in bold clarifies that the context is an approved case where the investor has an unconditional green card. The AAU in Izummi was entirely focused on the financial risk of the investment arrangement, and the decision does not directly address a contract arrangement to minimize the immigration risk.

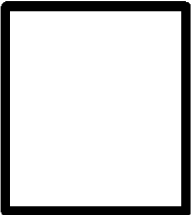
Wrapping up its discussion of what is a prohibited buy-sell agreement, the holding of the AAU in Izummi with respect to this redemption issue is the following language:

Because the petitioner here has entered into an agreement to pay [redacted] in exchange for a promise that he can receive the [redacted] later, he has in effect entered into a debt arrangement as prohibited by 8 CFR 204.6(e). The [redacted] cannot be considered to have been properly "invested" and is not at risk. (b)(4)

Nobody is contending that the full [redacted] will not be invested in the project and used to develop the Marriott business, because it will. All the evidence supports a finding that the funds will be used in the project. And, it is clearly not a loan from the investors; especially as long as the I-829 is granted, what they get back eventually will depend on business performance. These Marriott petitions really have nothing at all similar to the Izummi case.

In fact, the AAU in Izummi noticed a refund provision nearly identical to this one and did not find it offensive. In footnote 13 of the 31 page Izummi decision, the AAU noted that the investment agreement in that case included a provision allowing for the return of investment funds that had been invested in the first two years in the event that "the conditions of the petitioner's permanent resident status are not removed . . ." The AAU's footnote commented on this provision only to show that either way—with or without I-829 approval—the annual installment payments would not actually be made. The AAU did not attack the immigration risk clause as a prohibited form of redemption. (b)(5)

X



(b)(5)



By contrast, in the Marriott case the full of each investor will have been fully used in the business before the refund provision could be triggered by I-829 denial from business failure.

(b)(4)

- D. The EB-5 Program seeks to attract investment motivated by the immigration benefit, unlike marriage benefits.

The purpose of enacting the EB5 program in the first place is to attract capital and create jobs in the United States. 136 Cong. Rec. S7622, 7626 (daily ed. July 11, 1989) and S. Rep. No. 101-55, at 21 (1989). Congress did not create the EB5 program merely as a reward for foreign investors who just happened to invest in the country, but rather as a vehicle to attract investors who perhaps might not have invested but for the benefit of permanent residence.

This intent distinguishes EB-5 conditional residence from marriage-based conditional residence, which is an accommodation to an alien spouse and an American spouse who marry for other reasons than an immigration benefit. Thus, in the marriage context, conditional permanent residence can be terminated on finding that the marriage "was entered into for the purpose of procuring an alien's admission as an immigrant." INA § 216(b)(1)(A). That is, the immigration benefit cannot be the objective of the marriage. So too, clearly, the immigration benefit provided by statute to married couples cannot be construed as a tool for inducing more marriages.

In contrast, the purpose of EB5 law is to attract or stimulate investment. Thus, the EB5 law does not include a provision as in the marriage context that authorizes termination of the conditional permanent residence on finding that a primary motivation for the investment is immigration benefit. Indeed, Congress anticipated that a primary motivation for investment would be the residence benefit. And consequently, termination of conditional permanent residence of the investor is warranted only upon proof that the investment and enterprise were "intended solely as a means of evading the immigration laws." 216A(b)(1)(A). This basically means that USCIS could terminate residence even before the I-829 stage upon finding that the alien was not really pursuing an investment as represented in the I-526. It certainly does not mean that USCIS could terminate residence on the notion that the alien has been primarily motivated by the immigration benefit in making the investment, because that is the purpose of the program.

(b)(5)

It is within this context - the EB5 program is designed by Congress to attract foreign capital from investors who are motivated by the immigration benefit - that the subscription agreement includes the exit clause that is triggered only by USCIS denial of the immigration case. The clause is directed at the immigration risk in the process.

- D. The provision for return of capital in the event of I-829 denial seeks to protect the investors' immigration goals but leaves the investors "at risk" in furtherance of the EB-5 program goals.

The clause providing for return of capital in event of I-829 denial does not transform the equity investment into a debt arrangement. Rather, it is more properly understood in contract law as a condition subsequent. The actual contract for equity investment already exists, and the parties are in the process of performing their respective duties under the contract, but due to the occurrence of a particular event the parties' obligations to each other are changed. In other words, the investors have provided all of the required funds, the partnership has put those funds to work in the enterprise, but due to I-829 denial, the partnership is obligated to return the invested funds to the affected investor to return the parties to their original position in relation to each other.

The underlying rationale for the provision is the recognition that the investor/petitioner is motivated by the immigration benefit, and specifically the permanent green card without conditions. The intent of the provision is solely to account for immigration risk; that is, if the investor/petitioner has obtained conditional permanent residence and subsequently USCIS denies the I-829 petition based on an incorrect interpretation of rules or imposition of a legal harsh standard, then the partnership – recognizing the failure of a material objective of the investment relationship – will allow the investor to be discharged from further participation in the partnership.

The investor retains significant risks despite this provision. The Marriott investors are completely exposed to business risk in every way after the I-829 is granted. As the subscription agreement specifies, they might receive little if any income from their investment and may be unable to find buyer for their interest. There could be many scenarios in which, at the time of I-829 adjudication, the investor has received little or no return and in fact holds an investment whose potential resale value is far less than the original \$500,000 without the investment failing to meet all requirements for I-829 approval. The only refund trigger that is based on business loss would be one that results in inability to show that the jobs were created or will be created within a reasonable time (8 CFR 216.6(a)(4)(iii)). In the event of a catastrophic business failure preventing I-829 approval, there is no guarantee that the promisor of the refund will have the assets to satisfy that obligation, so even then the investor maintains significant business risk. In the event of such a business loss, it seems highly unlikely that the limited partnership itself would have funds to return each affected EB-5 investor's capital contribution. There is no guarantee that the general partner would have assets to fund such an obligation.

The combination of risks with the capital return provision creates better incentives for job creation than without the provision and furthers the goals of the Pilot Program. To our knowledge, no business failure of any regional center investment has occurred leading to I-829 denials. In the event that such business failure were to occur, it might be attributable to failure of the business organizers (such as the general partner in a limited

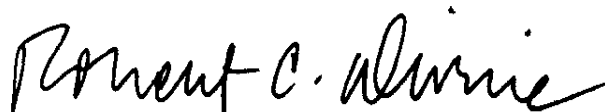
Mr. Michael Aytes
August 18, 2008
Page 13 of 13

partnership) to conduct the enterprise in the manner expected, or to fully put the business assets to work in employment creation activity. While such failure might require denial of the I-829, the idea of allowing investors affected by such a failure, who typically have quite limited control of the organization's operation, to seek refund from the organizer who promised a refund is not offensive to any reasonable goal of the EB-5 program. In order to obtain I-526 approval in the first place, the parties must have demonstrated that the funds have been provided in cash and are in fact being invested. A regional center whose investment enterprises failed to actually invest the funds would be subject to termination of regional center designation in the absence of extraordinary circumstances. All of the parties already have aligned interests in creating the jobs for their respective economic gain, but with the refund provision the organizers have a contractually heightened interest in ensuring the job creating activity that will lead to I-829 approval. The potential refund liability provides strong incentive for the general partner to see that the funds are put to work in creating the projected jobs and are not squandered or siphoned off in fees to the organizers and related entities. This makes pilot program investments more attractive and successful.

If the business fails such that the I-829 must be denied, the investors lose their immigration benefit and have no more financial recourse than the assets of the partnership and the general partner. At worst the United States has traded two years of conditional residence in return for the real investment of significant monies in an effort to create jobs for U.S. workers. Allowing refund of capital investment to an investor whose I-829 is denied is in keeping with the scheme of conditional residence in the EB-5 program. Approving I-526 petitions containing such refund provisions furthers the EB-5 program's purpose of attracting foreign investment to spur job creation.

If USCIS were to decide, nevertheless, that capital return provisions will lead to I-526 denial, it should do so with an openly published policy statement clearly applicable to all enterprises, eliminating any misperceptions among investors throughout the world and ensuring that all investment programs compete for investors on a level field without such offerings.

Respectfully submitted,



Robert C. Divine

cc: Lynden Melmed, USCIS Chief Counsel

(b)(5)



City of Seattle

Gregory J. Nickerson, Mayor
Office of Policy and Management
Mary Jean Ryan, Director

August 20, 2007

Maurice R. Berez, Chief Adjudications Officer
USCIS Foreign Trader, Investor, & Regional Center Program
Service Center Operations Business & Trade Services
Immigration and Naturalization Service
425 I Street, NW
Washington, DC 20536

Dear Mr. Berez:

Thank you for providing me with information in reply to my email request on the Regional Center program.

I would like to formally request copies of the last five fiscal years of performance and compliance reports submitted [as required by USCIS 8CFR204.6(m)(6)] by the Golden Rainbow Freedom Fund Regional Center and/or by their affiliate, American Life.

If you or your staff would find it helpful to talk to me to clarify this request please call me at 206-684-8069.

Sincerely,

Mary Jean Ryan
Director



Play Team Year
City of Seattle

Office of Policy and Management
600 4th Avenue, Floor 6
PO Box 94745
Seattle, WA 98124-4745

SEATTLE WA 981

20 AUG 2007 PM 2 L



Maurice R. Berez, Chief Adjudications Officer

USCIS Foreign Trader, Investor, & Regional Center Program

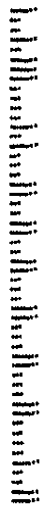
Service Center Operations Business & Trade Services

Immigration and Naturalization Service

425 I Street, NW

Washington, DC 20536

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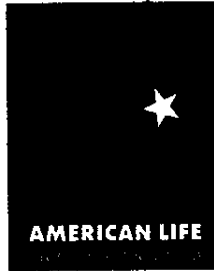


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Real Estate Development Company

SEP 12 REC'D 2006

September 11, 2006

VIA FEDEX OVERNIGHT
Tracking #7905 5760 4767

Maurice R. Berez
Chief Adjudications Officer
Investor and Regional Center Unit
Business and Trade Services
USCIS Service Center Operations
20 Massachusetts Ave. N.W., 2nd Floor
Washington, DC 20529

Re: Gateway/Golden Rainbow Freedom Fund Regional Center

Dear Mr. Berez:

Per your request dated July 14, 2006, enclosed please find the following per your request numerically per your letter.

- Request #1 – Please refer to Investors Data Chart by Partnership
- Request #2 – Please refer to Investors Data Chart by Partnership
- Request #3 – Please refer to I-526 and I-829 Approvals for Each Year
- Request #4 – Please refer to I-526 and I-829 Approvals & Total Eb-5 Investment
- Request #5 – Please refer to I-526 and I-829 Approvals & Total Eb-5 Investment
- Request #6 – Please refer to I-526 and I-829 Approvals & Total Eb-5 Investment and Partnership Investment Data
- Request #7 – Please see Economic Impacts Report for each Limited Partnership
- Request #8 – Not Applicable
- Request #9 – Not Applicable

Should you require additional information, please do not hesitate to contact our office. Thank you.

Sincerely,

American Life, Inc.


Jo Hwang
Administrative and Marketing Director

Enclosures

U.S. Department of Homeland Security
U.S. Citizenship and Immigration Services

20 Massachusetts Ave. NW
Washington, DC 20529

JUL 14 2006

Henry Liebmann
Gateway/Golden Rainbow Freedom Fund
3223 3rd Avenue South, Suite 200
Seattle, WA 98134

Dear Mr. Liebmann:

The Gateway/Golden Rainbow Freedom Fund (GRFF) was designated as a Regional Center within the Immigrant Investor Pilot Program on February 5, 1996, by the former U.S. Immigration and Naturalization Service (INS). Under the Homeland Security Act, the INS was dissolved and merged into the Department of Homeland Security (DHS) effective March 1, 2003. Responsibility for regulations governing the Pilot Program transferred to the U.S. Citizenship and Immigration Services (USCIS) which was established within DHS. In January of 2005, USCIS established the Investor and Regional Center Unit (IRCU) to oversee and administer all aspects of the EB-5 Employment Creation and Immigrant Investor Pilot Programs.

Pursuant to the regulations at 8 CFR 204.6(m)(6) this letter seeks to ascertain if your regional center is in compliance with the above cited regulation in order to help USCIS determine if and how your regional center is presently serving the purpose of promoting economic growth, including increased export sales, improved regional productivity, job creation, and increased domestic capital investment. As you may know, there have been changes in the Pilot Program requirements by amendments to the law in 2000, 2002, and 2003 respectively. Therefore, in order for this office to determine whether your regional center is in compliance with the above cited regulation in order to continue to operate as a USCIS approved and designated regional center, we are requesting that for each year to the present date since your approval and designation as a regional center, that you provide the following information by not later than 45 calendar days from the date of this letter:

1. The name, date of birth, and alien registration number of each alien investor who made an investment and filed an EB-5/I-526 Petition with legacy INS or its successor USCIS.
2. The country of nationality of each alien investor who made an investment and filed an EB-5/I-526 petition with legacy INS or its successor USCIS.
3. The total aggregate number of approved EB-5 alien investor I-526 petitions through your

NOTE: Failure to respond to this request within 45 days of the date of this letter or to provide the requested information will result in USCIS immediately initiating termination of your regional center designation with notification to the Department of State and all other appropriate Federal Government agencies.

Sincerely yours,



Maurice R. Berez
Chief Adjudications Officer
Investor and Regional Center Unit

Henry Liebmann
Gateway/Golden Rainbow Freedom Fund
18034 13th Street
Seattle, WA 98177

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I-526 and I-829 Approvals and Total Eb-5 Investment

Year 2003	
I-526 filed	5
I-526 Approvals	1
I-829 Filed	0
I-829 Approvals	0
Amount Invested	
Year 2004	
I-526 Filed	30
I-526 Approvals	25
I-829 Filed	0
I-829 Approvals	0
Amount Invested	
Year 2005	
I-526 Filed	67
I-526 Approvals	63
I-829 Filed	1
I-829 Approvals	3
Amount Invested	
To-Date 2006	
I-526 Filed	49
I-526 Approvals	53
I-829 Filed	1
I-829 Approvals	13
Amount Invested	

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GRFF APPROVAL LETTER FROM INS



Department of Justice
Immigration and Naturalization Service

HQ 204.27-C

425 I Street NW
Washington, DC 20536

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101

FEB - 5 1996

RE: Application for Designation as a Regional Center for the Golden Rainbow Freedom Fund

Pursuant to Section 610 of the Appropriations Act of 1993, the Golden Rainbow Freedom Fund (GRFF) has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the GRFF's project to develop an air cargo and manufacturing facility in Jackson County, Oregon.

Alien entrepreneurs who file petitions for commercial enterprises located within the GRFF project site must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies.

The designation by the Service of GRFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. The Service will adjudicate petitions filed by alien entrepreneurs who invest within the GRFF project site on a case-by-case basis. The Service on a case-by-case basis will determine whether the petition is documented. Nebraska serv

Thurs, @ 10 AM
15 minutes
M. Tawazja

If you have a
Immigrant Inva
(202) 514-3228

Designation under the
Act Michael Straus at

Sincerely,

for Thomas G

Michael L. Ayt
Acting Assistant
Adjudications



GRFF APPROVAL LETTER FROM INS



Department of Justice
Immigration and Naturalization Service

HQ 204.27-C

425 I Street NW
Washington, DC 20536

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101

FEB - 5 1996

RE: Application for Designation as a Regional Center for the Golden Rainbow Freedom Fund

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The designation by the Service of GRFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. The Service will adjudicate petitions filed by ten entrepreneurs who invest within the GRFF project site. The Service on a petition must be fully documented. Nebraska serv

If you have a
Immigrant Inve
(202) 514-3228

esignation under the
ct Michael Straus at

Sincerely,

for Thomas G

Michael L. Ayt
Acting Assista
Adjudications



GRFF APPROVAL LETTER FROM INS



*American
Life
(original)*

Department of Justice
Immigration and Naturalization Service

HQ 204.27-C

425 I Street NW
Washington, DC 20536

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101

FEB - 5 1996

RE: Application for Designation as a Regional Center for the Golden Rainbow Freedom Fund

Pursuant to Section 610 of the Appropriations Act of 1993, the Golden Rainbow Freedom Fund (GRFF) has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the GRFF's project to develop an air cargo and manufacturing facility in Jackson County, Oregon.

Alien entrepreneurs who file petitions for commercial enterprises located within the GRFF project site must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies.

The designation by the Service of GRFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. The Service will adjudicate petitions filed by alien entrepreneurs who invest within the GRFF project site. The Service's decision on a petition must be fully documented. The Service's decision on a petition must be fully documented. Nebraska serv

If you have a
Immigrant Inve
(202) 514-3228

Designation under the
Act Michael Straus at

Sincerely,

for Thomas C

Michael L. Ayt
Acting Assista
Adjudications



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GRFF APPROVAL LETTER FROM INSU.S. Department of Justice
Immigration and Naturalization Service

HQ 204.27-C

425 I Street NW.
Washington, DC 20536Mr. Henry Liebman
The Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101

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The designation by the Service of GRFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. All petitions for alien entrepreneurs who invest within the regional center will be adjudicated by the Service on a case-by-case basis and each petition must be fully documented. The individual petitions must be submitted to the Nebraska service center.

If you have any questions concerning GRFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus at (202) 514-3228.

Sincerely,

for *Thomas Cook*Michael L. Aytes
Acting Assistant Commissioner
Adjudications

Golden Rainbow

December 26, 2003

To: Morrie Berez

From: Lincoln Stone

Re: New I-526 petitions based on Regional Center of Golden Rainbow Freedom Fund ("GRFF")

A few days ago I indicated I would send to you information relating to the regional center designation of GRFF and the current investment activities that are the basis of new I-526 petitions.

Current investment activities

As indicated in the papers I forwarded to you a few weeks ago, the new I-526 petitions we are filing at the CSC are based on the current investment activities within the GRFF regional center designation. Investors are acquiring, rehabilitating and managing older industrial warehouses located in the Duwamish industrial sector south of downtown ("SODO") Seattle. Federal and state government designations of the SODO area as an enterprise community and empowerment zone ("EC/EZ") reflect the widely-held view that the area suffers from chronic high unemployment. The primary objective of current investment activities is to channel immigrant investor capital to rehabilitate abandoned or dilapidated industrial warehouses in the SODO. Previously I sent to you the Comprehensive Business Plan relating to the current I-526 petitions, as well as an economist's report of the employment impacts resulting from these current investment activities.

Regional center designation

The GRFF regional center designation consists of two letters from legacy INS. The first letter is dated February 5, 1996. It approves of enterprises located within the area of the GRFF project in Jackson County, Oregon. The second letter is dated October 25, 1996. It amends the regional center designation to include the City of Seattle Neighborhood Reinvestment Area. Please let me know if you want these INS letters forwarded to you.

The approval and amendment of the GRFF regional center was based on two sets of documentation. The first set of documentation was forwarded to legacy INS in 1995 and led to the initial approval of the regional center. The second set of documentation was forwarded to legacy INS in 1996 and led to the amended approval of the regional center. Each set of documentation was presented under cover letters that I attach hereto as two Word documents. My office staff scanned these letters into Word. We received the letters by fax from the office of Henry Liebman, the attorney who handled the regional center application submitted to legacy INS in 1995 and 1996.

Link between regional center designation and current investment activities

Investment activity

As you will observe in the attached, the documentation submitted in support of the GRFF regional center proposal includes the current investment activities - investing in underutilized warehousing facilities in order to attract businesses to Seattle's industrial SODO area. The cover letter to the initial set of documentation states:

AThe Golden Rainbow Freedom Fund (Fund) will develop and operate export oriented cargo, transportation, and warehousing facilities located in rural areas of under 20,000 population or in areas where the unemployment rate exceeds 1.5 times the national average.@

AThe Fund hopes to increase employment opportunities in economically depressed areas by creating facilities for manufacturing and export oriented businesses. Such facilities include air and ocean cargo facilities, foreign free trade zone manufacturing facilities, and transfer facilities. The Fund will actively manage the facilities assuring maximum benefits to export oriented users. The Fund will begin its activities in the States of Washington and Oregon.@

ADevelopers often avoid urban high unemployment areas and rural areas because of higher crime rates and/or restricted access to financing. The Fund uses immigrant investor capital, thus eliminating the need to obtain bank financing or public subsidies. The Fund will use its lower operating costs to attract users and related industries to its facilities. The Fund uses its savings in interest costs to attract tenants to areas they would otherwise avoid. The Fund plays an important part in spurring employment creation in rural and depressed areas. The Fund plays an important role in the Puget Sound Economy. The Puget Sound region suffers from a shortage of industrial and warehouse space... Because the Fund does not depend on conventional financing, and because the Fund assumes the risk of ownership in less desirable areas, we believe that manufacturers may be enticed to relocate to the Central District, Rainier Valley, and similar areas in other cities. Thus, the Fund plays a large and important part in revitalizing distressed areas as well as in spurring export oriented employment creation in general."

While the cover letter to the second set of documentation refers to a range of investment activities, it includes reference to the activities of financing the relocation of businesses to the SODO area, or put another way, financing "build to suit" construction that will attract businesses to the SODO area.

Geographic scope

In terms of the geographic scope, the cover letter to the initial set of documentation identifies the Jackson County, Oregon project as the first GRFF project. But it also clearly identifies the industrial port area of Seattle as a focus of GRFF activities. The initial cover letter states: "The Central District and Rainier Valley and the Central District of Seattle, typical of the types of high unemployment areas targeted by the Fund, provides the only readily available source of industrial locations." (sic)

The cover letter to the second set of documentation clarifies that GRFF wishes to focus on development of the City of Seattle Neighborhood Reinvestment Area. This is the same SODO area that is the heart of the EC/EZ zones and is the focus of current investment activities. The cover letter states that the zone "encompasses an aging industrial area located immediately south of downtown Seattle."

Methodology

Both the regional center application materials and the currently-filed I-526 petitions are based on the same econometric multiplier analysis. I forwarded to you a few weeks ago the report prepared by Paul Sommers, PhD of the University of Washington ("Impacts of Investments by Lonestar Investors, LP"), setting forth the methodology for measuring employment impacts. Dr. Sommers indicates that his analysis is based on a broadly-accepted input-output model that is specific to the State of Washington. While the materials submitted in support of the regional center designation are varied, they do include economic impact reports and employment multipliers that are based on the same input-output model used by Dr. Sommers, referred to for instance in the Conway report which accompanies GRFF's second cover letter as the Washington Projection and Simulation Model ("WPSM"). The WPSM was originally developed at the University of Washington.

Should you require additional information please do not hesitate to advise me.

Attached: 1995 and 1996 cover letters

THE GOLDEN RAINBOW FREEDOM FUND

MAGNESSGROUP/WorldwideMarketingOffice

e
18034 13th NW
18034
Seattle, WA 98177
Tel: 206-624-5622/Fax: 206-625-9218

IIF-2, 2 Fuhsing, North Road
Taipei, Taiwan
Tel: 011-886-2-776-3577
Fax: 011-886-2-776-3665

THE GOLDEN RAINBOW FREEDOM Fund

The GOLDEN RAINBOW FREEDOM Fund, the Fund, hereby applies for Regional Center status pursuant to 8 CFR 204.6(m) (3).

INVESTMENT OBJECTIVES

The Golden Rainbow Freedom Fund (Fund) will develop and operate export oriented cargo, transportation, and warehousing facilities located in rural areas of under 20,000 population or in areas where the unemployment rate exceeds 1.5 times the national average.

The Fund hopes to increase employment opportunities in economically depressed areas by creating facilities for manufacturing and export oriented businesses. Such facilities include air and ocean cargo facilities, foreign free trade zone manufacturing facilities, and transfer facilities. The Fund will actively manage the facilities assuring maximum benefits to export oriented users. The Fund will begin its activities in the States of Washington and Oregon.

The Fund intends to work with local and state economic development agencies as well as the private real estate brokerage industry to identify companies moving into the area who might be users. For example, both the States of Washington and Oregon maintain Economic Development Agencies that actively solicits and/or assists companies moving into the region. Both states maintain offices in Taipei and Tokyo, as well as other countries. The Fund will also utilize Colliers Macaulay Nicolls, an internationally known brokerage firm, to locate appropriate users. **See Colliers Brochure, letter of support from King County Economic Development Council.**

THE FIRST PROJECT

The First Project The Fund is now working on the development of an air cargo/manufacturing facilities in Jackson County, Oregon.

Golden Rainbow Investment Fund
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Page 1

Jackson County, stricken by large scale unemployment due to a downturn in the timber industry, recently obtained approval for a foreign trade zone at the airport. The airport is a US Customs and Immigration Port of Entry. **See "Rogue Valley" from Oregon Business Magazine, US Department of Commerce Financial Assistance Award for**

development of Foreign Trade Zone, Master Plan Design Standards for Foreign Trade Zone, letter of support from Jackson County Airport, and Pacific Corridor Enterprise Council letter of support.

Ore-cal Trade Corp., instrumental in obtaining foreign trade zone status for the Jackson County Airport, owns land with airport access and leases additional land from the County. The County and Ore-Cal wish to develop their property with the infrastructure, such as air cargo and related warehouse/transfer facilities, -required to serve the new international airport.

The Fund hopes to develop County and Foreign Free Trade Zone sites for air cargo and transfer facilities. **See letter of support from the Rogue Valley International-Medford, Airport Authority, Foreign Trade Zone building plans and as an example of existing development see Trade Containment Center.**

The Fund plans to start development on Ore-cal land by building an approximately 40,000 square foot air cargo facility. Ore-cal controls over ninety acres of foreign trade zone land. The warehouse will be able to service air cargo and truck cargo. Prospective users include manufacturers and cargo carriers. Functionally, the Fund's project will be part of the airport. **See site plans attached.**

Jackson county makes sense because it's the only airport of any size between Portland and San Francisco. Medford, Oregon is already a transfer area for trucks traveling between California and the Northwestern States, and is connected to the deep sea port of Coos Bay, Oregon, located some 150 miles to the West. Cargo carriers can take advantage of lower landing fees, lower costs of ancillary services than in urban areas, and the existing trucking infrastructure serving the I-S corridor. Cargo carriers that do not need the services of an urban area are provided with a low cost convenient alternative.

Possible users include Canadian carriers such as Air Canada and Canadian International. The new "Open Skies" agreement between the US and Canada allows carriers to make direct flights between several additional Canadian and US cities. For example, Horizon Airlines now flies directly between Calgary, Alberta, and Seattle. Organizations such as the Vancouver International Airport and the Vancouver Board of Trade are now in contact with us and the Jackson County Airport Authority regarding passenger and cargo link-ups. **See supporting letter from Peter Fraser, Director of the Pacific**

Golden Rainbow Investment Fund
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Page 2

Corridor Enterprise Council, a non profit organization that promotes free trade in the region.

EMPLOYMENT CREATION

Air cargo facilities present substantial indirect and direct

employment creation opportunities. Direct employment includes permanent positions required for cargo handling, construction and maintenance. A typical 40,000 square foot facility with six truck bays requires some thirty full time positions, and costs approximately \$1.8 Million to build. Positions include a manager, two shift supervisors, two maintenance persons, reception, book keeping, and two shifts of cargo handlers. Federal Express employs a minimum of 300 persons to staff cargo hubs in rural areas, -according to Mr. Steven Brown, Senior Manager, Regional Sales, Pacific Mountain Area. **See attached list of Kent Valley, Washington warehouse construction costs, and letter from Regency Group a regional commercial brokerage company.** Construction costs are lower in rural areas.

Jackson county projects a job multiplier between direct and indirect jobs of approximately 15:1. **See Rogue Valley Article.** Additionally, Jackson County projects a 10:1 ratio of direct to induced jobs. Induced jobs refer to positions created by industries and businesses that don't serve the air cargo facility but benefit from the facility. Given the 15:1 multiplier, the Fund's first project contributes approximately 450 indirect jobs to the area.

The job creation statistics are equally impressive in Washington State. International Trade is big business in the Puget Sound Region. According to the Economic Development Council of King County, international trade accounts for some 55,000 direct jobs and \$27 Billion in revenue. The King County EDC projects a 14% increase in international trade related jobs by 1998. The Fund facilitates and even accelerates this growth in jobs by providing affordable, conveniently located, industrial/warehouse space.

The Port of Seattle uses a 5:1 job multiplier ratio. The King County Economic Development Council uses a 2.5:1 job multiplier. The King County Labor council uses a 3:1 job multiplier ratio. **See International Trade an excerpt from the King County Economic Development Council Economic Survey, "Port Workers Generate Jobs for a Strong Economy" published by the King County Labor Council and Regional Economic Survey published by the Central Puget Sound Economic Development District.** In any event, the job multiplier ratio for export facilities in King County (Seattle area) is at least 3:1 if not higher.

Golden Rainbow Investment Fund
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Page 3

REGIONAL BENEFITS PROVIDED BY THE FUND

Developers often avoid urban high unemployment areas and rural areas because of higher crime rates and/or restricted access to financing. The Fund uses immigrant investor capital, thus eliminating the need to obtain bank financing or public subsidies. The fund will use its lower operating costs to attract users and related industries to its facilities. The Fund uses its savings in interest costs to attract tenants to areas they would otherwise avoid. The Fund plays an important part in spurring employment creation in rural and depressed areas.

The Fund plays an important role in the Puget Sound Economy. The Puget Sound region suffers from a shortage of industrial and warehouse space. Attached, please find a recent market survey concerning one of the more popular industrial areas in the region, Kent Valley. Vacancy rates of 2.5% are well below those of any other major city in the country. The Central District and Rainier Valley and the Central District of Seattle, typical of the types of high unemployment areas targeted by the Fund, provides the only readily available source of industrial locations. The Central District of Seattle is located only minutes away from the Port of Seattle.

Because the Fund does not depend on conventional financing, and because the Fund assumes the risk of ownership in less desirable areas, we believe that manufacturers may be enticed to relocate to the Central District, Rainier Valley, and similar areas in other cities. Thus, the Fund plays a large and important part in revitalizing distressed areas as well as in spurring export oriented employment creation in general.

The Fund plays an even more important role in rural areas, such as Jackson County, Oregon. Rural areas generally don't have the financial or administrative resources to build and manage structures such as an air cargo facility. By obtaining foreign free trade zone status, Jackson County did their job. Now its up to the private sector to carry the ball. This is where the Fund plays an essential role.

EMPLOYMENT VERIFICATION

Several organizations monitor job multiplier statistics. In addition to the organizations mentioned above, The Trade Development Alliance of Greater Seattle, a partnership between the Port of Seattle, City of Seattle, county governments, unions and the Seattle Chamber of Commerce, The State of Washington, The State of Oregon, Jackson County Oregon Airport Authority, and private economic research companies such as Conway Pedersen Economics, Inc. all monitor export employment statistics.

Golden Rainbow Investment Fund
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ORGANIZATIONAL STRUCTURE

The Fund will operate as a Washington Limited Partnership, The General Partners, American Retirement Inc., will manage the properties, identify properties for acquisition, negotiate leases and manage property development. The managing general partner is American Retirement, Inc.

Each limited partnership unit costs [REDACTED] Investors will receive an allocation of all partnership income less compensation allowed the General Partner until they receive repayment of their capital. Thereafter, profits shall be shared [REDACTED] between the Limited partners and the General Partners. Limited Partners will be

(b)(4)

required to commit their investment for five years. After the five year period, Partners may sell their partnership unit subject to the General Partners' first right of refusal.

The Fund will be sold in successive offerings, each open to ten investors. At the closing of each offering, an investor's Funds will be irrevocably committed for three years. Each investor must prove they are accredited as defined by the Securities Laws of the United States. The General Partners, in their sole discretion, may divide the Fund into multiple partnerships concentrating on raising capital from different markets, such as Japan, Taiwan and China.

THE GENERAL PARTNERS

Mr. Liebman is the Managing Partner of Coe, Nordwall & Liebman, LLP, based in Seattle, Washington. The firm maintains offices in Tokyo, Taipei, Los Angeles, and Vancouver BC. The firm maintains affiliated offices in Hong Kong and Helsingborg, Sweden.

Mr. Liebman manages several commercial/warehouse properties located in the Seattle, Washington area, on behalf of other general and limited partnerships. Mr. Liebman was also instrumental in organizing the ASPI Group, Moses Lake Washington, Regional Center project. The most important properties managed by Mr. Liebman are described below;

7th Ave and Everett Mall Way,
Everett, Washington - 40,000 square foot shopping center

7th Ave and Everett Mall Way,
Everett, Washington - 77,000 square foot warehouse property

3rd Ave and Pike St.,
Seattle Washington - 22,000 square foot office, warehouse,
retail building located in downtown Seattle.

Golden Rainbow Investment Fund
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Page 5

2410-20 1st Ave So.,
Seattle Washington - 54,000 square foot warehouse
located near the Kingdome, in downtown Seattle.

JAPAN MARKET

(b)(6)





(b)(6)

TAIWAN MARKET



Thank you for your attention to this matter, Please contact the undersigned if you require further information.

Sincerely,

COE, NORDWALL & LIEBMAN, LLP

By
Henry Liebman

HGL:kp

Golden Rainbow Investment Fund
PF:clients\rainbow\Letter.ins
Page 6

THE GOLDEN RAINBOW FREEDOM FUND

MAGNESSGROUP/WorldwideMarketingOffice
18034 13th NW
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Tel:206-624-5622/Fax:206-625-9218

11F-2, 2 Fuhsing North Road
Taipei, Taiwan

Tel: 011-886-2-776-3577
Fax: 011-886-2-776-3665

The Golden Rainbow Freedom Fund wishes to amend its Regional Status by:

1. Specifically including the Gateway Freedom Fund in the approval letter; and
- 2 To add other investment projects.

1. Addition of Name

our original Regional Center application, attached, was filed in the name of the Golden Rainbow Freedom Fund (GRFF). That original application letter discloses that we use the name "Gateway Freedom Fund" in Japan. It is the same project using a different name. We have highlighted the relevant portion on the last page of the enclosed copy of the original submission.

Prospective investors often question whether Gateway is an approved regional center. Although, after providing the chain of documents, we satisfy most people, it would be much easier if our approval letter specifically mentioned Gateway Freedom Fund.

We would appreciate an amended approval letter addressed to both the Golden Rainbow Freedom Fund and the Gateway Freedom Fund. This would eliminate the need for further explanation of the relationship between GRFF and Gateway.

2. The New Project

The Region and Regional Benefit

This new project concerns the development of the City of Seattle Neighborhood Reinvestment Area.

The City of Seattle received State and Federal designation in 1994 for its "Neighborhood Reinvestment Area" as a

Community

Golden Rainbow Freedom Fund
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Page 1

FROM : GREF

FAX NO.

Dec. 23 2003 01:51PM P2

Empowerment Zone (CEZ). See City of Seattle Neighborhood Investment Area application and approval letter from the State of Washington.

The CEZ encompasses an aging industrial area located immediately south of downtown Seattle. The CEZ includes much of the Port of Seattle and includes many export oriented businesses. See area map attached. According to the State of Washington Employment security Department, the CEZ unemployment rate is approximately 9%. See attached State of Washington Employment Security Department letter confirming unemployment statistics.

The City of Seattle contemplates establishment of "Urban Villages" to serve as community focal points for economic and social development. See excerpted portions of the City of Seattle Neighborhood Reinvestment Strategy attached. The City of Seattle devised particular economic strategies to develop each urban village. We wish to assist the City in developing the CEZ, one of the "urban villages."

The Business Assistance Center Development Lending Company.

The City of Seattle operates a community bank, now funded by city, state, private and federal money, to finance businesses that relocate or expand in the CEZ. The Bank targets borrowers that can not qualify for conventional financing.

The City is privatizing their bank by forming a nonprofit community bank managed by an independent board of trustees. See Development Lending Company Proposal attached.

The City of Seattle has agreed to use GRFF and Gateway (the Funds) as a source of loan capital for the Development Lending company (Bank). We, along with

governmental grants, private sources, and traditional lenders, will provide the loan capital for the Bank. See Duwamish Coalition brochure for an example of community support for redevelopment of the CEZ.

The Funds will make loans to qualified borrowers identified by the Development Loan Bank. The Development Loan Bank will service, perform due diligence and package our loans. Qualified borrowers must meet the criteria set forth in the loan criteria letter. See attached loan criteria letter. Qualified borrowers must be involved in an export related business such as cargo, trading, or manufacturing for export, located in the CEZ. See confirming letter from Mary Jean Ryan, Director of City of Seattle, Office of Economic Development.

Golden Rainbow Freedom Fund
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Page 2

FROM : GREF

FAX NO. Dec. 23 2003 01:51PM P3

CEZ Tax Deferral Program.

Companies that relocate or expand in the CEZ receive a deferral of state sales and use tax. The amount of tax deferral or tax holiday depends on job creation in the CEZ. Washington does not have an income tax, making this a deferral of the largest tax paid by State of Washington businesses. See Summary of Major changes, Tax Deferrals for Investment Projects in Distressed Areas attached as part of the State of Washington CEZ approval letter. The City of Seattle uses this tax deferral program in addition to the Bank to attract businesses to the CEZ.

The City of Seattle agreed to use the Funds as a source of financing for qualifying companies that wish to expand or locate in the CEZ. We intend to make loans for, or invest in, equipment purchases, facilities, export inventory, finance, and other trade related projects. The borrowers must meet the criteria set forth on the aforementioned commitment letter. See confirming letter from Ms. Mary Jean Ryan.

Port of Seattle Development

Some of the Port of Seattle property lies within the CEZ. For example, the Port is redeveloping a portion of its Harbor Island property for additional container storage and loading space. There are about fifty businesses on Harbor Island, many of them export related, that must relocate. The Port would put these businesses in touch with the Funds so the businesses could determine if financing through the Fund would be advantageous. The Funds will either lend to the businesses referred by the Port or build to suit for those businesses. The Harbor Island project will commence in early 1997. See list of Harbor Island businesses and confining letter and notes from Mr. David Dean of the Port of Seattle.

In addition, the Port is preparing to market Port-owned property in the vicinity of SeaTac International Airport. The Funds would be included in marketing efforts to secure businesses to lease the property near SeaTac. The Port anticipates that many of these businesses will very likely be involved in international trade, especially in the areas of air cargo handling, value added distribution facilities, light manufacturing, and freight consolidation and forwarding. The Port will lease its land to the end user. The Funds will lend to or build to suit for the end user. This is the same program as we now use for the Medford, Oregon Free Trade Zone.

Golden Rainbow Freedom Fund
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Page 3

FROM : GREF

FAX NO.

Dec. 23 2003 01:52PM P4

Employment Creation

The Port of Seattle and the City of Seattle have done extensive research concerning export related job creation. Enclosed please find two studies concerning job creation, one completed in March of 1994, the other completed in 1987. The 1994 study says that the Port of Seattle generally produces 90,000 direct jobs that in turn support 275,000 indirect jobs. This as a 3:1 job multiplier.

From the point of view of the Funds, the most relevant parts of the Port of Seattle survey concern marine cargo and air cargo. This is so because current Port expansion projects (Harbor Island and airport land) will likely involve cargo-related customers. The job multiplier for marine cargo is approximately 6.5:1, the job multiplier for airport generated jobs is approximately 8:1. See page 13, Table I-2.

The Port of Seattle survey also states that local businesses, many of which are located in the CEZ received \$7.5 Billion in revenue from Port of Seattle activities.

According to the Conway report, enclosed, one in six Washington jobs depends on exports. The export job multiplier was 3.7. This is double the 1963 figure. The trend has been to increasing reliance on exports.

In any event, the Conway report, prepared for Washington State Trade & Economic Development, the Port of Seattle report, and the City of Seattle materials, support the notion that each job created in the CEZ produces anywhere from three to eight supporting jobs.

Regional Benefit

The low cost capital provided by the Funds will provide an incentive for export oriented business to move to the CEZ. The entire region benefits from the revitalization of a chronically depressed area and an increase in export oriented industries. According to the Conway report, attached, over one out of every six jobs in the State of Washington depends on exports. Seattle is the leading trading and industrial city for the entire Pacific Northwest. The Port of Seattle is the second largest port on the West Coast. The revitalization of the CEZ and the ensuing increase in export job creation not only benefits the city and the Port but it benefits the region.

Marketing

The Funds will continue to be marketed by the same parties as

Golden Rainbow Freedom Fund
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Page 4

FROM GREF

FAX NO. : Dec. 23 2003 01:52PM P5

disclosed in the original regional center applications.

In Japan and the entire world except Korea and

Taiwan, we only offer one payment plan; [redacted] in cash payable before we file any documents with INS. Investors may redeem their investment in three years from 1-485 or Consular approval of permanent residence status.

(b)(4)

In Taiwan and Korea we offer two plans. The plan described above and a plan that requires a [redacted] down payment with the balance due in three years. There is no guaranteed rate of return. If investors do not make the final payment of [redacted], they forfeit the [redacted] down payment. Investors may redeem their investment as described in the paragraph above.

(b)(4)

Most of the competing programs only require [redacted] or so as a down payment. Additionally, there is no point where the investor must make the full [redacted] investment. At [redacted] there is very little left over to put in the project after payment of administrative costs and commissions. We limit all administrative costs to [redacted] of the investment and we have enough initial cash to make meaningful investments.

(b)(4)

We have sold nine units total; six in Taiwan and three in Japan. All of the units in Taiwan, except one, were sold on the [redacted] plan.

(b)(4)

it is interesting to note that in Japan it is difficult to sell anything but a plan offering a one time payment of [redacted]. After reading the rules, the Japanese don't seem to trust any other program.

Current Progress

OreCal, our partner in Medford, Oregon recently obtained building permit approval and we are negotiating the finance of the first building; the Medford Air Cargo building. See building permit, investment schedule and correspondence attached.

The ASPI Group, Grant County Airport, recently obtained a building permit for their air cargo facility. See Seattle Post Intelligencer article attached. Although ASPI is a different regional center, we work with them concerning development and marketing issues.

We believe our new projects will increase the appeal of our program, and, because of the involvement of the City of Seattle and the Port of Seattle, we will be able to sell more units for

FROM GREF

FAX NO.

Dec. 23 2003 01:53PM P5

(b)(4)

in one payment. We now have two port related projects to our credit. Port Districts are subject to very specific rules and have very specific mandates. We have spent considerable time learning to deal with Port and related entities. Our new projects fit within our field of expertise, benefit a defined region of the country, and increase employment through exports.

Your kind attention to this matter will be appreciated.

Sincerely,
AMERICAN RETIREMENT, INC.

By

Henry Liebman,
President

Golden Rainbow Freedom Fund
PF:clients/golden.2/amend.Ltr
Page 6

AMERICAN LIFE INC.

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Seattle, WA 98134-1910 USA
Tel. (206) 381-1690 Fax (206) 381-3927
www.americanlifeinc.com
henry@americanlifeinc.com

April 5, 2004

Morrie Berez
U.S. Department of Homeland Security
425 I Street, NW
ULLICO Building, Third Flr
Washington, DC 20536

Dear Mr. Berez,

I'm the President of American Life Inc., the General Partner of Gateway Freedom Fund, and American Retirement Inc., the General Partner of Golden Rainbow Freedom Fund, the founders of the regional located just south of downtown Seattle, Washington. I would like to meet with you, at your convenience, to discuss the progress of our projects and to finally meet you. The purpose is to put a face to a name and to establish communication.

For your information, the Lonestar Investors LP project is underway. We are now building a plant in the Lonestar building for a new tenant that manufactures bio-fuels.

I look forward to meeting you. Please contact me to establish a date. I always have a reason to come your way because my younger daughter is attending Goucher College in Baltimore.

Sincerely,



Henry Liebman
President

(b)(5)

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Exhibit M

Declaration of Henry Liebman

I, Henry Liebman, declare that the following information is based on my personal knowledge.

1. I am a Director and Chief Executive Officer of American Retirement, Inc., the General Partner of Golden Rainbow Freedom Fund Limited Partnership, a Washington limited partnership (the "partnership").

2. The documentation presented in response to the Request for Additional Evidence dated November 18, 2005, are true and correct copies of papers stored in various files maintained in the Seattle offices of American Retirement, Inc. The information provided in the Memorandum in Response to Request for Additional Evidence dated November 18, 2005 is information I have provided based on my personal knowledge.

3. The chart at Exhibit M, indicating the names of investors, the amounts invested, and the dates of investment is a chart prepared in my office based on the documentation available to us. Many of the bank transactions occurred as much as nine years ago. Most banks do not preserve documentation of transactions beyond five years. In fact, Korean banks only keep records for five years. Consequently, we are not able to recover additional bank statements and wire transfer notices concerning these transactions.

(b)(4)



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Declaration of Henry Liebman

To: INS Examiner
Date: December 27, 2002

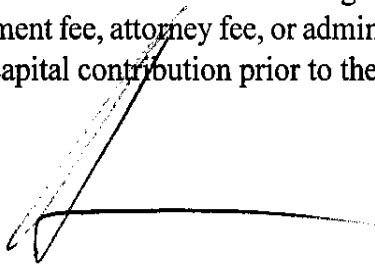
I am a Director and Chief Executive Officer of American Retirement, Inc., the General Partner of Golden Rainbow Freedom Fund Limited Partnership, a Washington limited partnership (the "partnership").

The Golden Rainbow Freedom Fund ("GRFF") was designated by the INS in 1996 to operate as a regional center under the investor Pilot Program. The regional center area includes Jackson County, Oregon, and the City of Seattle Neighborhood Reinvestment Area. As stated in its application to the INS for regional center designation, the GRFF investment focus is rehabilitating warehouses and developing a financial institution. The partnership invested in several startup businesses including a bank, and in vacant or underused warehouses that have been rehabilitated for use by startup businesses.

We hired Dr. Paul Sommers, a renowned economist at the University of Washington in Seattle, recommended to us by the Seattle King County Economic Development Council, to study and calculate the employment impacts of the investments made by the partnership. We provided to Dr. Sommers a complete listing of the companies that have received investment capital from the partnership as well as rent rolls listing all of the tenants located in the buildings where the partnership has invested its capital. This data included complete information on the number of employees in each company, whether the company is a startup business, and whether the company is an exporter. Based on this data, there is a total of 259 full-time jobs in the startup businesses. Dr. Sommers verified our data by his independent survey and used the data to determine direct employment impacts, and applied an input-output model to calculate indirect employment impacts. Dr. Sommers concluded that the partnership's investment activity created 454 jobs in the Seattle area.

The partnership includes 22 investor partners who have conditional resident status as a result of investment in the partnership and who presently are petitioners to remove the condition on resident status. It is the agreement among the partners in GRFF that for U.S. immigration purposes each investor-partner will be allocated 10 of the jobs created. Neither the petitioners nor any of their family members are included in the employment calculations made by Dr. Sommers.

I hereby confirm that each of the existing immigrant investors in GRFF invested a full \$500,000 and no management fee, attorney fee, or administrative expense of any other kind was deducted from an investor's capital contribution prior to the investment of that capital in a specific project.



Henry Liebman

Taken from A46381478
6/2/05



425 I Street NW.
Washington, DC 20536

OCT 25 1996

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
18034 13th NW
Seattle, WA 98177

RE: Application for Designation as a Regional Center for the
Gateway Freedom Fund

Dear Mr. Liebman:

Pursuant to Section 610 of the Appropriations Act of 1993, the Gateway Freedom Fund has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the City of Seattle Neighborhood Reinvestment Area in Seattle, Washington. I note that this office previously approved a regional center designation for the Golden Rainbow Freedom Fund to develop an air cargo and manufacturing facility in Jackson County, Oregon. Per your request, we acknowledge that the Golden Rainbow Freedom Fund uses the name Gateway Freedom Fund (GFF) in Japan. The GFF regional center now encompasses both the air cargo and manufacturing facility in Jackson County, Oregon and the City of Seattle Neighborhood Reinvestment Area.

Alien entrepreneurs who file petitions for commercial enterprises located within the GFF project sites must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies as described in 8 CFR 204.6(j)(4)(iii).

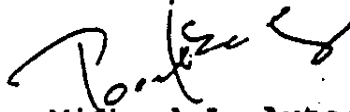
The designation by the Service of GFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. All petitions for alien entrepreneurs who invest within the regional center will be adjudicated by the Service on a case-by-case basis and each petition must be fully documented. The individual petitions must be submitted to the Nebraska Service Center.

Page 1

Mr. Henry Liebman

If you have any questions concerning GFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus or Katherine Lorr at (202) 514-5014.

Sincerely,



Michael L. Aytes
Assistant Commissioner
Benefits Division



HQ 204.27-C

425 I Street NW.
Washington, DC 20536

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101

FEB - 5 1996

RE: Application for Designation as a Regional Center for the
Golden Rainbow Freedom Fund

Dear Mr. Liebman:

Pursuant to Section 610 of the Appropriations Act of 1993, the Golden Rainbow Freedom Fund (GRFF) has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the GRFF's project to develop an air cargo and manufacturing facility in Jackson County, Oregon.

Alien entrepreneurs who file petitions for commercial enterprises located within the GRFF project site must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies.

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If you have any questions concerning GRFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus at (202) 514-3228.

Sincerely,

for Thomas Cook

Michael L. Aytes
Acting Assistant Commissioner
Adjudications



U.S. Department of Justice

Immigration and Naturalization Service

HQ 204.27-C

425 Eye Street N.W.
Washington, D.C. 20536

AUG 10 1995

Henry Liebman, Esq.
Coe, Nordwall & Liebman
720 Olive Way, Suite 1300
Seattle, WA 98101

Dear Mr. Liebman:

I am in receipt of your letter to Michael Straus, dated May 1, concerning the funding of investments within the Immigrant Investor Pilot Program (Pilot Program).

In your correspondence, you urge the Immigration and Naturalization Service (INS) to allow venture capital firms to use a designated regional center under the Pilot Program to fund venture capital investments. In the context of an employment creation immigrant visa petition (EB5) which is not filed under the Pilot Program, the INS has taken the position that an investment in a fund, which, in turn, invests funds into several job-creating businesses which are not wholly-owned by the fund, is not a qualifying investment. Such an arrangement fails to meet the requirement that the required ten new employees of the new commercial enterprise be directly employed by the new commercial enterprise, which in the context of a fund, must be a holding company or fund and its wholly-owned subsidiaries. See 8 CFR 204.6(e)(definition of employee)(definition of commercial enterprise).

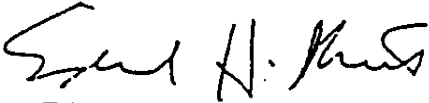
The Pilot Program modified the job creation requirement to allow a qualifying investment in a new commercial enterprise located within a designated regional center to meet this requirement through indirect job creation through revenues generated from increased exports resulting from the Pilot Program. See 8 CFR 204.6(j)(4)(iii). It is, therefore, possible, under the Pilot Program, for the qualifying investment to be made in a venture capital fund, if the alien can demonstrate that the fund infuses capital into export-generating businesses, which, in turn, create jobs. Not all of the investors in the fund must be applying for immigrant status as immigrant investors. I would caution you, however, that under the Pilot Program, except for the job creation criteria, a petitioner must satisfy all other requirements under the EB5 classification.

You next ask whether capital placed in such an investment fund may remain idle for a period of time until the fund locates an appropriate business to invest in. Until a completed petition for EB5 status is filed with a service center, it is not possible to make a determination on this question. I would note, however, that the regulations clearly require that the requisite capital be placed "at risk"

and be committed to the new commercial enterprise. See 8 CFR 204.5(j)(2). In the case of funds which are pooled with other individuals, the jobs created can be allocated only to EB5 petitioners. See 8 CFR 204.6(g)(2).

I hope that this response will be useful to you.

Sincerely,



Edward H. Skerrett
Chief, Immigrant Branch
Adjudications

10503 SW Cowan Rd.
Vashon Island, WA 98070
October 15, 2001

Henry Leibman
American Retirement, Inc.
3223 3rd Avenue S, Suite 200
Seattle, WA 98134

Dear Henry:

My final report on the economic impacts of the Golden Rainbow Retirement Fund investments in Seattle is attached. I previously transmitted this report by email to both you and Mr. Lincoln Stone. I hope you will find the report useful. For your information, I have also attached my resume.

Sincerely,



Paul Sommers, Ph.D.

Attachments: Final report on GRRF Impacts
Sommers resume

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(b)(6)

(b)(6)

(b)(6)



Golden Rainbow
Approval

HC 70/6.9-C

425 I Street NW.
Washington, DC 20536

OCT 25 1996

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
18034 13th NW
Seattle, WA 98177

RE: Application for Designation as a Regional Center for the Gateway Freedom Fund

Dear Mr. Liebman:

Pursuant to Section 610 of the Appropriations Act of 1993, the Gateway Freedom Fund has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the City of Seattle Neighborhood Reinvestment Area in Seattle, Washington. I note that this office previously approved a regional center designation for the Golden Rainbow Freedom Fund to develop an air cargo and manufacturing facility in Jackson County, Oregon. Per your request, we acknowledge that the Golden Rainbow Freedom Fund uses the name Gateway Freedom Fund (GFF) in Japan. The GFF regional center now encompasses both the air cargo and manufacturing facility in Jackson County, Oregon and the City of Seattle Neighborhood Reinvestment Area.

Alien entrepreneurs who file petitions for commercial enterprises located within the GFF project sites must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies as described in 8 CFR 204.6(j)(4)(iii).

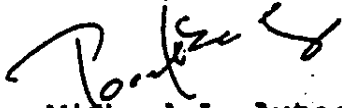
The designation by the Service of GFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. All petitions for alien entrepreneurs who invest within the regional center will be adjudicated by the Service on a case-by-case basis and each petition must be fully documented. The individual petitions must be submitted to the Nebraska Service Center.

Page 1

Mr. Henry Liebman

If you have any questions concerning GFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus or Katherine Lorr at (202) 514-5014.

Sincerely,



Michael L. Aytes
Assistant Commissioner
Benefits Division

AMERICAN LIFE INC.
3223 3rd Avenue South, Suite 200
Seattle, WA 98134-1910 USA
Tel. (206) 381-1690 Fax (206) 381-3927
www.americanlifeinc.com
henry@americanlifeinc.com

November 29, 2003

Morrie Berez
U.S. Citizenship and Immigration Services
Office of Programs
425 I Street, NW
ULLICO Building, Third Floor
Washington, DC 20536

Dear Mr. Berez:

I am the founder of the regional center in Seattle designated under the Immigrant Investor Pilot Program in 1996 as the "Golden Rainbow Freedom Fund". I am the President of American Life Inc., and American Retirement Inc., two companies formed in the State of Washington that serve as General Partner of several property developer/manager businesses that operate within the regional center. The purpose of this letter is to explain our business model, our achievements to date, and the current status of the regional center.

Our regional center lies within the boundaries set by the HUD sponsored Federal Enterprise Community and the State of Washington sponsored Community Empowerment Zone. These two empowerment zones encompass much of the same area and include the SODO and Duwamish Industrial areas located immediately south of downtown Seattle and adjacent to the Port of Seattle. Successive economic downturns as well as the failure to modernize existing structures created a large inventory of underutilized and outdated commercial/industrial sites in this aging industrial area. Many of the sites were used to manufacture planes, ships and munitions during World War II. Modern industry moved to more economical locations in the suburbs leaving a rust belt in its wake.

Other economic factors also have adversely impacted the regional center area. Between 1997 and present, Boeing shed over 50,000 Seattle area jobs, most of them in the regional center. As part of its downsizing efforts, Boeing vacated and put on the market over 3 million square feet of industrial space that is located in the regional center area. The burst of the "dot com" bubble, which occurred in 2000, cost the region over 35,000 jobs many of them within the regional center. Other events such as the global slow down in

international trade and shipping reduced employment at the Port of Seattle. To top it off the Nisqually earthquake of February 28, 2000 destroyed many buildings, particularly on 1st Avenue South, forcing several businesses to leave the area.

Primary Purpose of Regional Center:

The principal objective stated in our regional center application is to attract immigrant investor capital to acquire and rehabilitate the underutilized and outdated industrial/commercial sites in order to encourage businesses to locate in the area of our regional center. Both the Port of Seattle and City of Seattle submitted letters in support of our regional center designation.

Business Goal:

- To build a strategic portfolio of contiguous and near-by properties, within the regional center, clearly in the path of current and future development, that will have a value far in excess of the sum of each property's separate value.

Such increase in capital value would be realized in the future by:

- Developing the parcels into a mixed-use light industrial campus, and/or
- Forming a publicly traded real estate investment trust.
- To earn for all investors a secure income stream.
- To be the major regional center private sector property developer/manager creating infrastructure within the regional center.

For more details concerning our business goal go to www.amlife.us

Business Model:



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(b)(4)



Investor Profile:

We have 88 investors in our regional center projects. Of that total, 36 people were attracted by immigration status, and 52 were attracted to the investment without regard to immigration status. Of the 36 immigrant investors, 9 of them invested additional sums without regard to any immigration benefit. The immigrant investors come from Canada, UK, Holland, Switzerland, Sri Lanka, Kenya, Korea, Japan and Taiwan. Six immigrant investors presently live in the Seattle area.

Of the remaining "economic investors" 29 come from Seattle, 8 from Japan, 1 from Australia, 1 from South Africa, 4 from Korea, 1 from Switzerland, 1 from Holland, the remainder come from New York, Florida, Pennsylvania, California. These investors include real estate brokers, bankers, president of a local land title company, a variety of professionals and business people, and several family members.

To test a regional center's economic viability ask whether the investment proposition makes sense to a person who isn't looking for an immigration benefit.

We pass that test. That is a thought I frequently return to when considering the merits of our regional center.

Our Achievements:

GRFF

The investment activity of our regional center can be separated into two phases. Our first investors have been collected into a partnership (Golden Rainbow Freedom Fund LP, or "GRFF"). GRFF closed to future investors, following the AAO precedent decisions issued in 1998 in four cases including Matter of Izumii. Those immigrant investors who remained in GRFF agreed to comply with the standards set forth in the precedent decisions. Each investor added the amount required to increase paid in cash to [REDACTED] and agreed to abandon redemption rights. GRFF continues to manage and grow its assets and is a profitable investment for its owners, who receive monthly distributions of profits.

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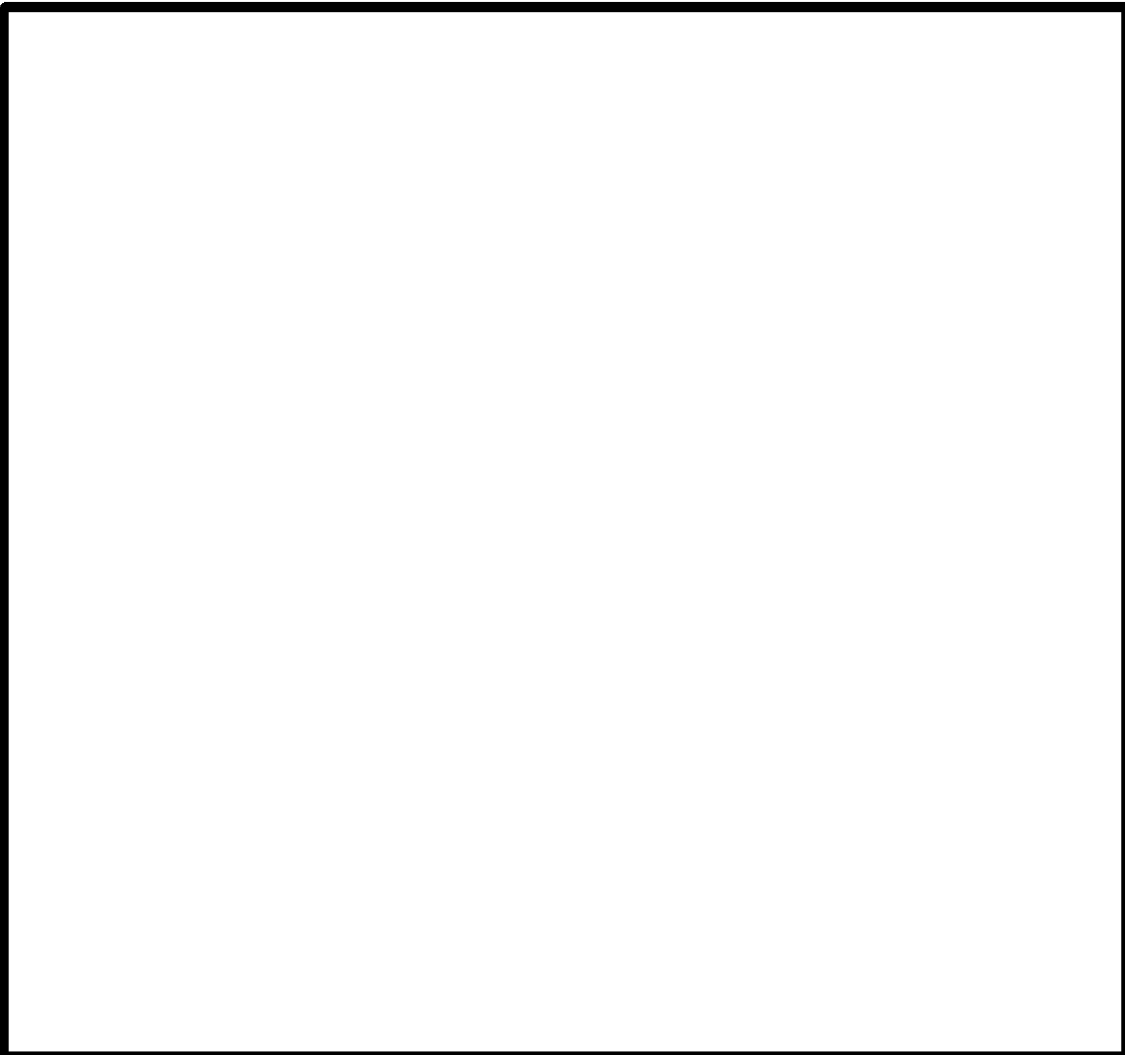
GRFF and the remaining 14 investors are litigating the retroactive application of the "Izumii standards", contending that the Izumii standards should not be applied retroactively to deny pending I-829 petitions. From the perspective of our business model we actually agree with nearly all of the Izumii standards and as early as 1996 encouraged

legacy INS to implement more business-like standards. We only disagree with retroactive application of those standards.

The vast majority of GRFF's capital was invested in our major objective, the acquisition of abandoned or under-utilized industrial/commercial sites. GRFF capital was also invested in line with a secondary objective of the regional center, which is to directly or indirectly inject capital into businesses operating within the regional center. GRFF invested directly in Proteotech, a biotech company, and was one of the founders of Northwest Business Bank, a bank located in the regional center. I was the bank's first Chairman of the Board and I remain as a member of the Board of Directors, loan committee, international committee, and site selection committee.

GRFF's initial capital is booked at [REDACTED]. The Fair Market Value of GRFF based on tax assessed values is [REDACTED]. GRFF's investments have included the following:

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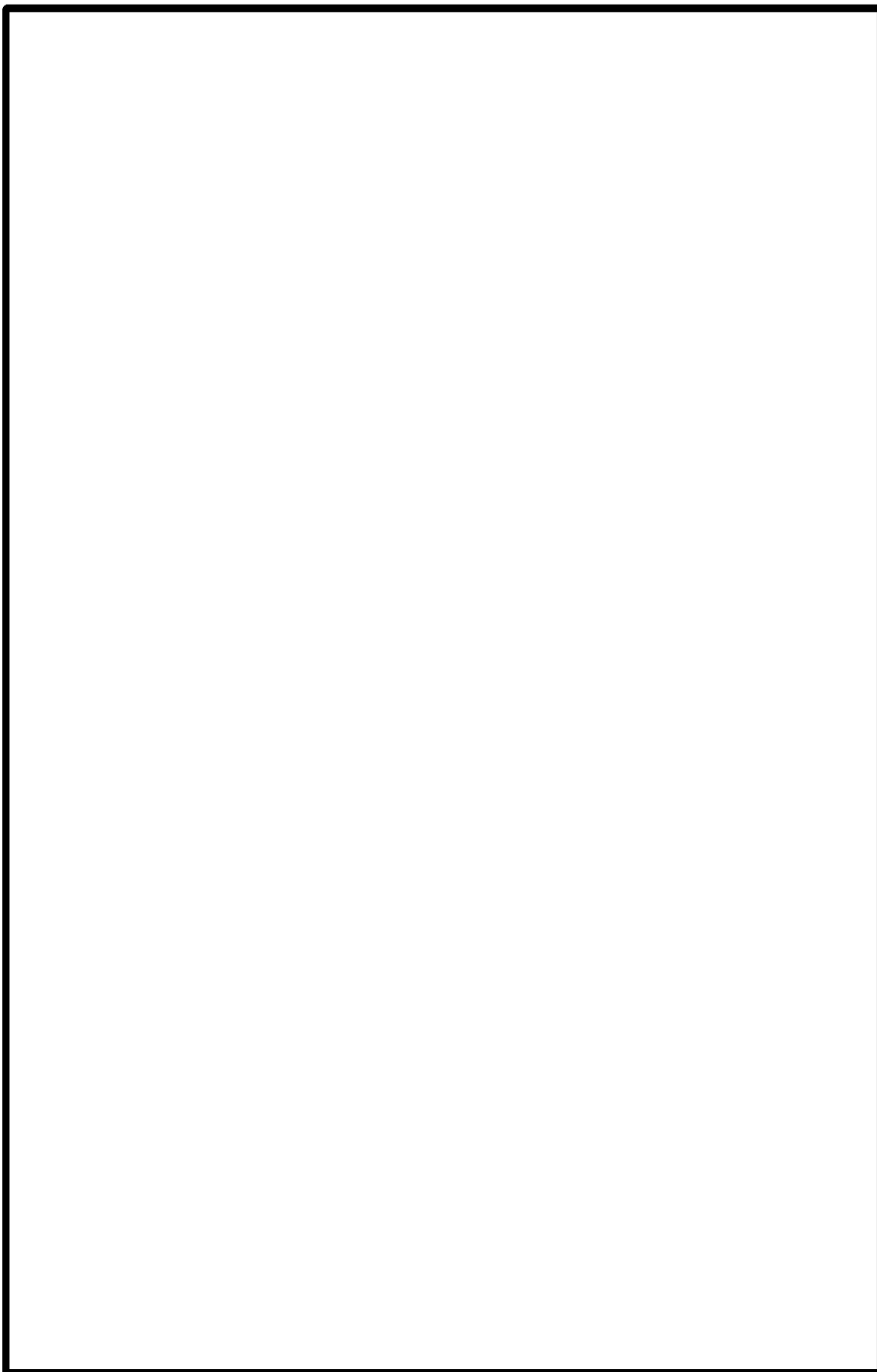


American Life Inc.

After GRFF was closed to new investors, we operated the regional center so that each new investor would be admitted into a limited partnership established solely for the

acquisition, rehabilitation and management of a specific property. American Life Inc. is the General Partner of each of these businesses. Our investments include:

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The properties described in #2,5,6 and 8 above represent a contiguous holding totaling approximately 10 acres. This contiguous holding is one of the two largest parcels in the regional center area and the logical site to establish an urban light industrial park. The 3317 3rd Avenue South remodel, identified at #2 above, is the first step in the process of developing such an industrial park.

We work closely with local agencies, offering incubator space to tenants referred by Evergreen Community Development ("ECD"), Community Capital Development ("CCD") and the Economic Development Council ("EDC") of Seattle and King County. A non-profit organization, ECD manages SBA 504 loan programs in the Seattle area, helping business owners purchase their place of business and expand their operations. CCD offers business consulting and micro lending services. EDC promotes employment and entrepreneurship in the region. Many start-up companies need subsidized space and access to professional and consulting services in order to survive and ultimately qualify for a [REDACTED]. Our partnerships supply space to referred clients at [REDACTED] in the first year with rates going to market over 3 years. We offer space planning services. All tenants must use sponsoring organization consulting services.

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Conclusion

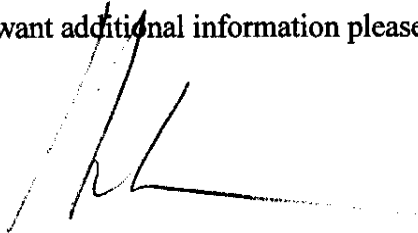
Our regional center has grown tremendously, from a start up in 1996, to becoming a group of affiliated entities that is now recognized as a larger player in the SODO/Duwamish areas. We have created over 750,000 newly renovated square feet of light industrial space with over 100 businesses as tenants in the regional center. We truly have put our stamp on the area. Immigrant capital has fueled that success.

The Pilot Program created a mix of local and foreign talent that accelerated the success of our efforts in the regional center. We communicate with all investors at least monthly and many of them more often. Our investors provide one of our best sources of fresh ideas. For example, one of our Korean investors, an architect, changed the way we designed the 3317 building. Other investors offer marketing and financing strategies, and occasionally refer new business tenants.

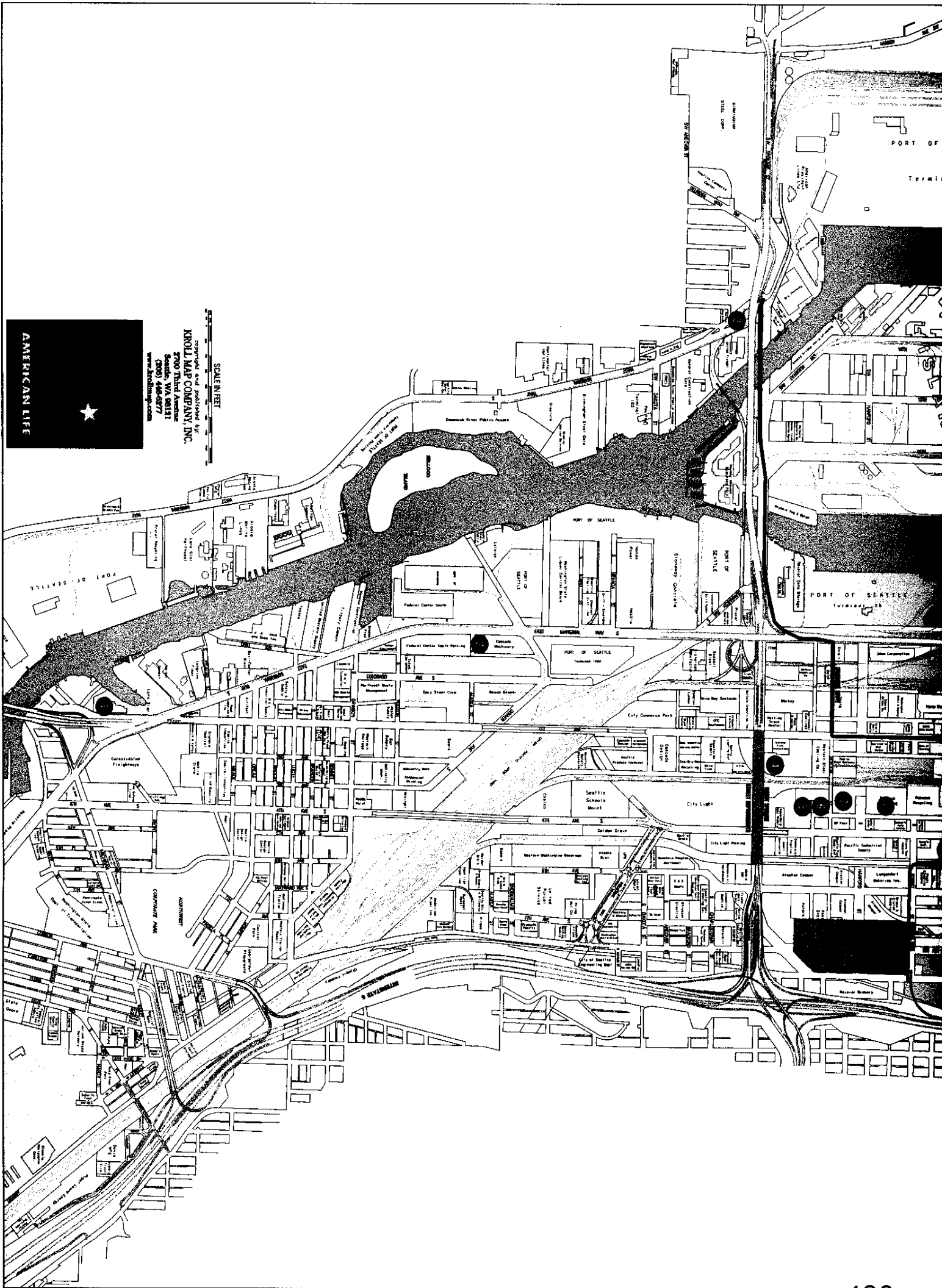
Without the Pilot Program we could not purchase and renovate vacant properties on any scale. Most banks will loan to construct new buildings but will not loan to renovate vacant, obsolete properties which often have environmental issues. The Pilot Program gave us access to patient, long-term capital which enabled us to prove the market for affordable, functional close-in light industrial space. As a group the affiliated partnerships enjoy an average occupancy rate of over 90%, and we owe that, in part, to the flexibility derived from access to immigrant capital. We are operating profitable

businesses within the regional center, and in the process we have helped to revitalize a critical commercial/industrial district by attracting businesses to the regional center.

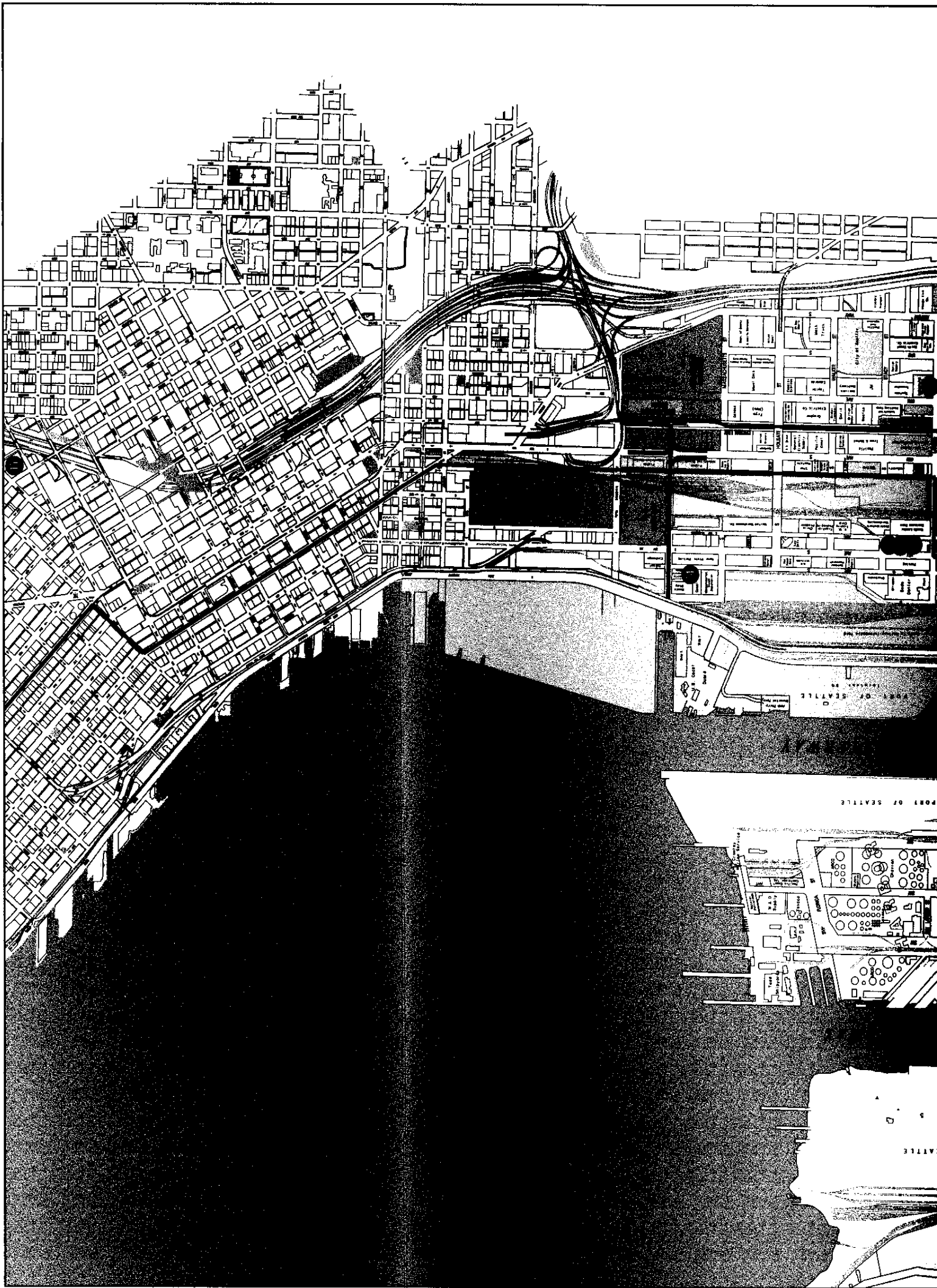
If you want additional information please contact me.

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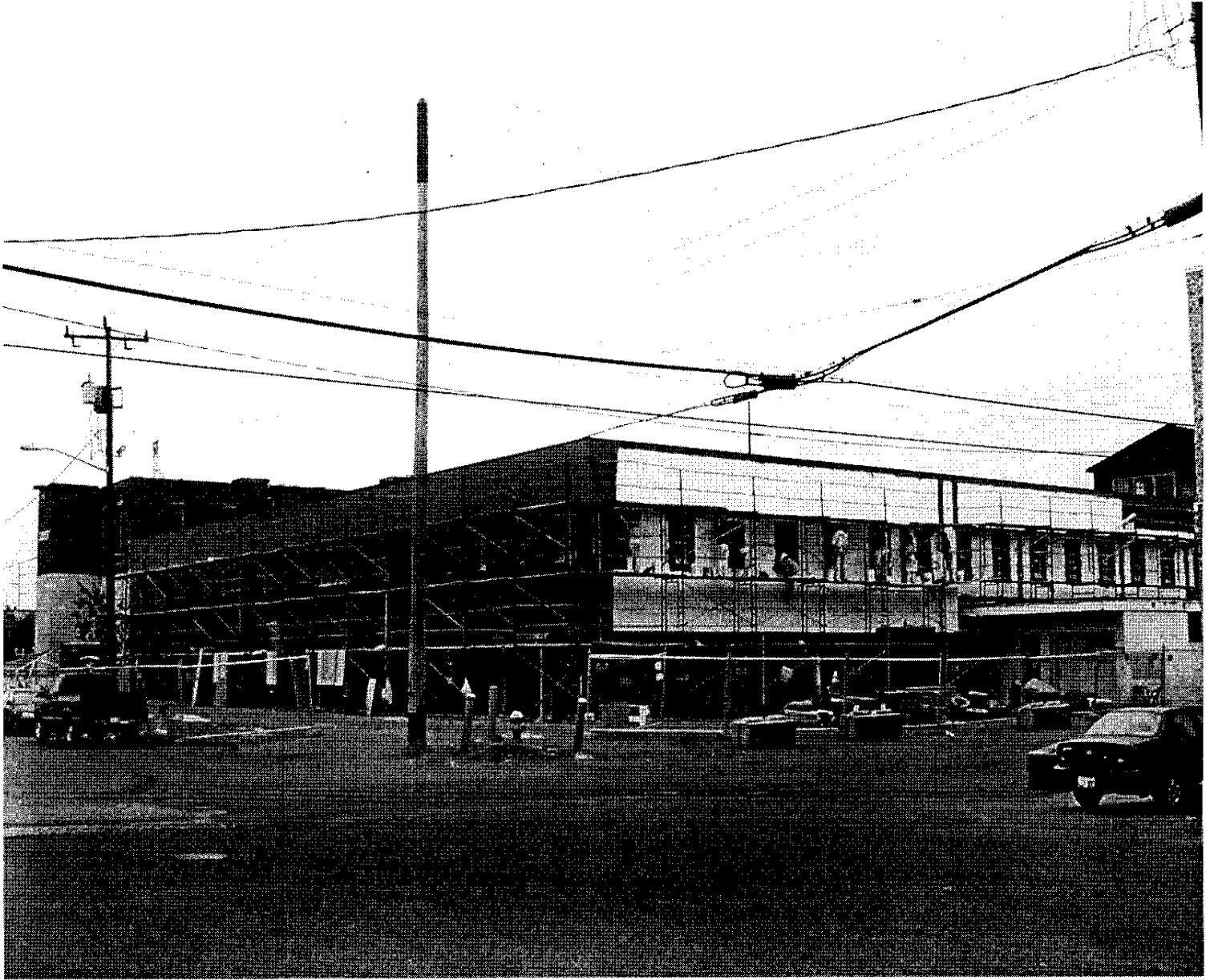
Henry Liebman, President
American Life Inc./ American Retirement Inc.

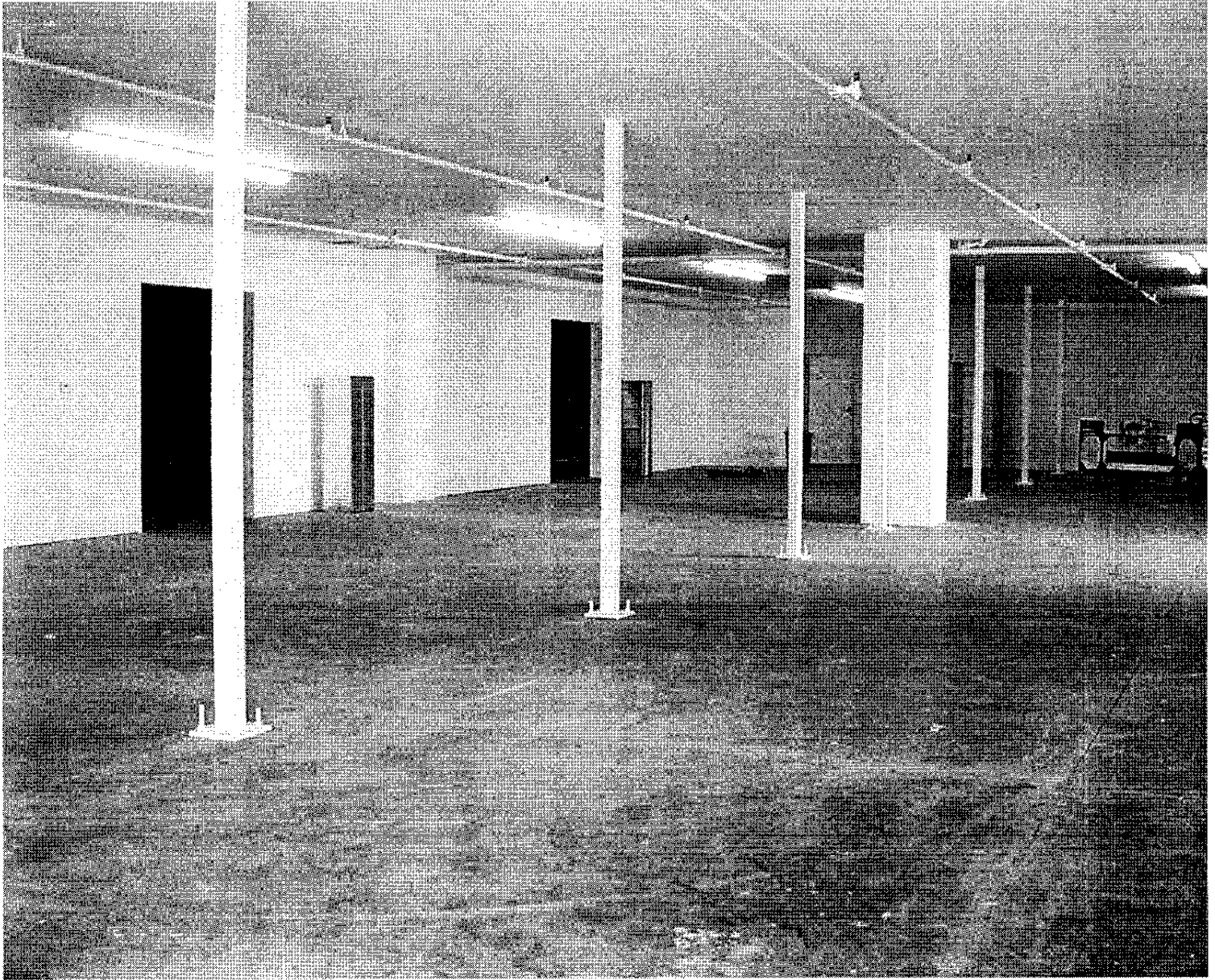


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 Seattle, WA 98101
 (206) 464-8277
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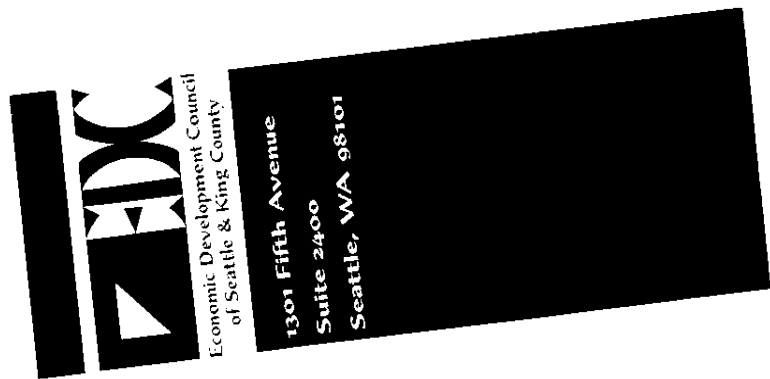












Economic Development Council
of Seattle & King County

1301 Fifth Avenue
Suite 2400
Seattle, WA 98101



Economic Development Council
of Seattle & King County

1301 Fifth Avenue
Suite 2400
Seattle, WA 98101

Morrie Berez
U.S. Citizenship and Immigration Services
Office of Programs
425 I Street NW
ULLICO Building, Third Floor
Washington, DC 20536

FAINSBERT MASE & SNYDER, LLP

11835 WEST OLYMPIC BOULEVARD
SUITE 1100
LOS ANGELES, CALIFORNIA 90064
TELEPHONE (310) 473-6400
FACSIMILE (310) 473-8702

www.fms-law.com

Lincoln Stone
Lstone@fms-law.com

July 27, 2004

Sent via U.S. Mail

Mr. Maurice R. Berez
USCIS, Office of Programs
Department of Homeland Security
425 I Street, NW
ULLICO Building, Third Floor
Washington, DC 20536

Golden
Rainbow

Re: ***Golden Rainbow Freedom Fund Regional Center***

Dear Morrie:

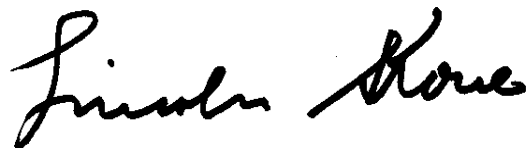
We had spoken recently about compiling evidence of the business activities of regional centers throughout the United States. I am enclosing photographic documentation of two projects that have benefited tremendously from immigrant investor funds invested within the area of the Seattle regional center. I have filed petitions for investors in both of these projects, 3317 Third Avenue South and 2962 First Avenue South.

I am also enclosing a map of the regional center area.

Feel free to contact me at any time concerning this matter.

Sincerely,

FAINSBERT MASE & SNYDER, LLP



LINCOLN STONE

LS:cdr

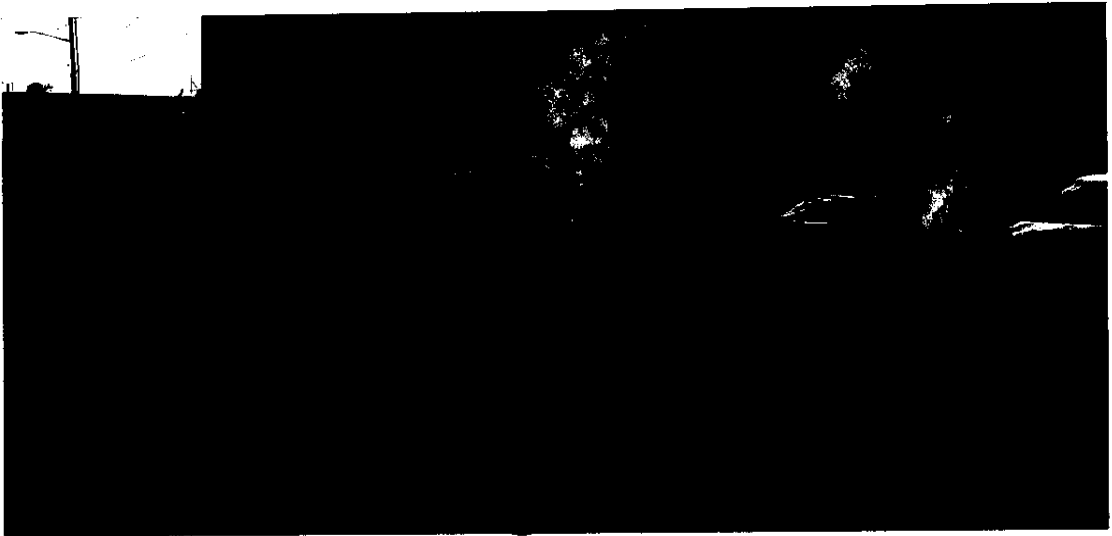
Enclosures

Notes

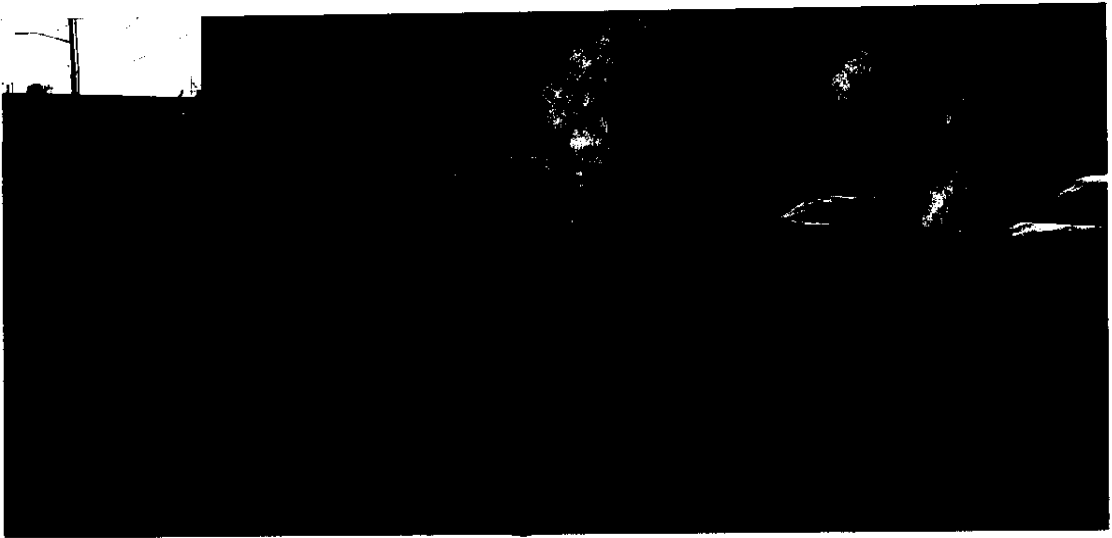
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3317 3RD AVENUE SOUTH**



**CLOSE ELECTRIC BUILDING
3317 3RD AVENUE SOUTH**



**CLOSE ELECTRIC BUILDING
3317 3RD AVENUE SOUTH**



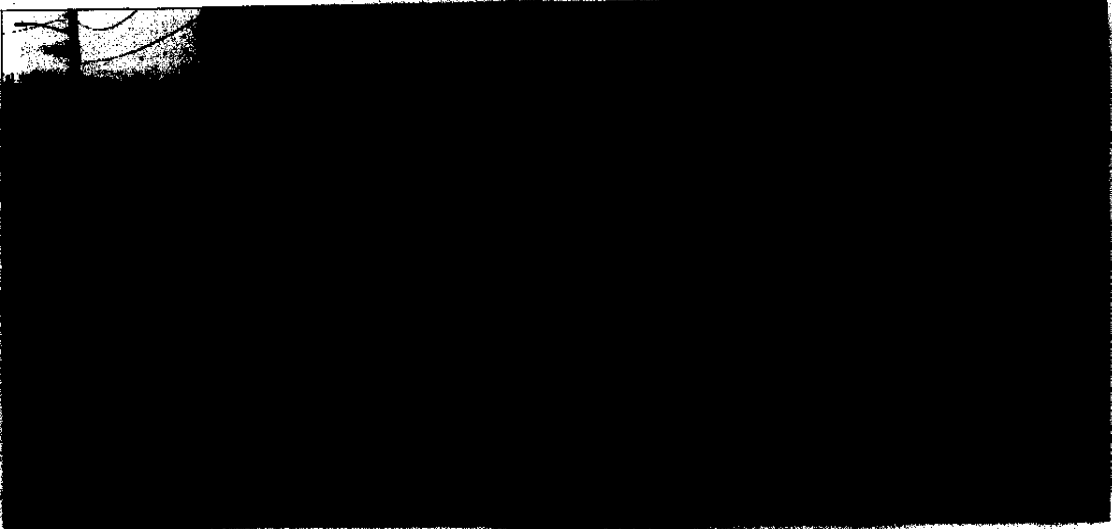
**CLOSE ELECTRIC BUILDING
3317 3RD AVENUE SOUTH**



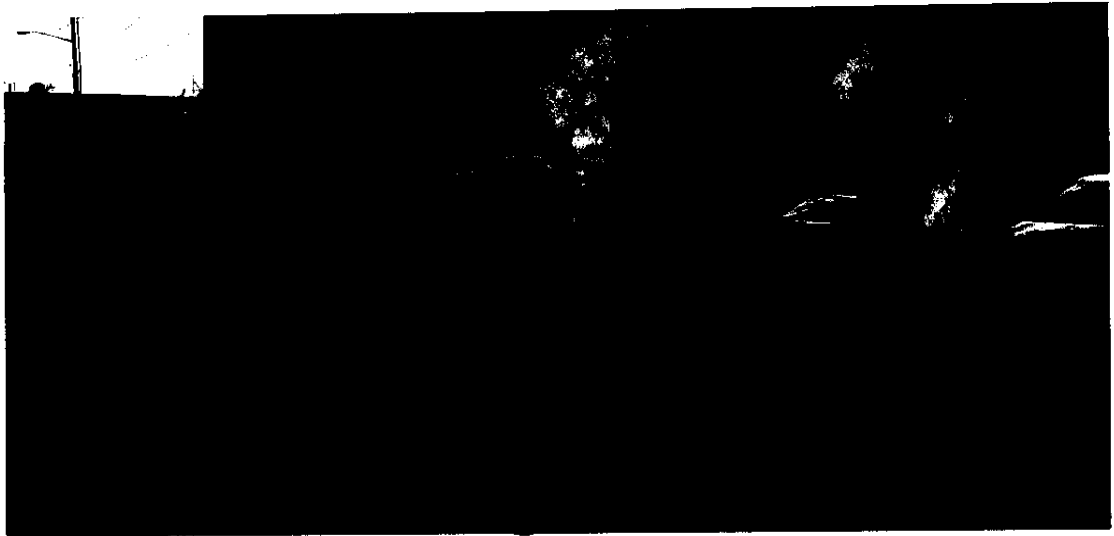
GLOBE ELECTRIC BUILDING

1000 10TH AVENUE

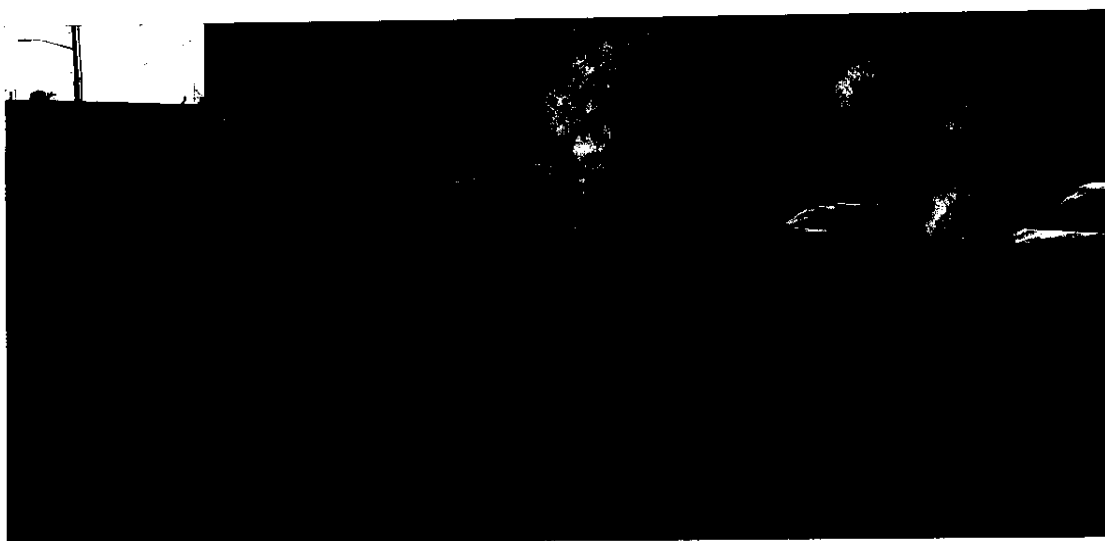
PHOTO BY ALAN WOOD
FOR THE BUREAU OF INVESTIGATION



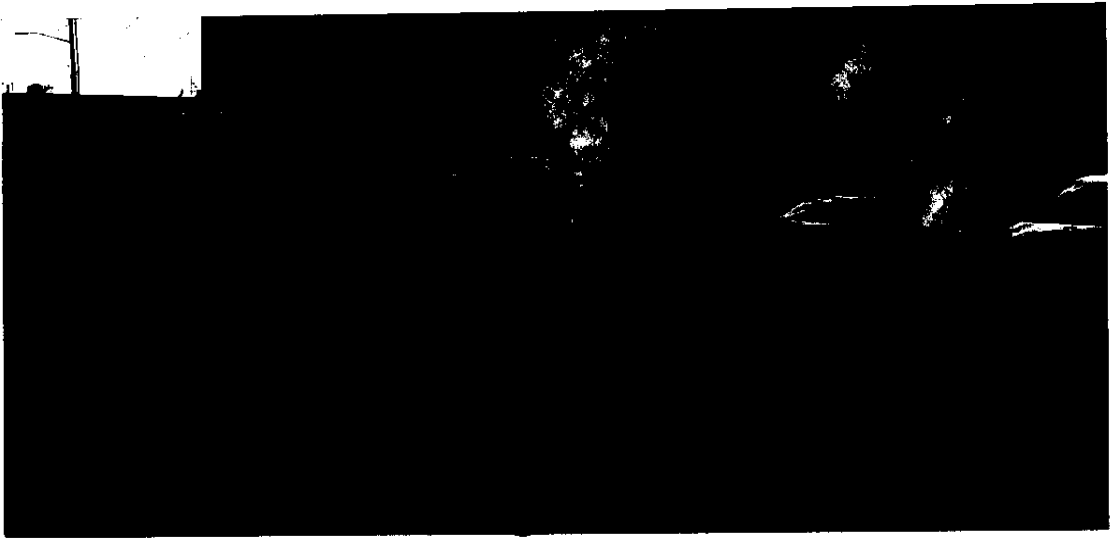
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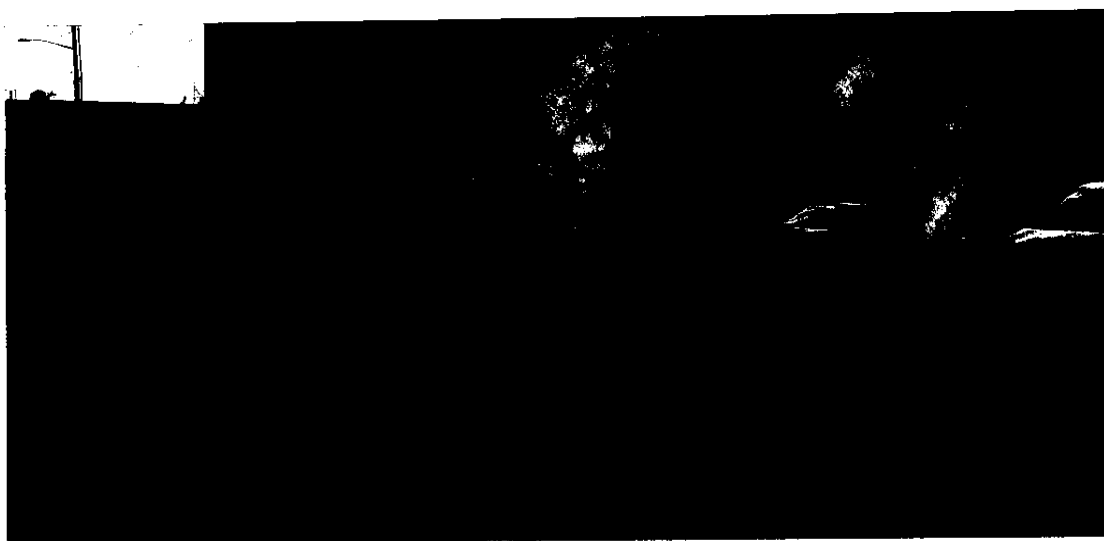
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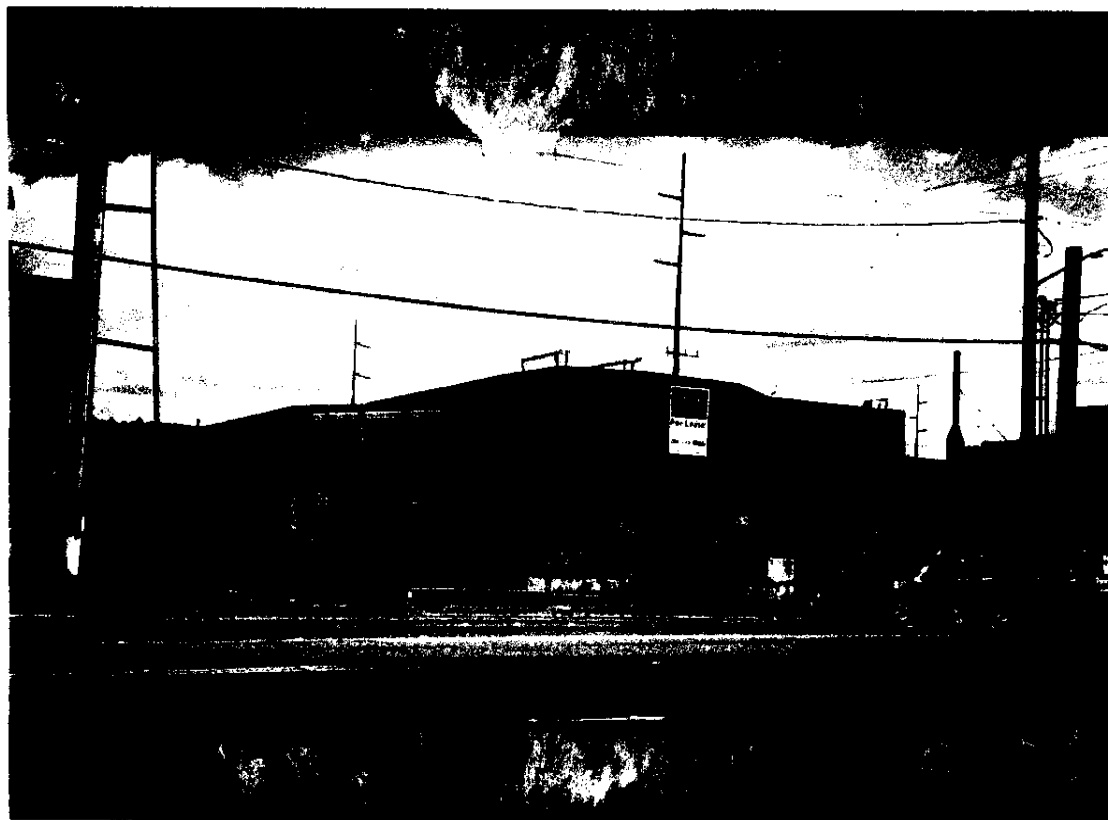


**CLOSE ELECTRIC BUILDING
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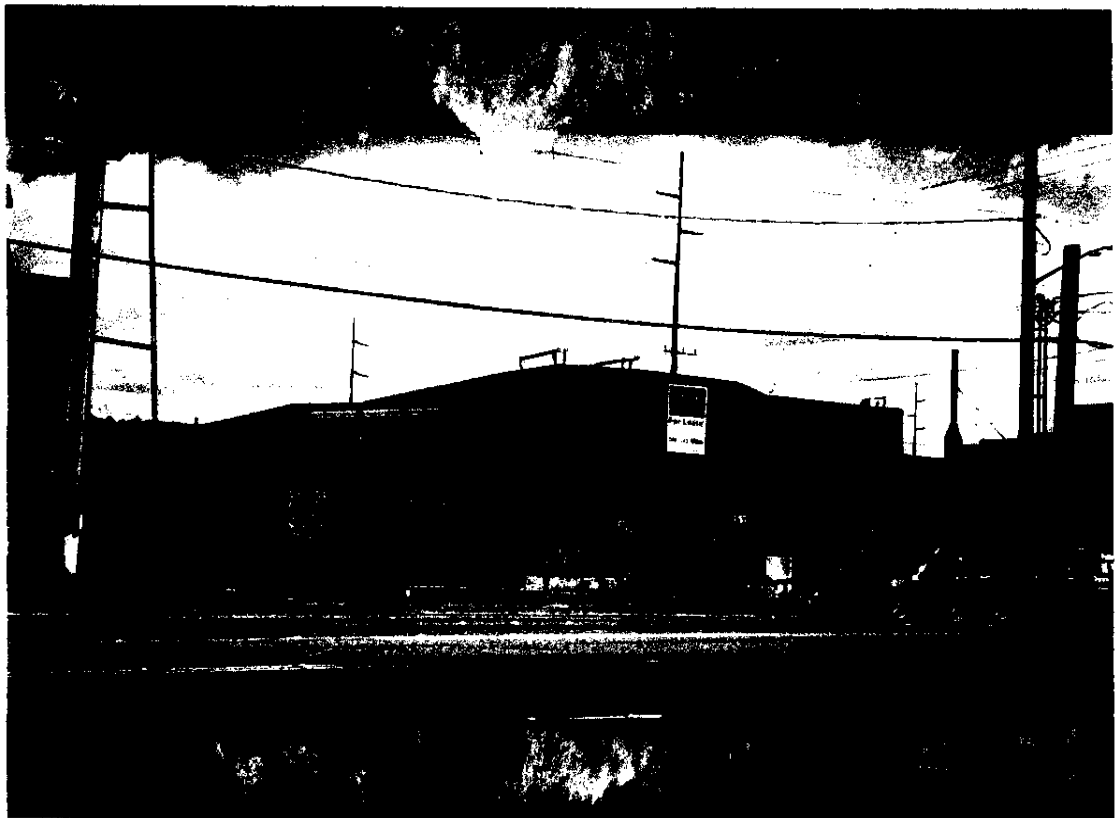
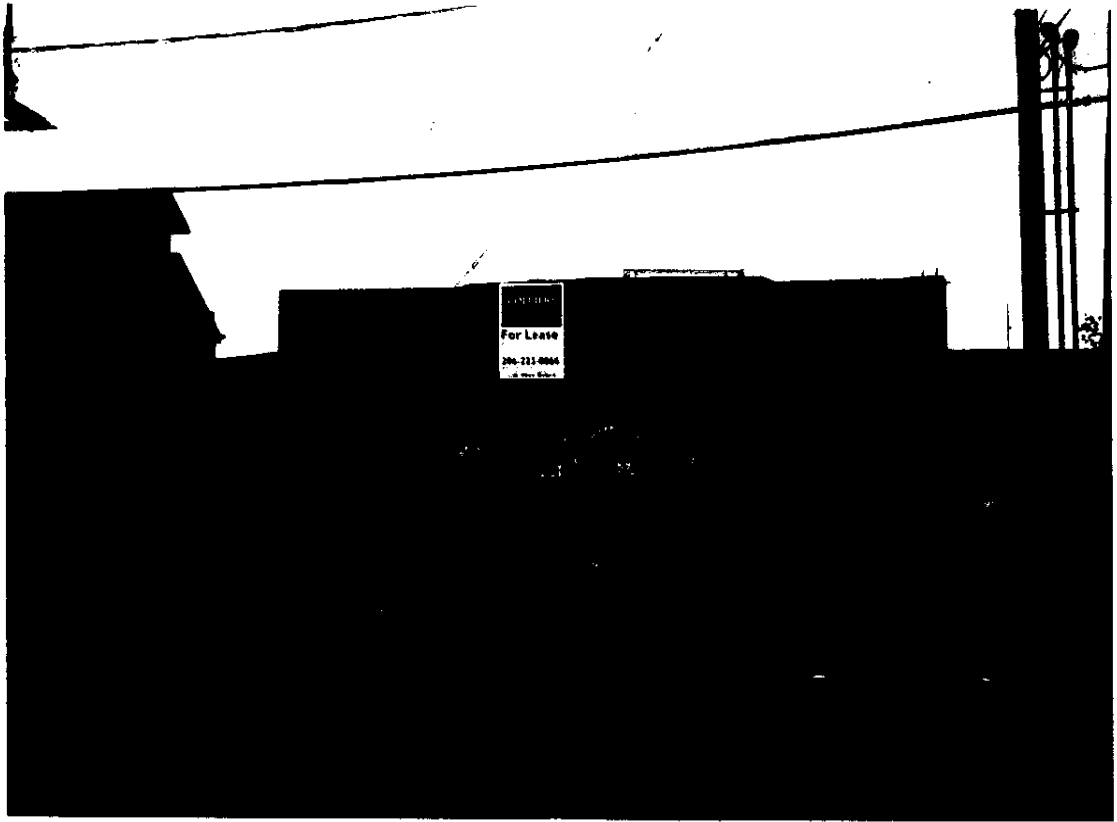


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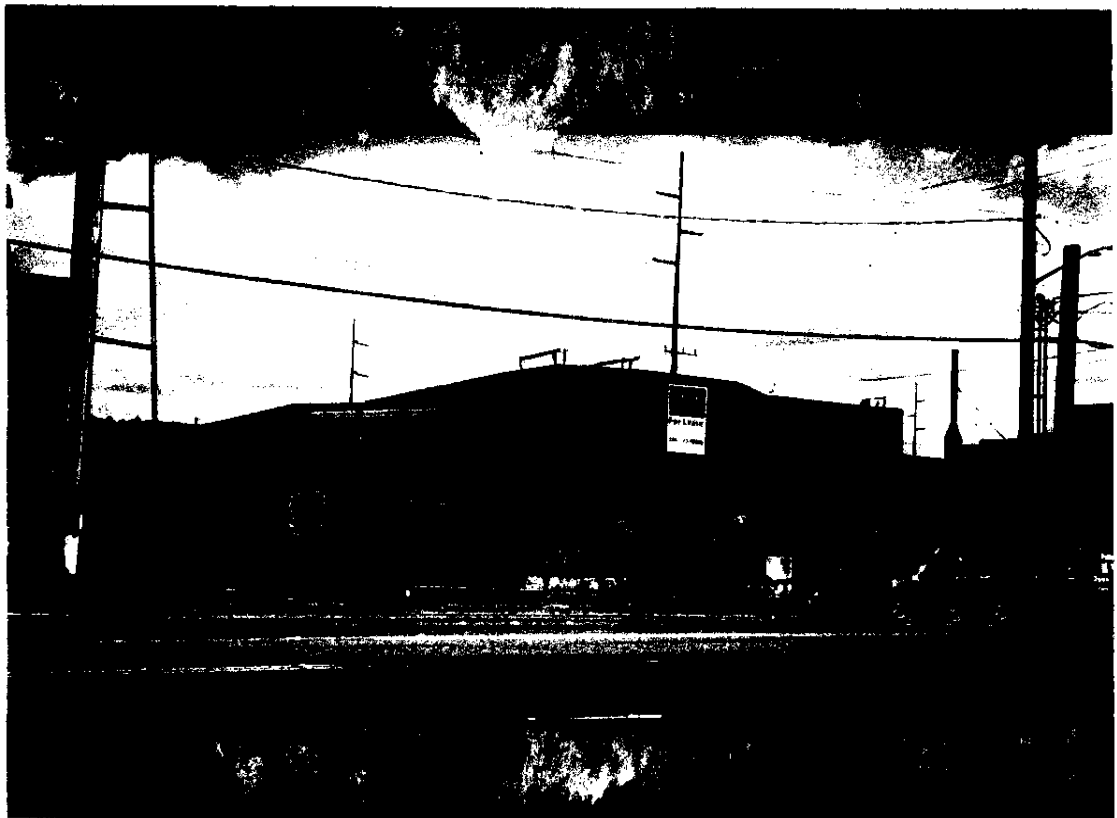
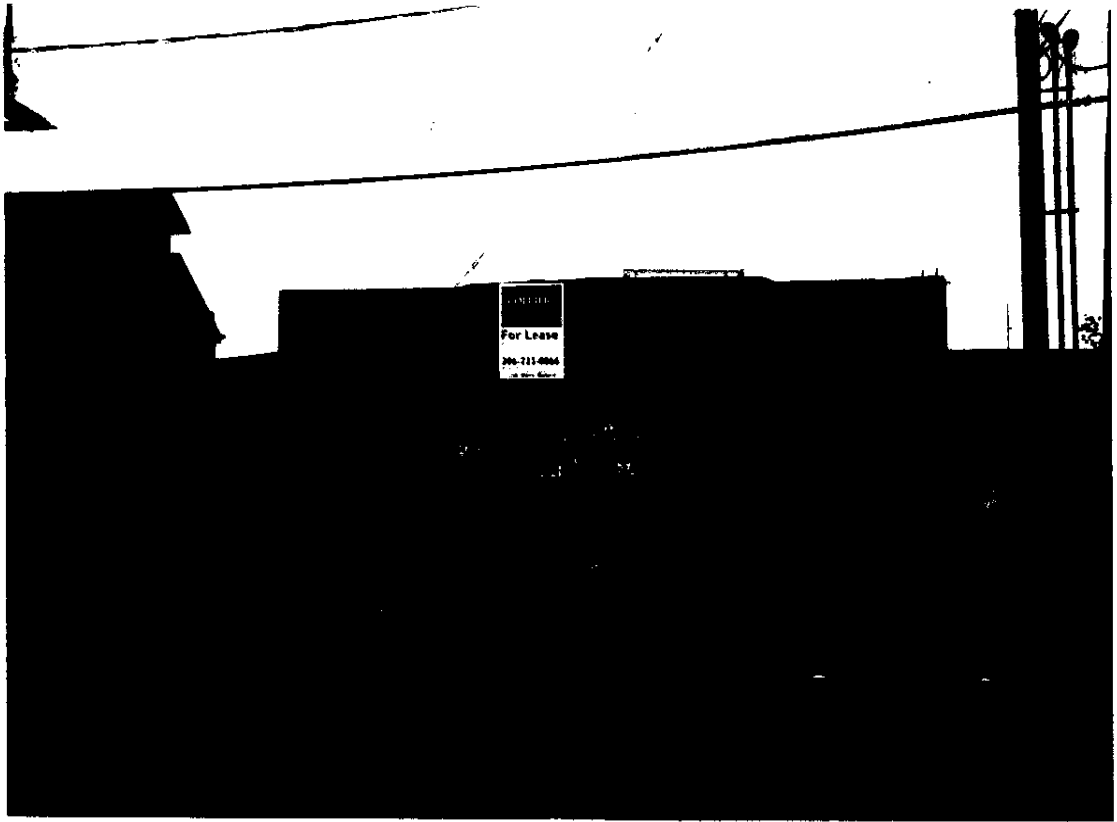
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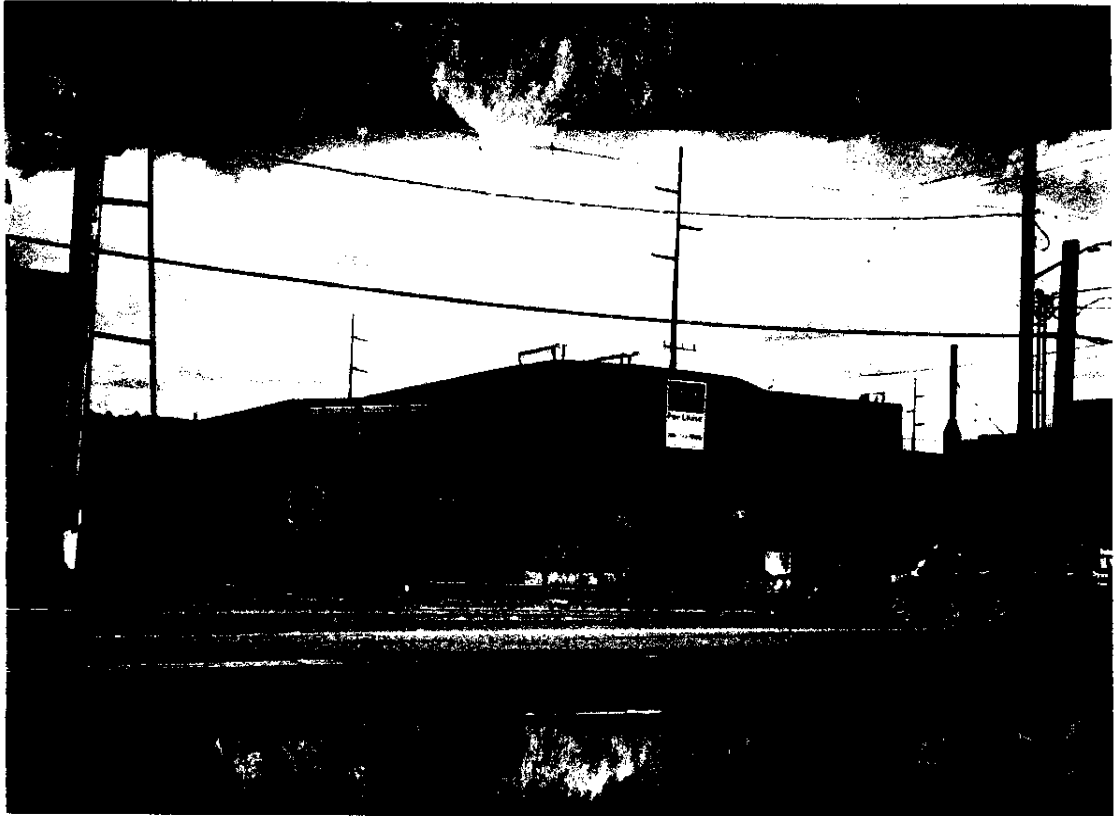
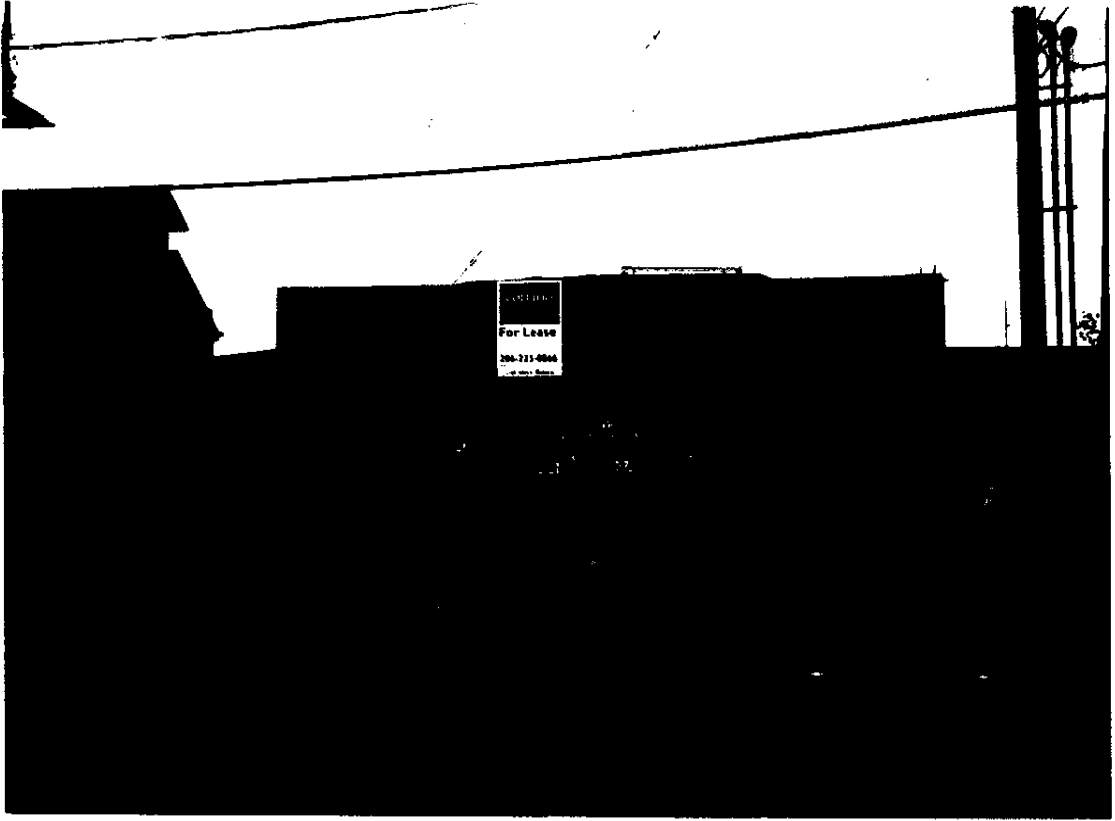
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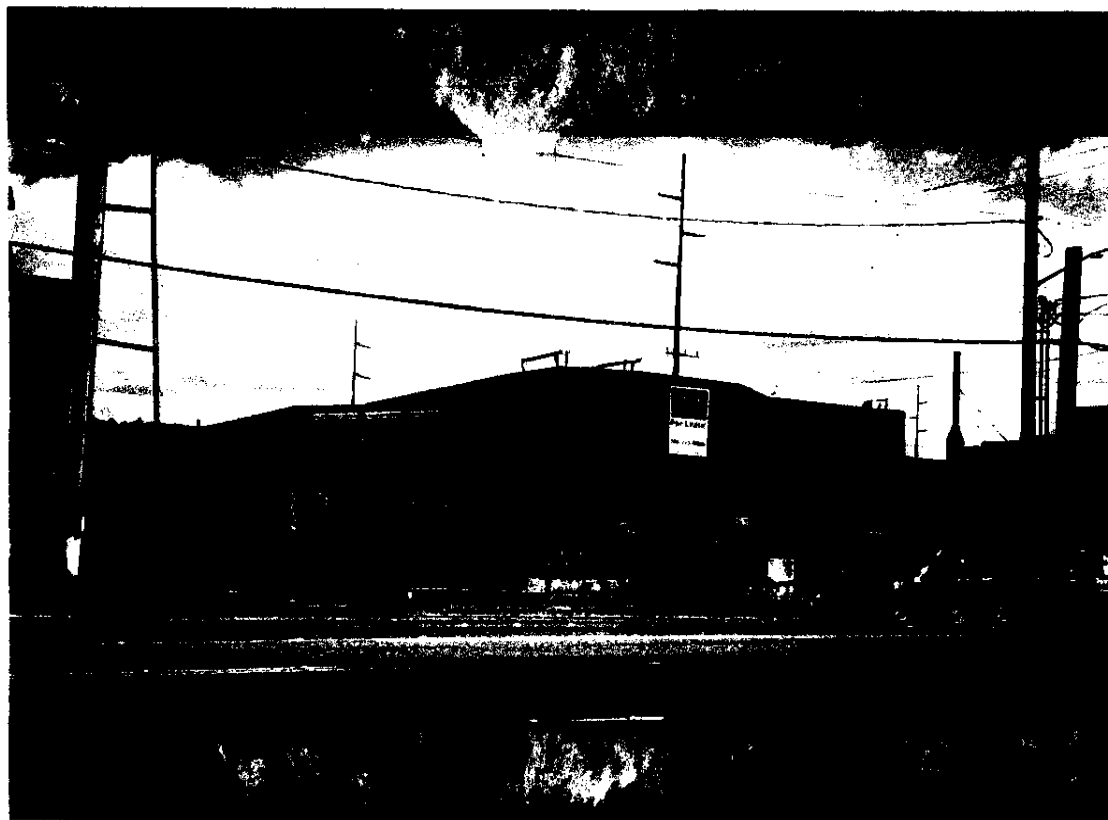
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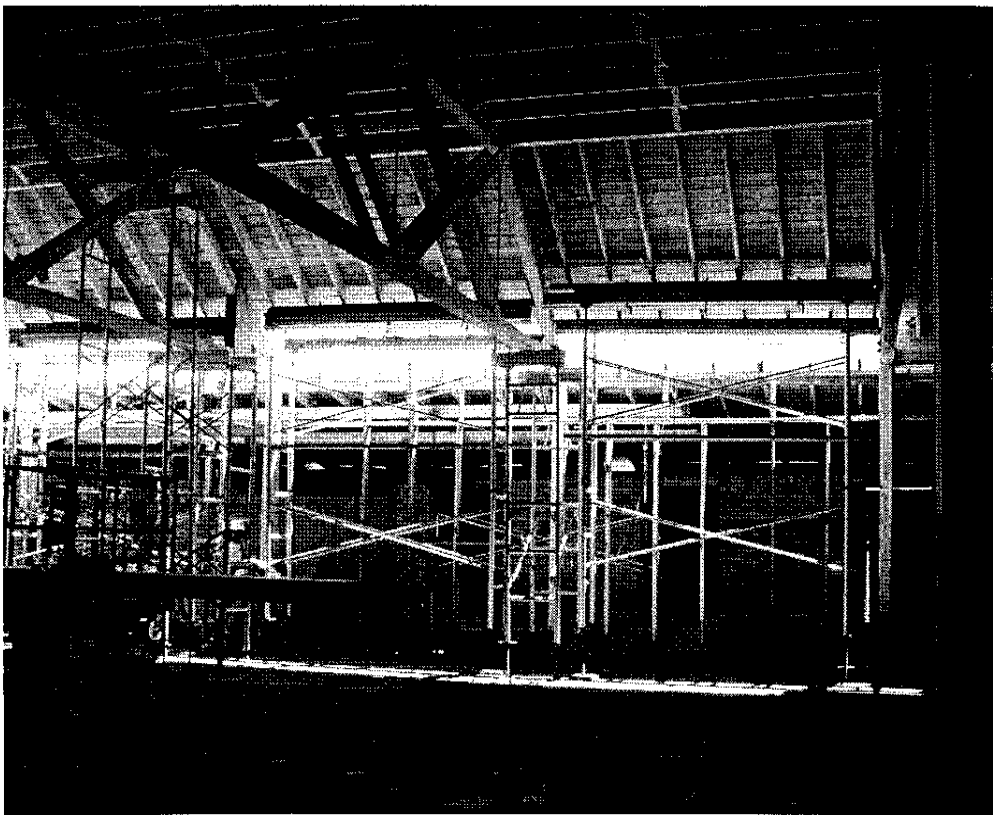
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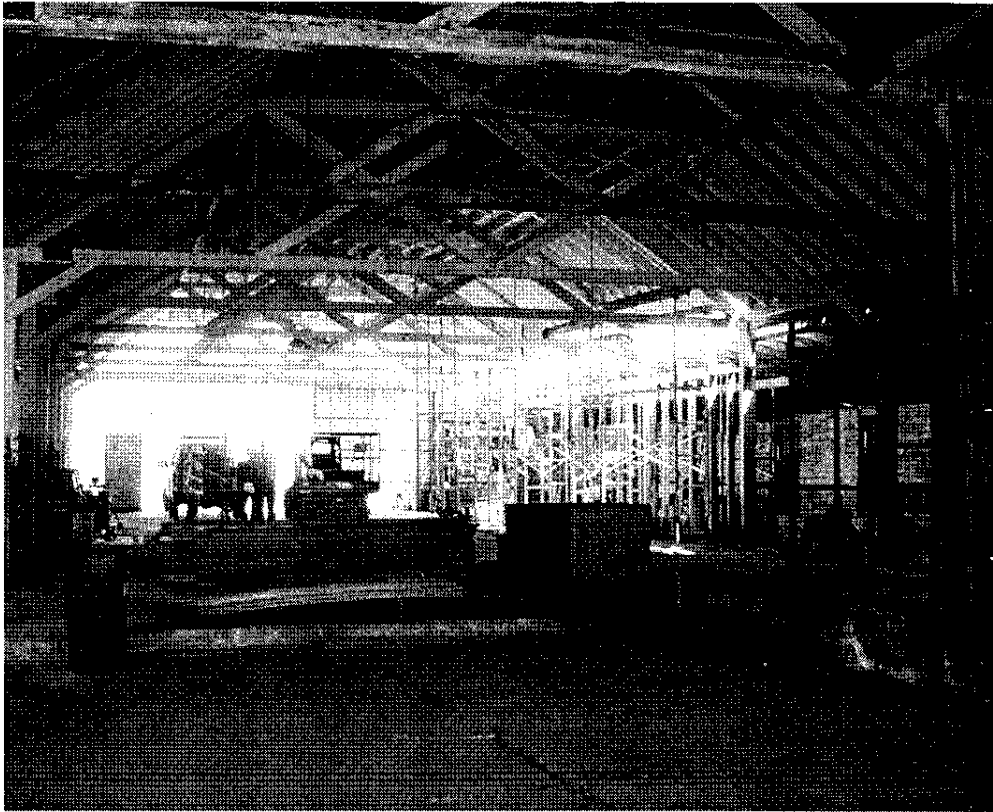


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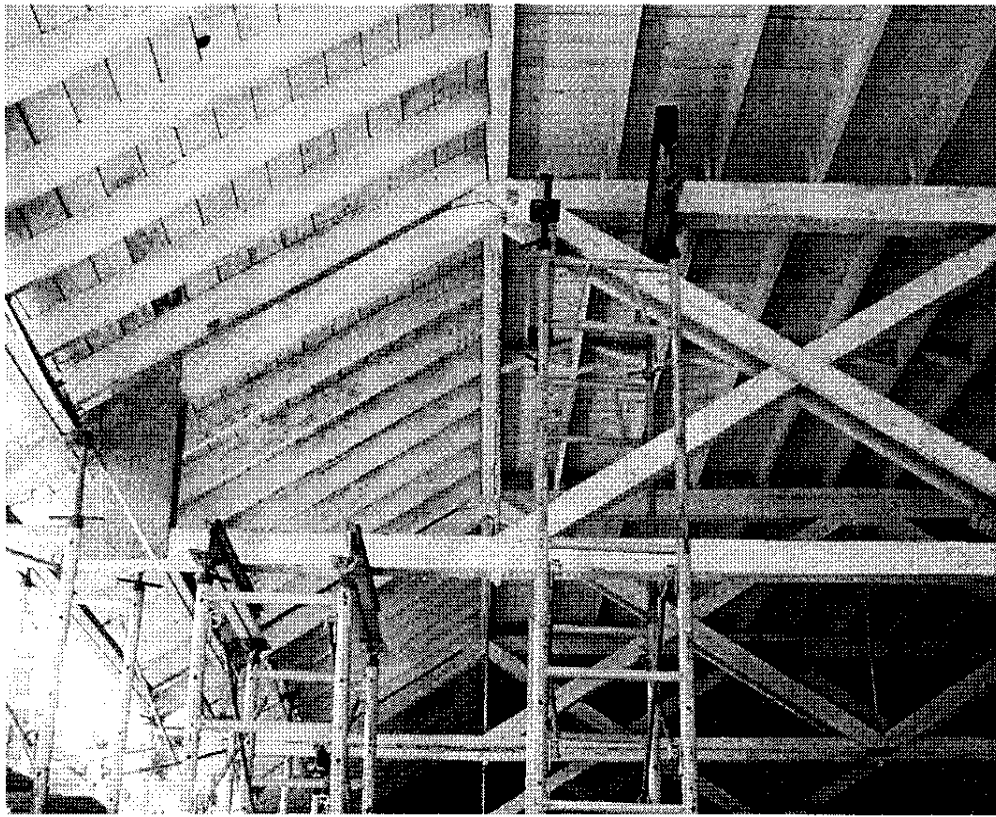












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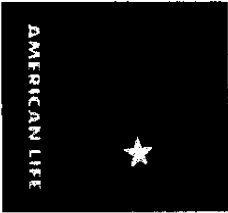
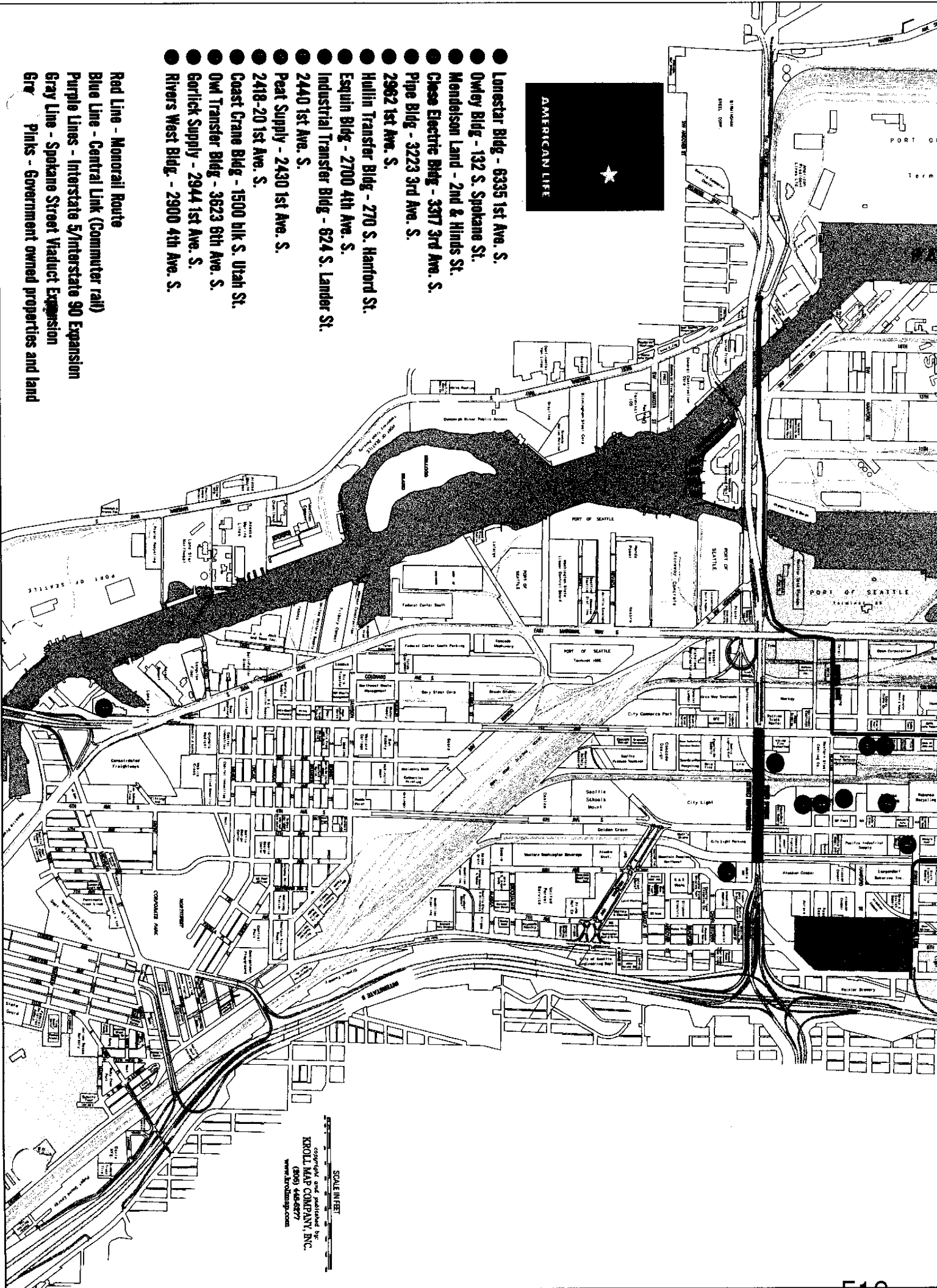
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Notes



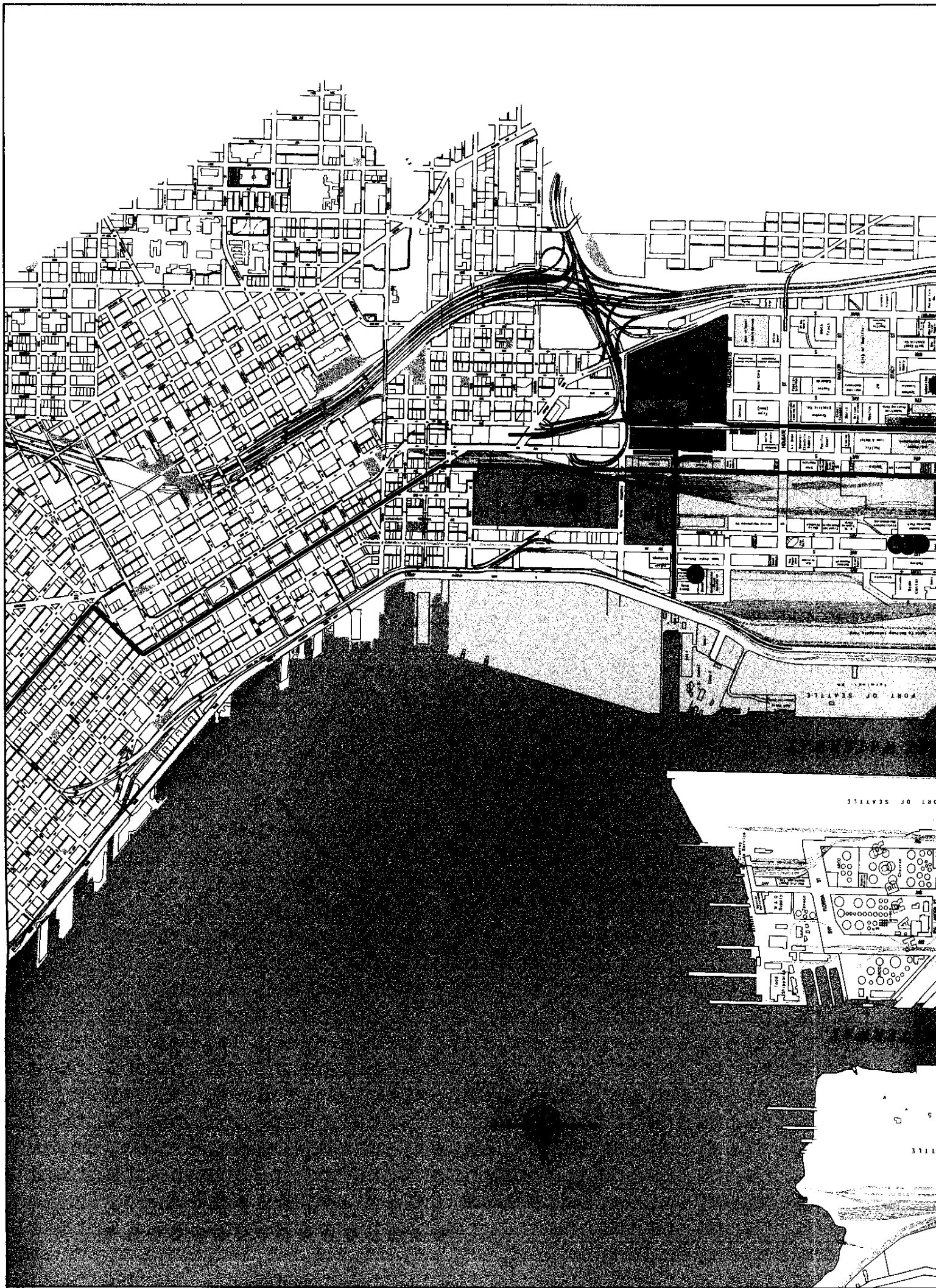


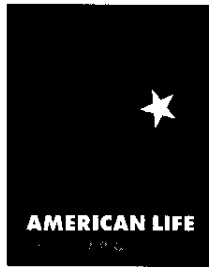


- Lonestar Bldg - 6335 1st Ave. S.
- Owley Bldg - 132 S. Spokane St.
- Mendelson Land - 2nd & Hinds St.
- Chase Electric Bldg - 3377 3rd Ave. S.
- Pipe Bldg - 3223 3rd Ave. S.
- 2962 1st Ave. S.
- Haulin Transfer Bldg - 270 S. Hamford St.
- Esquin Bldg - 2700 4th Ave. S.
- Industrial Transfer Bldg - 624 S. Lander St.
- 2440 1st Ave. S.
- Peat Supply - 2430 1st Ave. S.
- 2418-20 1st Ave. S.
- Coast Crane Bldg - 1500 blk S. Utah St.
- Owl Transfer Bldg - 3623 6th Ave. S.
- Gorlick Supply - 2944 1st Ave. S.
- Rivers West Bldg - 2900 4th Ave. S.

Red Line - Monorail Route
 Blue Line - Central Link (Commuter rail)
 Purple Lines - Interstate 5/Interstate 90 Expansion
 Gray Line - Spokane Street Viaduct Expansion
 Green - Pinks - Government owned properties and land

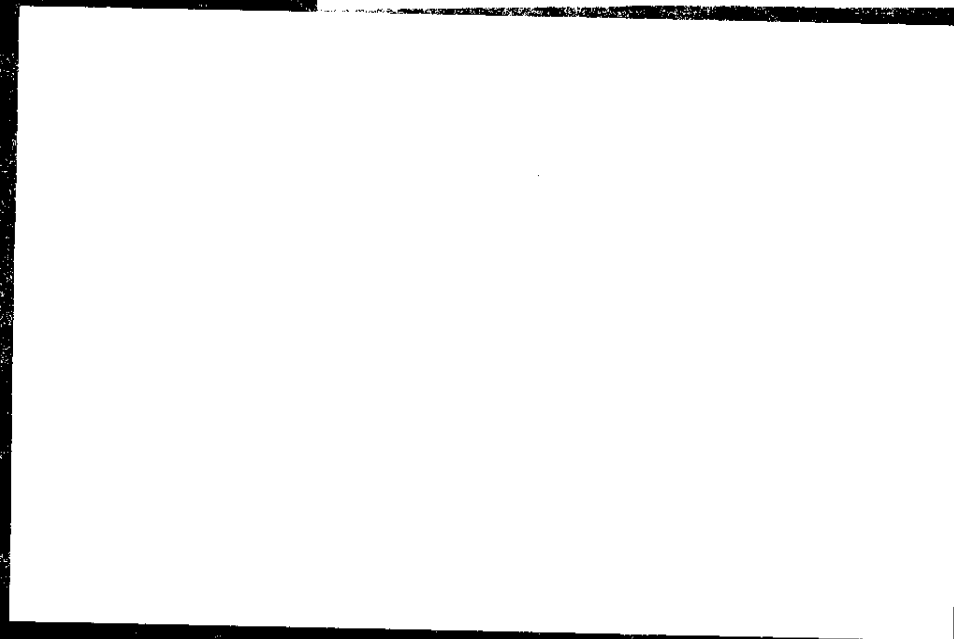
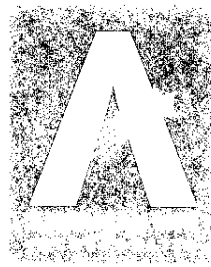
SCALE IN FEET
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Real Estate Development Company

3223 Third Avenue South, Suite 200, Seattle, WA 98134, USA





Real Estate Development Company

3223 Third Avenue South, Suite 200. Seattle, WA 98134, USA

(206) 381-3375 XT. 106

Henry ^{Lick}~~Life~~

American Life Inc.

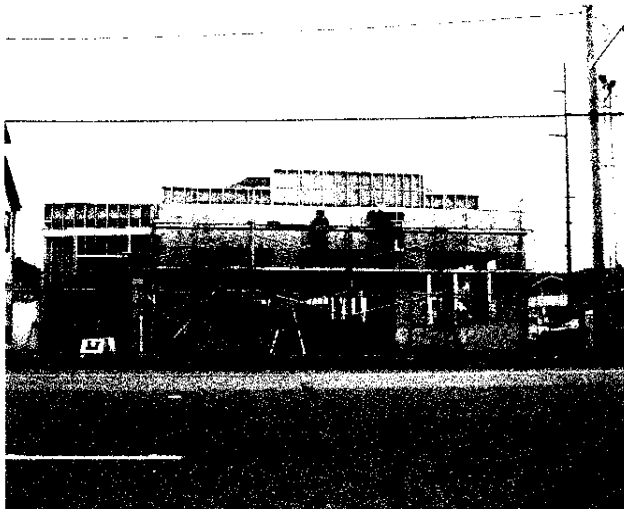
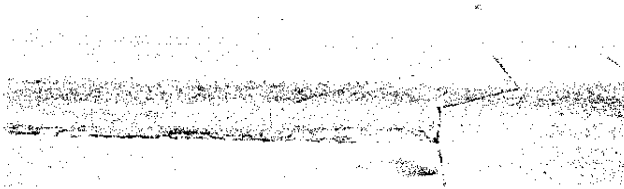
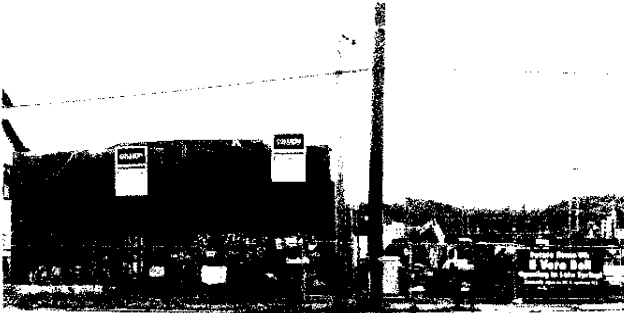
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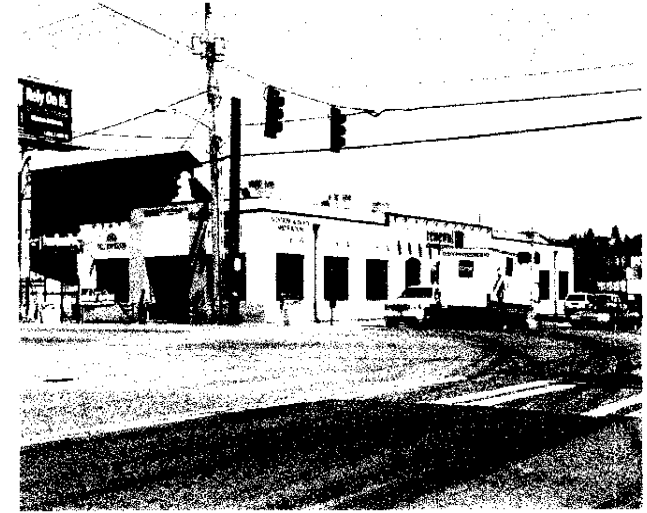
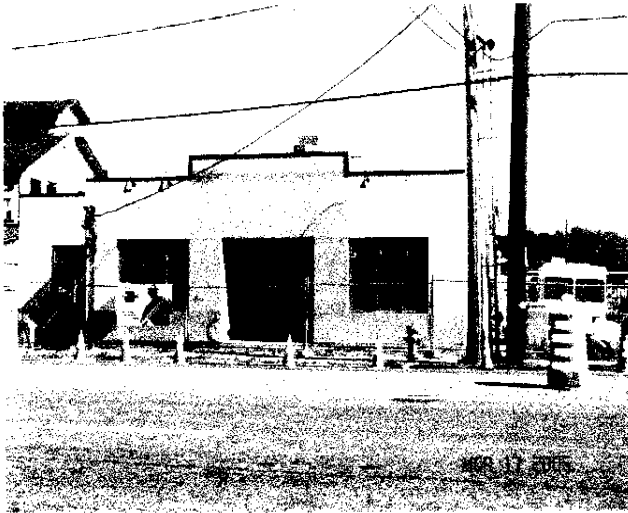
Suite 200

Seattle, WA

98134

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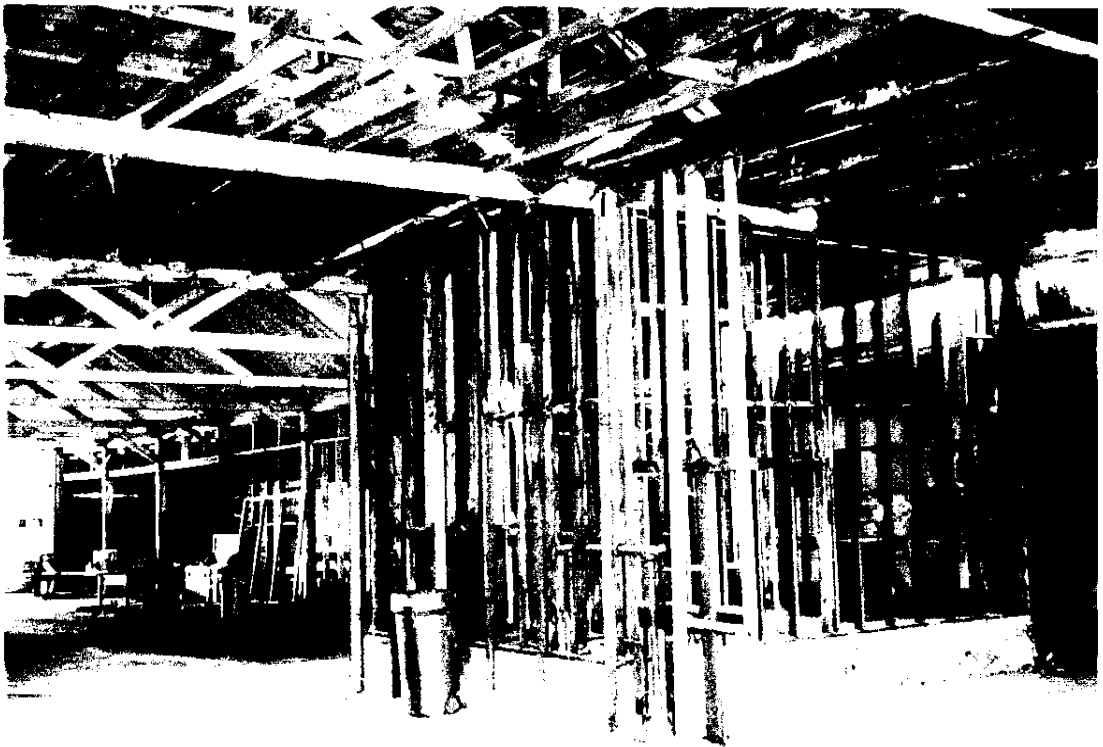




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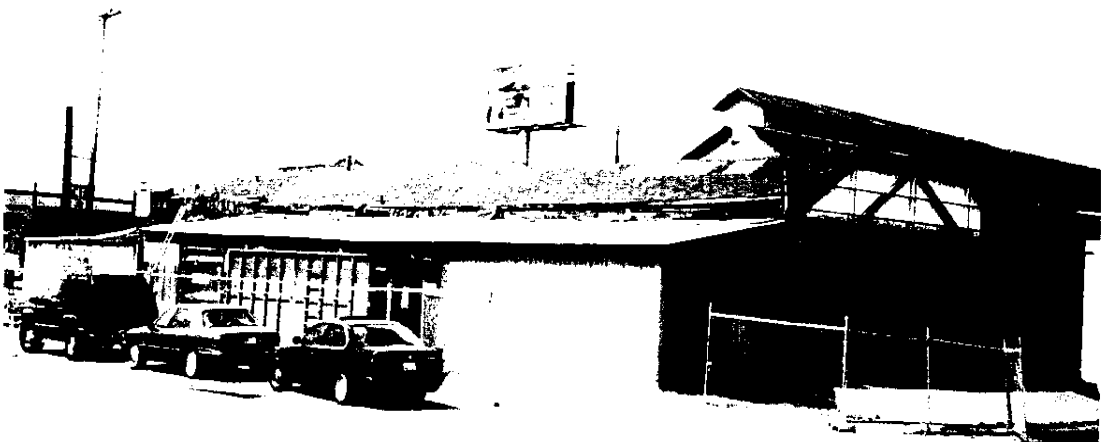
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2962 1ST AVENUE SOUTH



2962 1ST AVENUE SOUTH



2962 1ST AVENUE SOUTH



2962 1ST AVENUE SOUTH



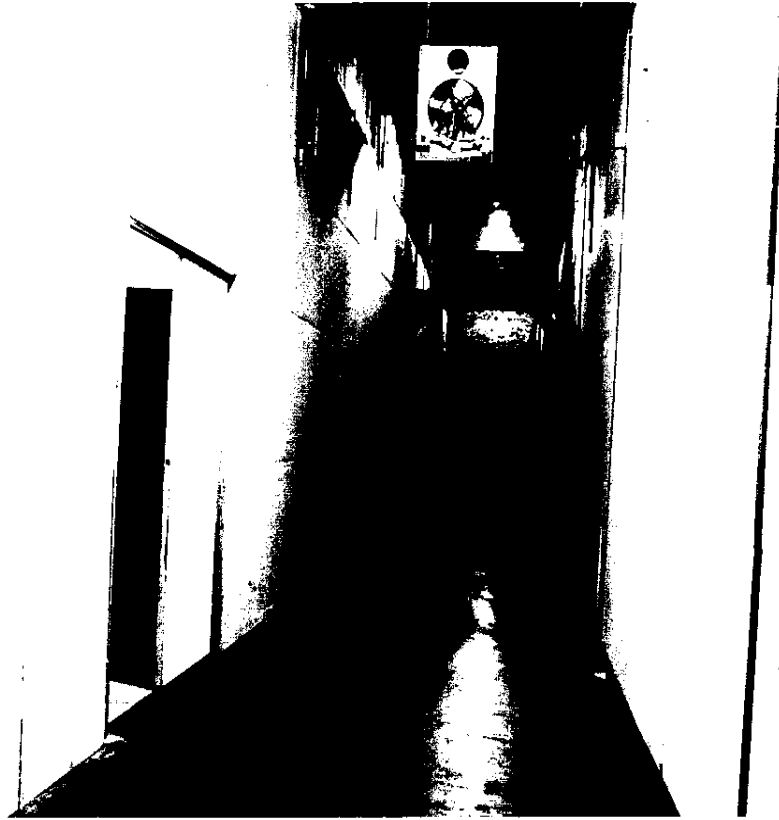
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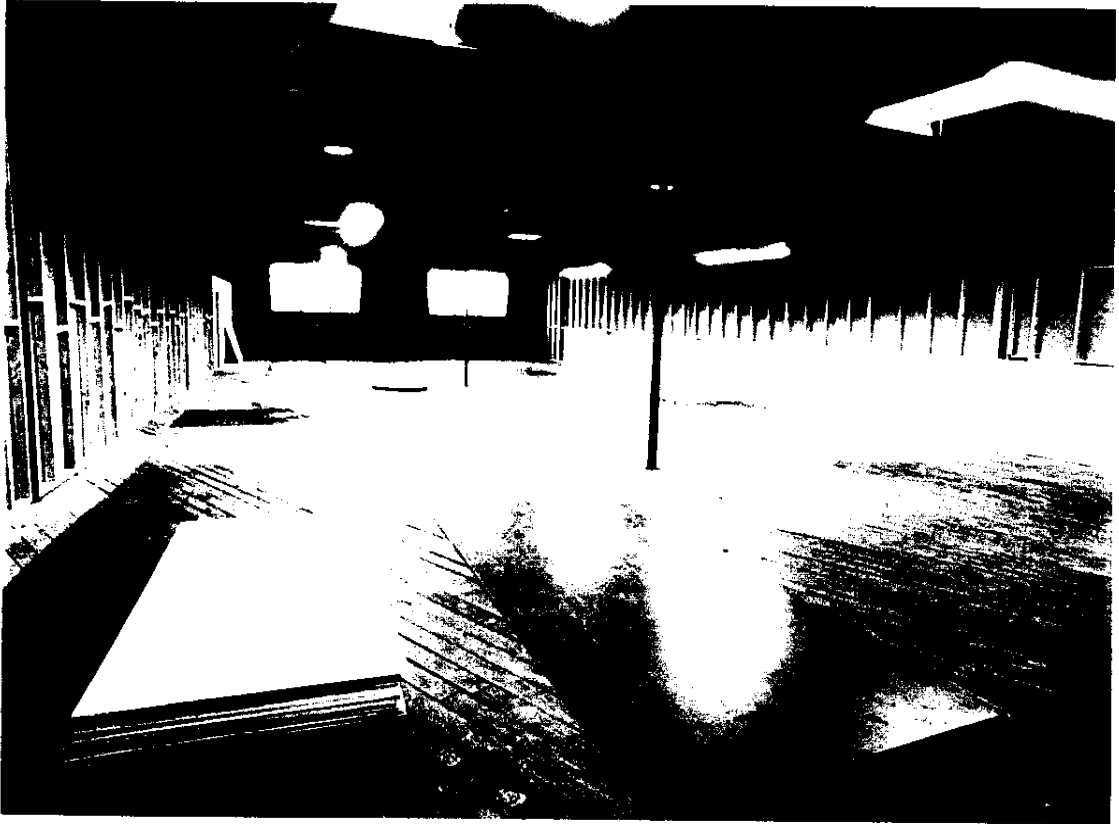
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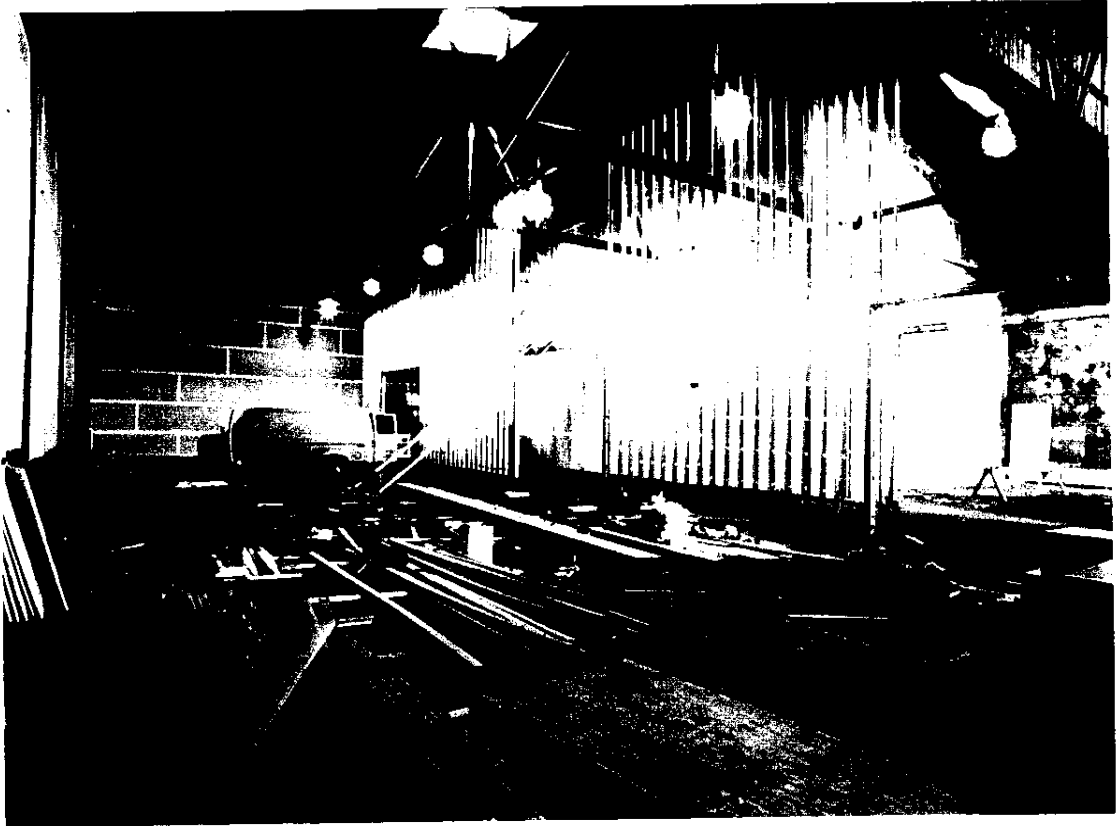
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624 SOUTH LANDER STREET



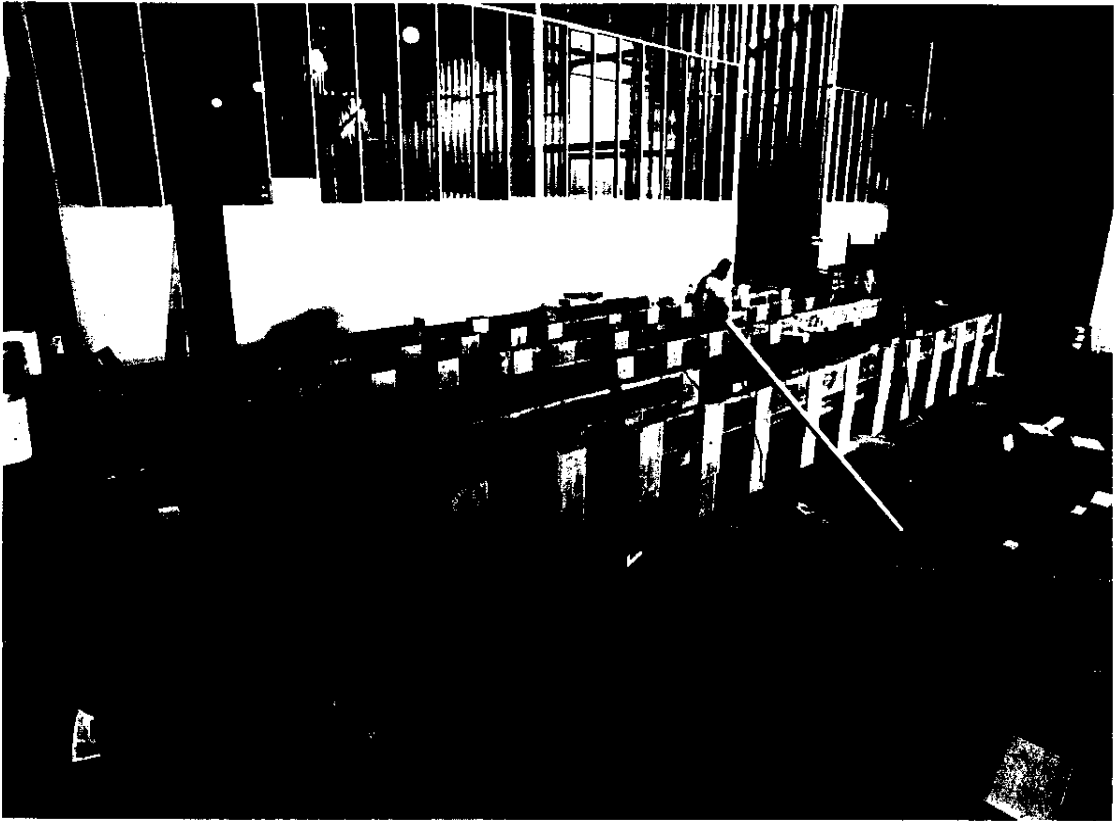
INDUSTRIAL TRANSFER BUILDING
624 SOUTH LANDER STREET



INDUSTRIAL TRANSFER BUILDING
624 SOUTH LANDER STREET



INDUSTRIAL TRANSFER BUILDING
624 SOUTH LANDER STREET



INDUSTRIAL TRANSFER BUILDING
624 SOUTH LANDER STREET



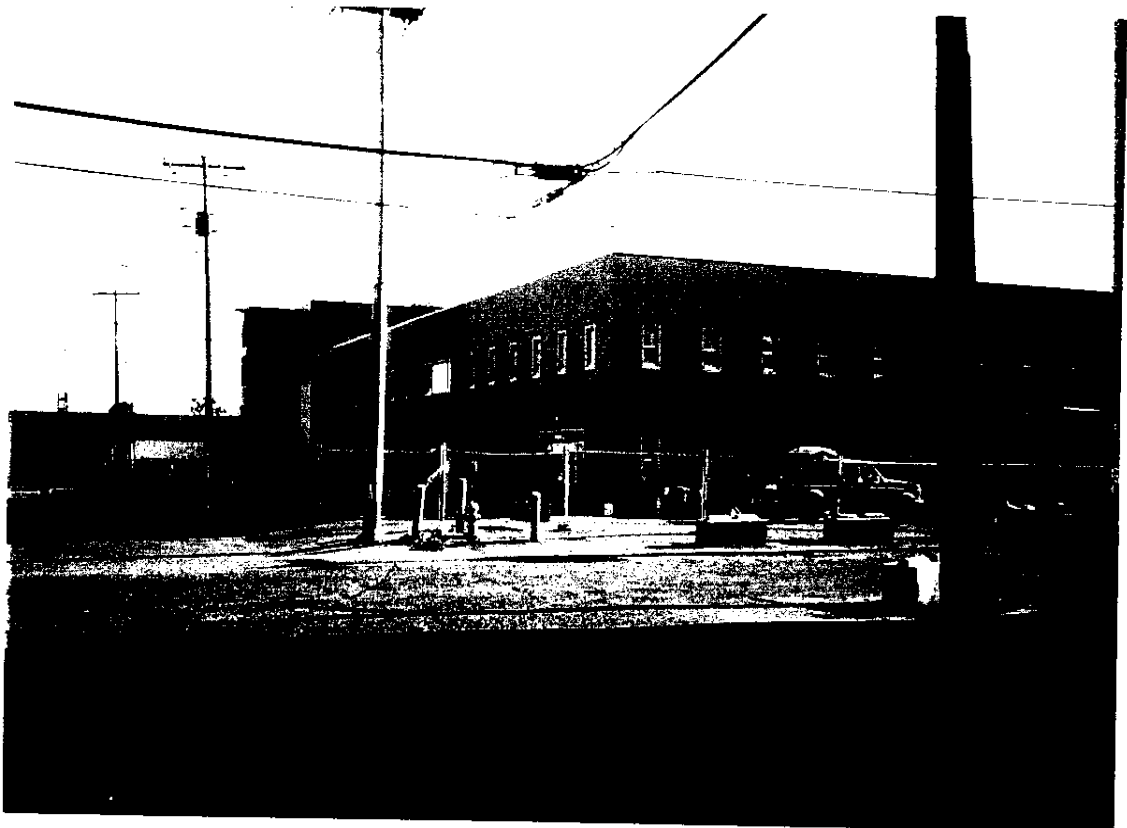
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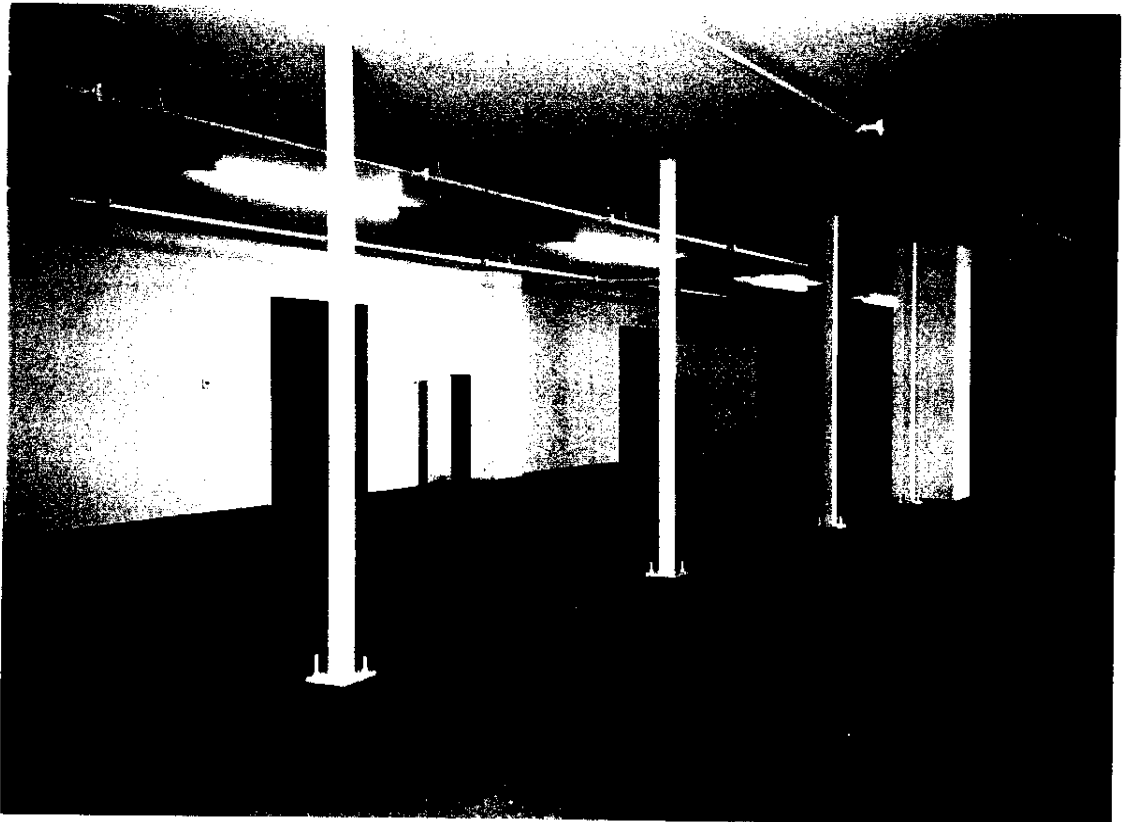
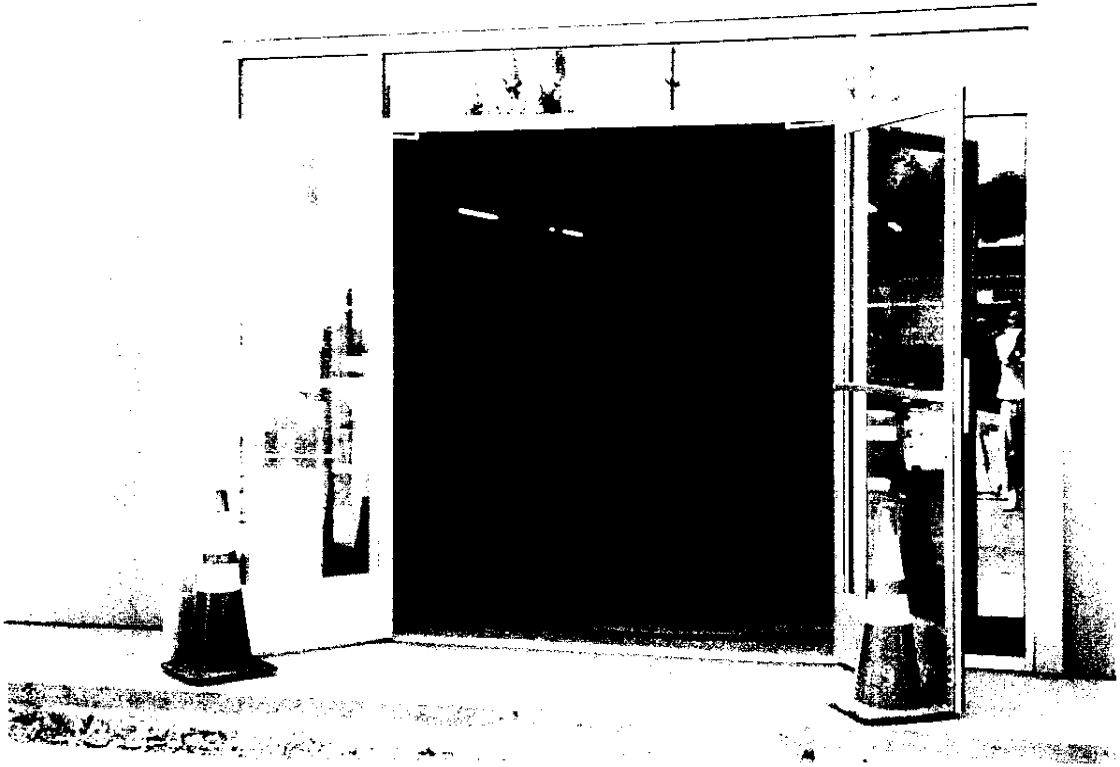
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CLOSE ELECTRIC BUILDING
3317 3RD AVENUE SOUTH



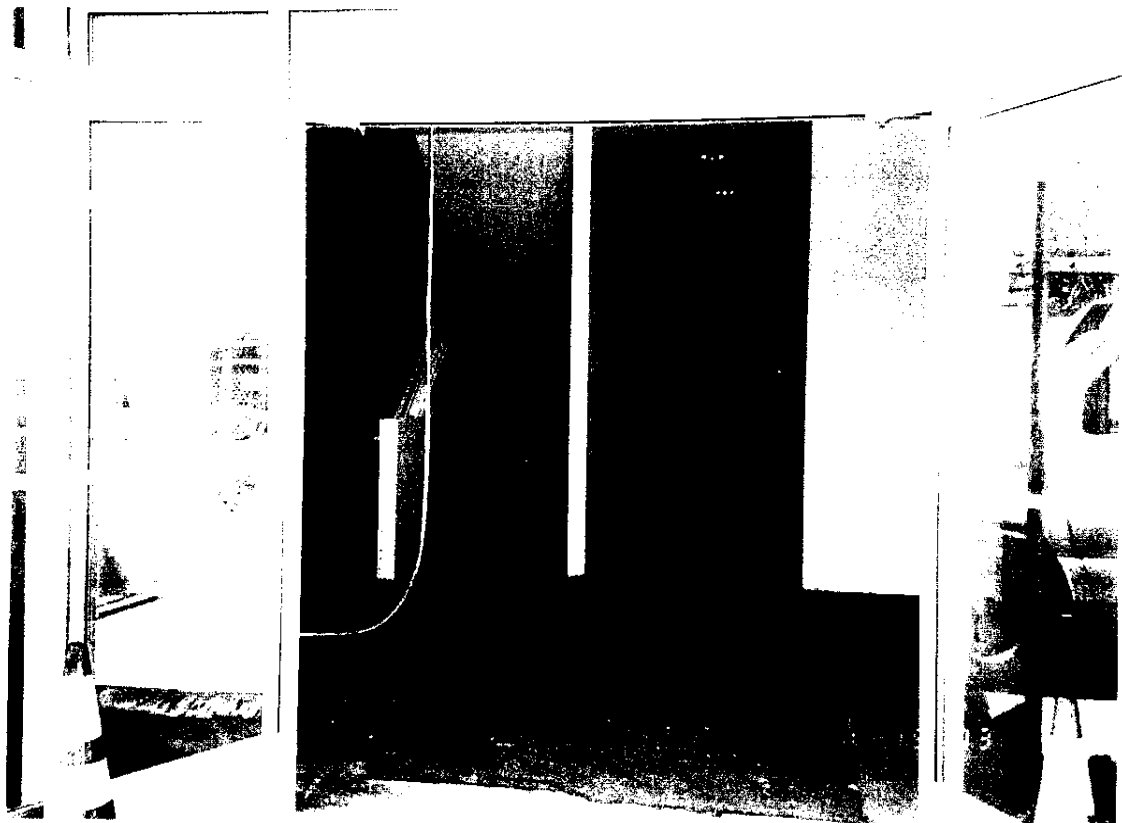
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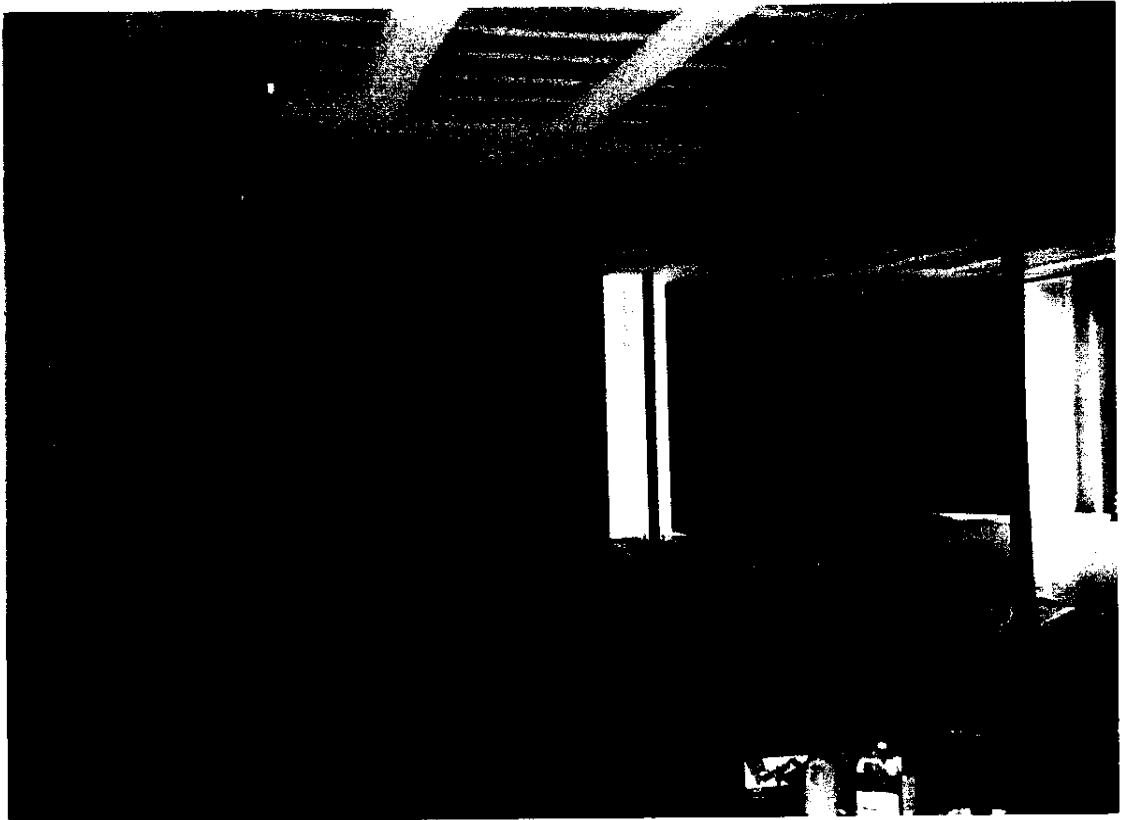
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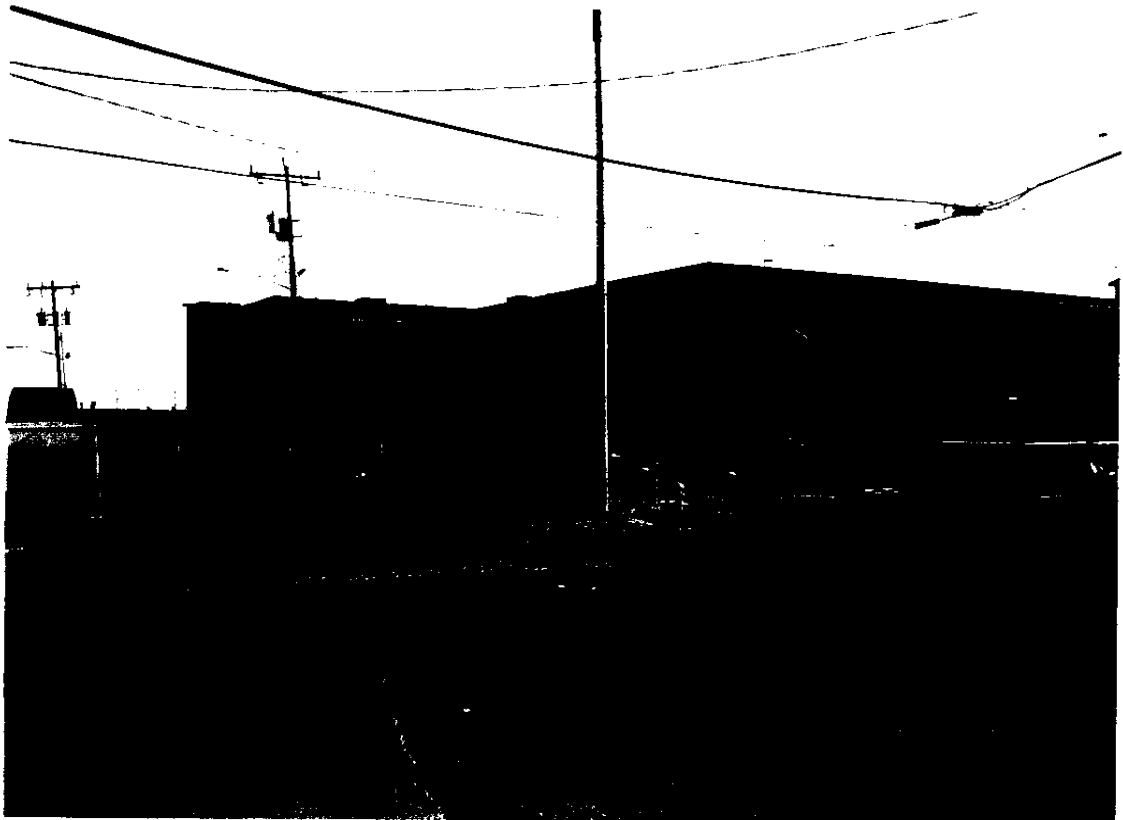
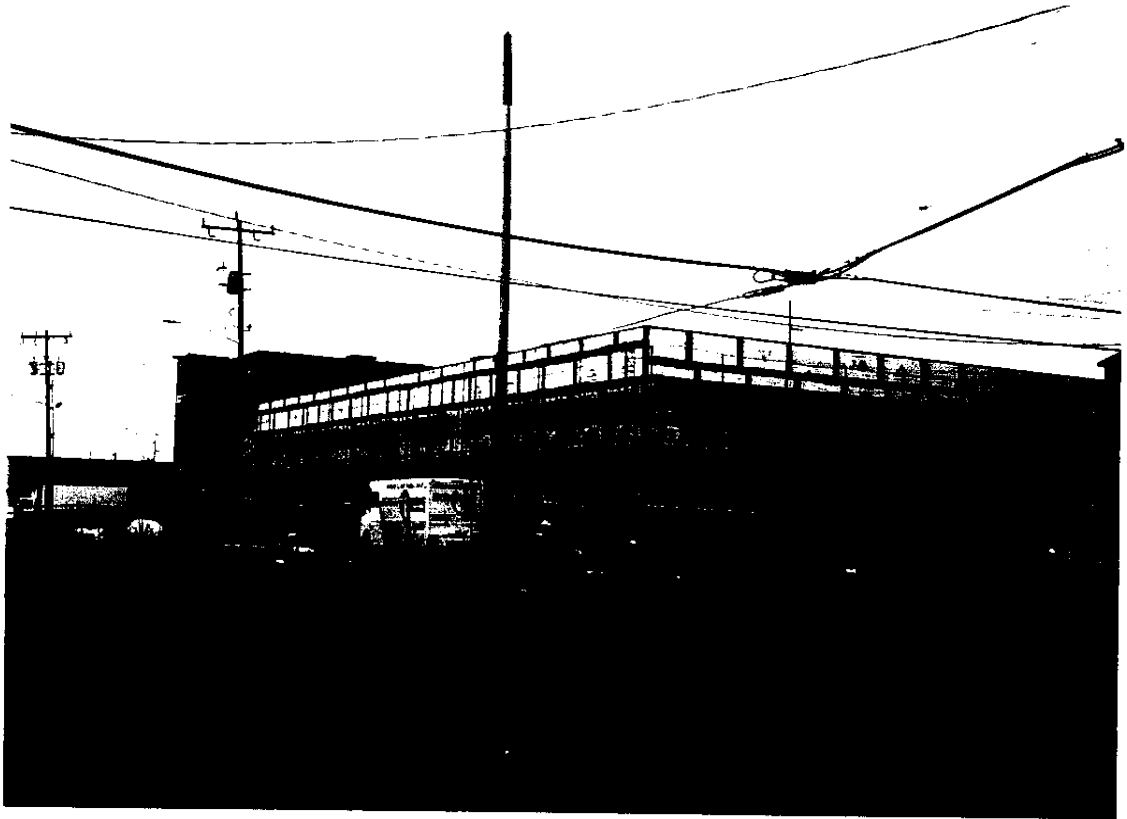
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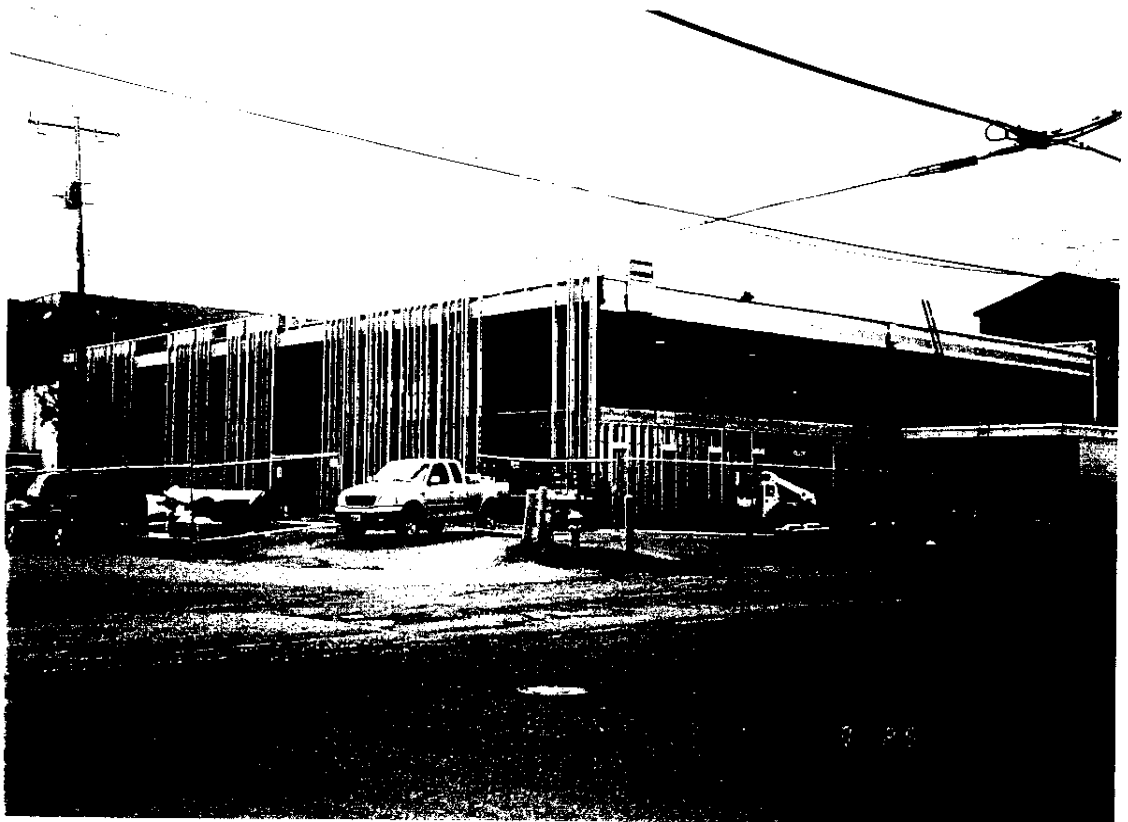
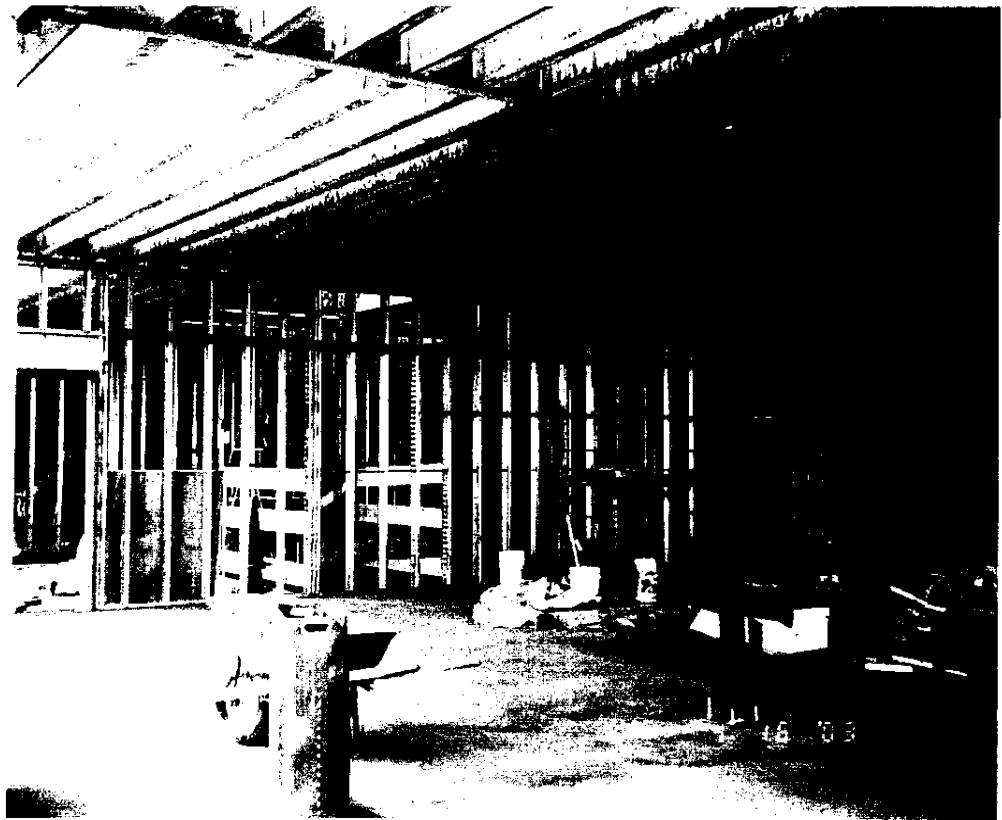
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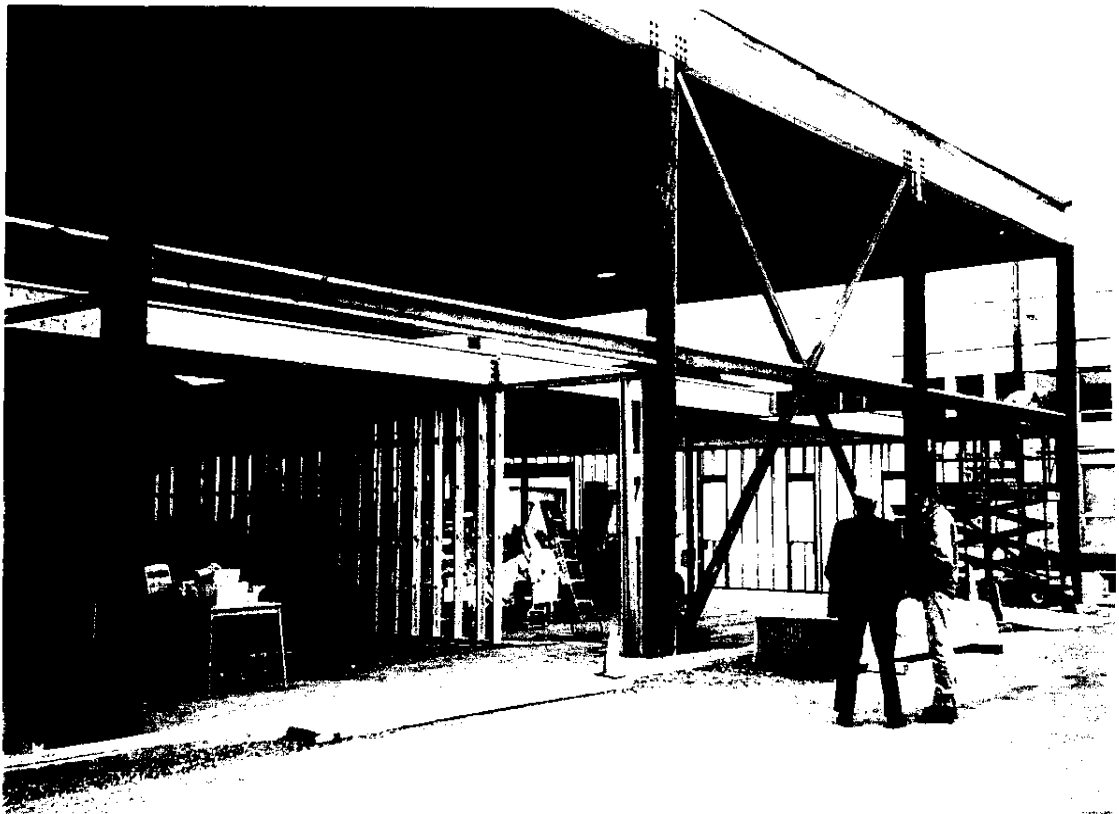
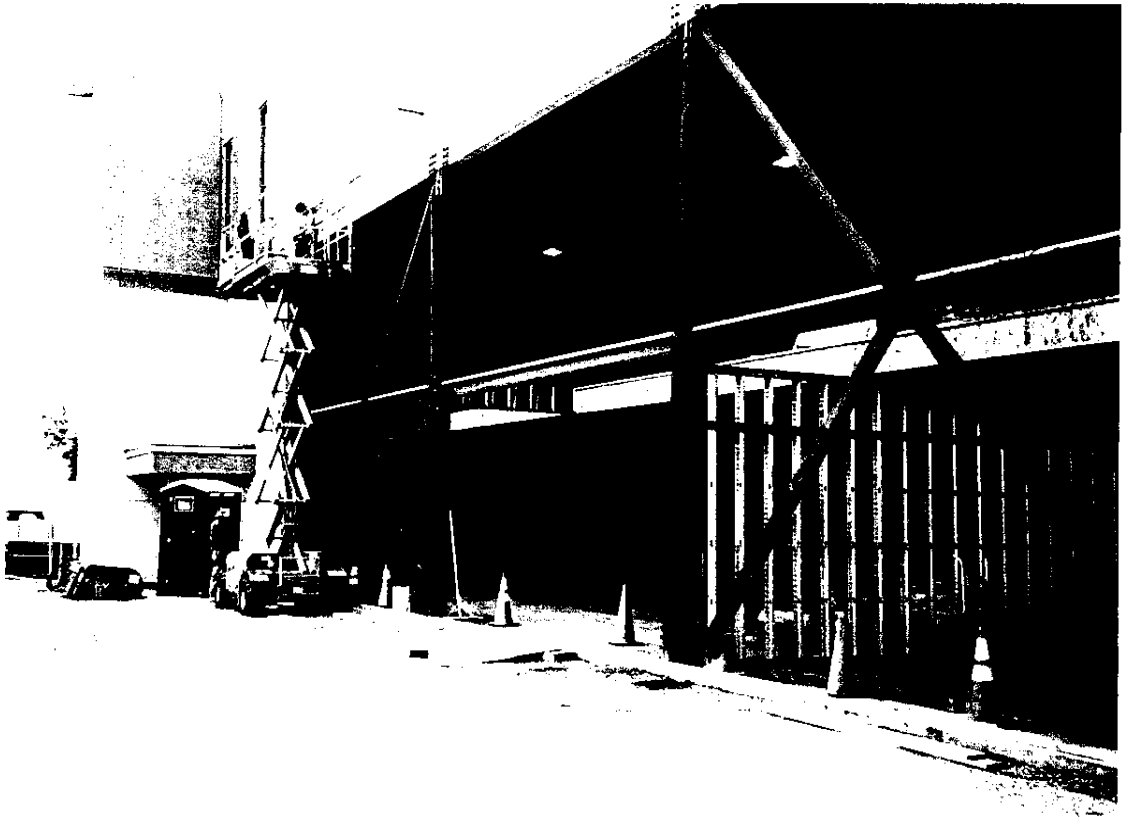
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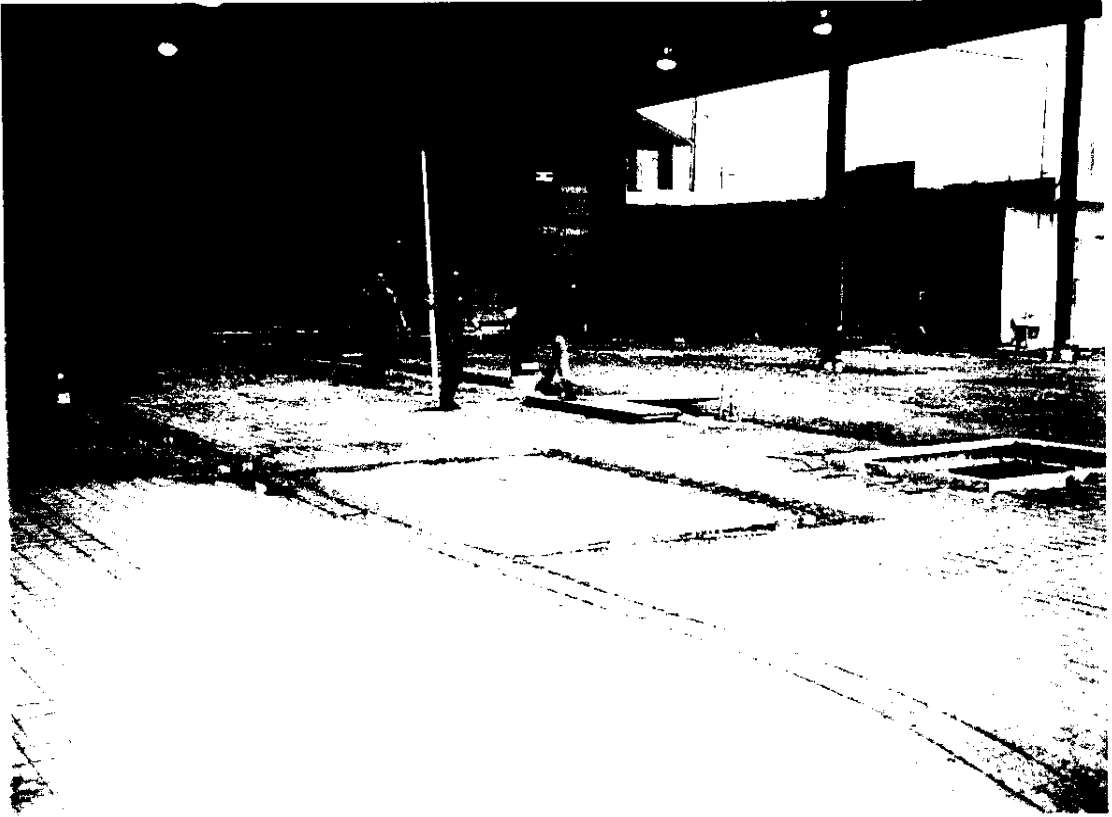
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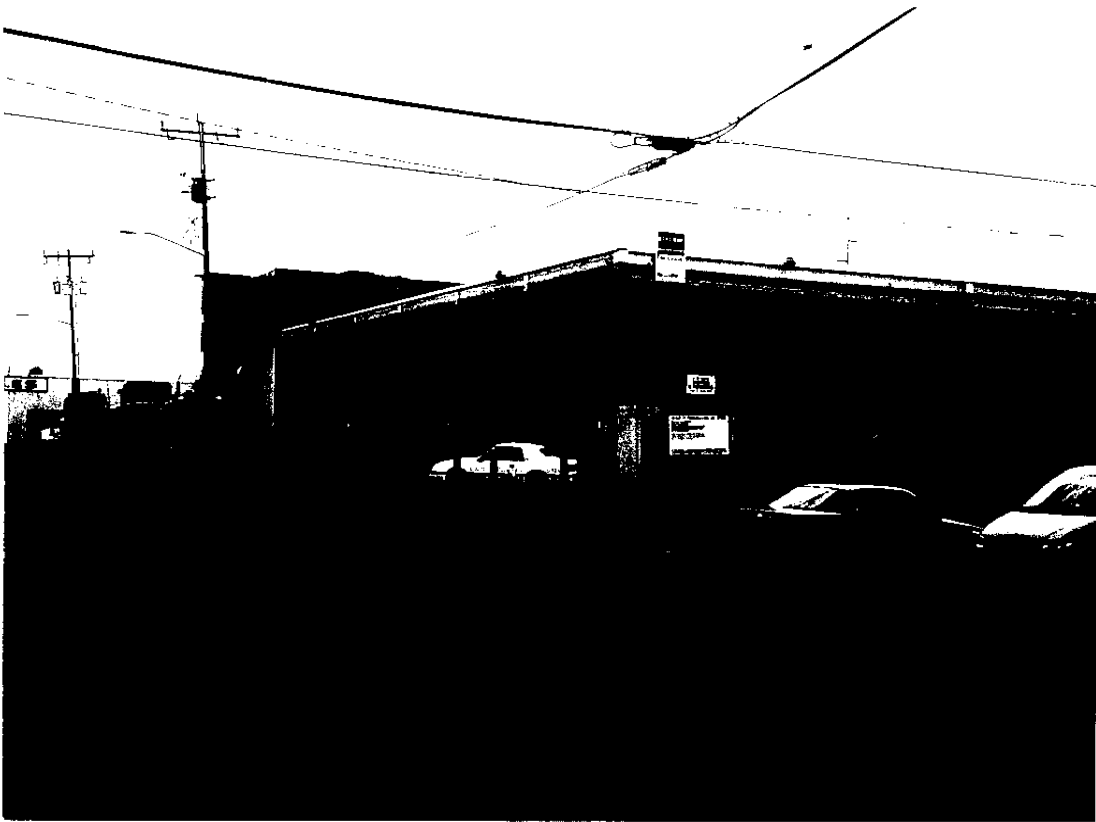
CLOSE ELECTRIC BUILDING
3317 3RD AVENUE SOUTH



CLOSE ELECTRIC BUILDING
3317 3RD AVENUE SOUTH



CLOSE ELECTRIC BUILDING
3317 3RD AVENUE SOUTH



ESQUIN BUILDING
2700 4TH AVENUE SOUTH



ESQUIN BUILDING
2700 4TH AVENUE SOUTH



ESQUIN BUILDING
2700 4TH AVENUE SOUTH

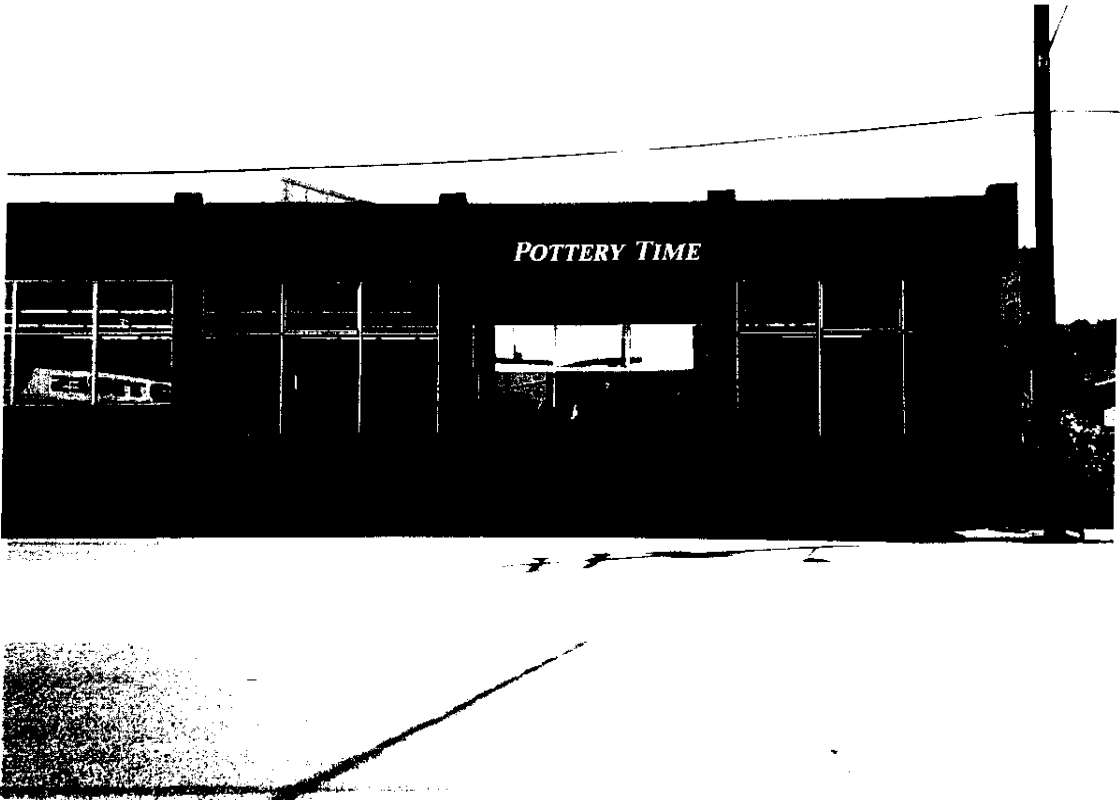




Image008.jpg



Image009.jpg

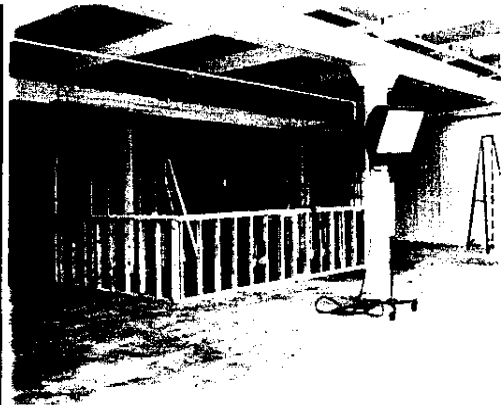


Image010.jpg



Image011.jpg

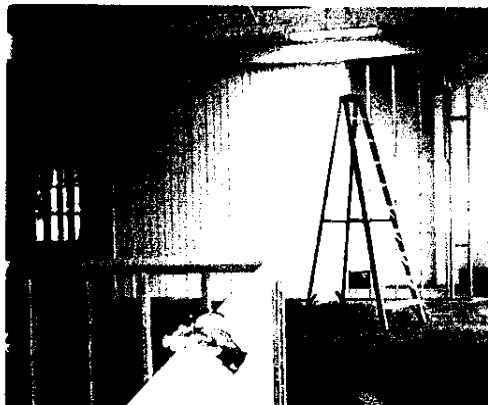


Image012.jpg



Image013.jpg



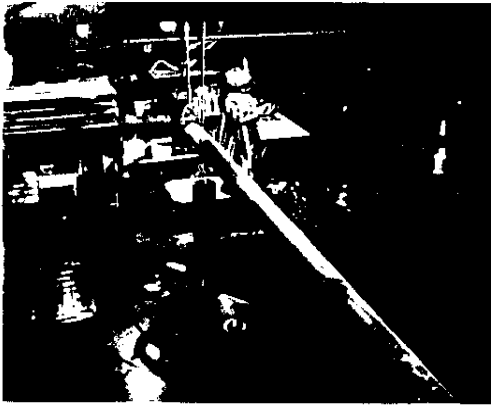
Image014.jpg



Image015.jpg



Loading Bay/Door.JPG



Downstairs from stairs.JPG



Ext- New paint scheme.JPG



Image001.jpg

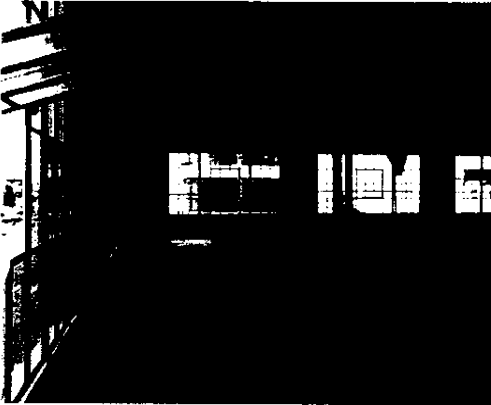


Image002.jpg



Image003.jpg



Image004.jpg



Image005.jpg



Image006.jpg



Image007.jpg



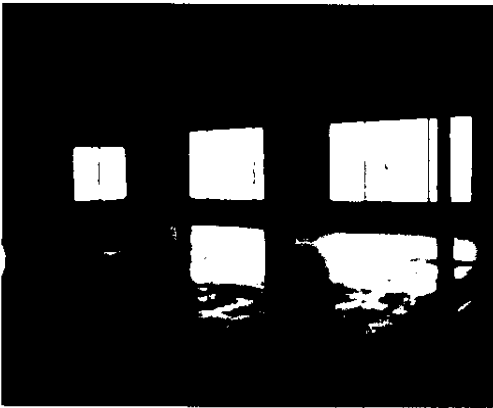
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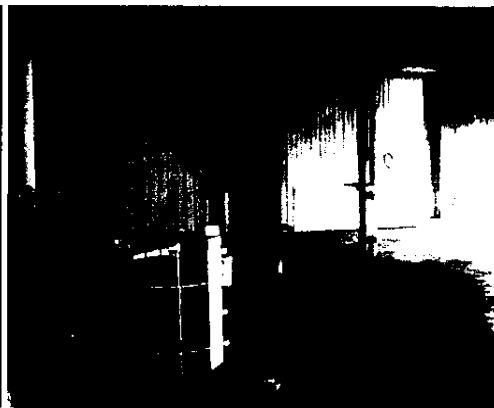
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ADSC0014.JPG



ADSC0015.JPG



ADSC0016.JPG



ADSC0017.JPG



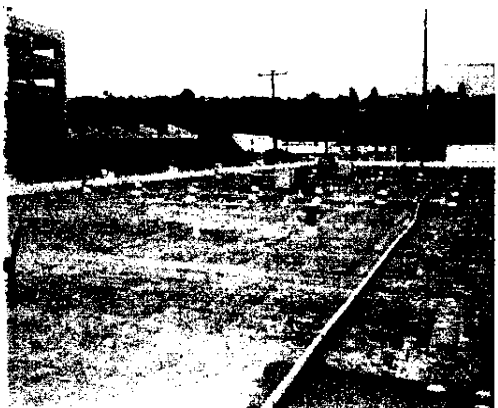
Beauty Shot.JPG



Blurry Ext w/ loading door.JPG



Blurry Kitchen.JPG



ADSC0003.JPG



ADSC0004.JPG



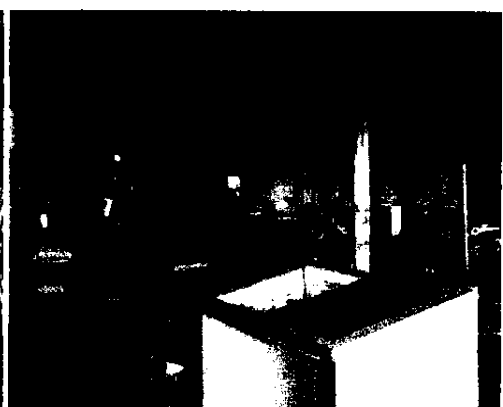
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ADSC0006.JPG



ADSC0007.JPG



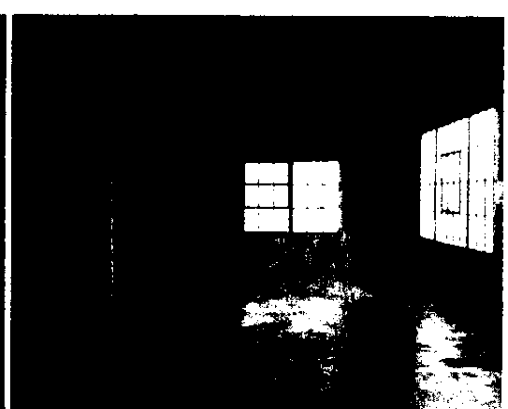
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ADSC0009.JPG



ADSC0010.JPG



ADSC0011.JPG

2418-20 1ST AVENUE SOUTH



2418-20 1ST AVENUE SOUTH



2418-20 1ST AVENUE SOUTH



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2418-20 1ST AVENUE SOUTH



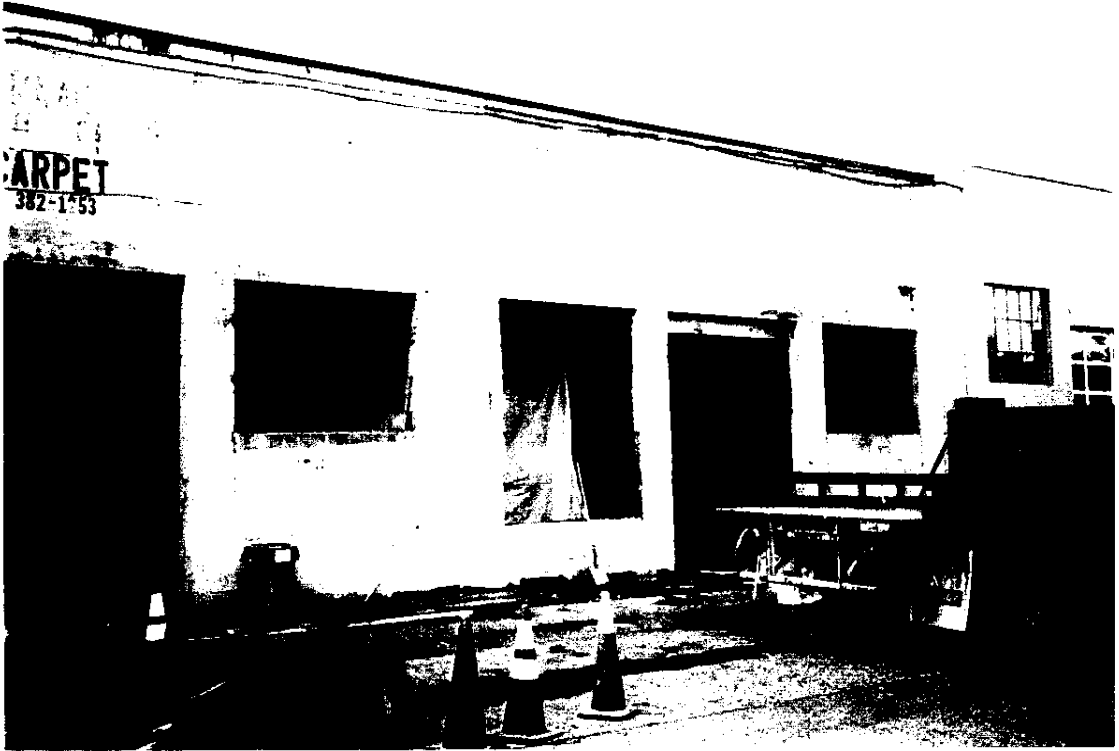
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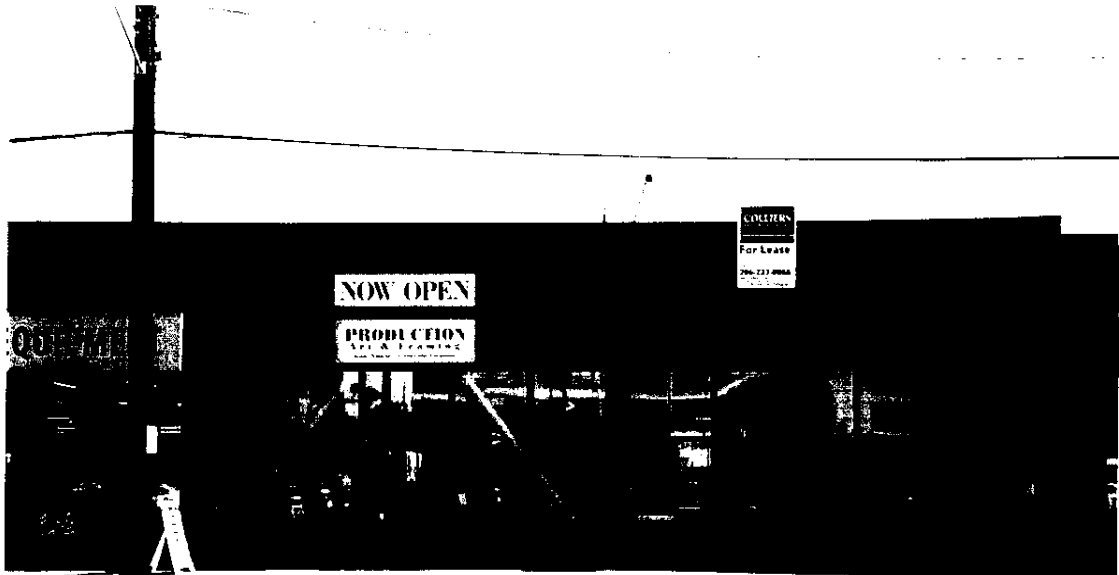
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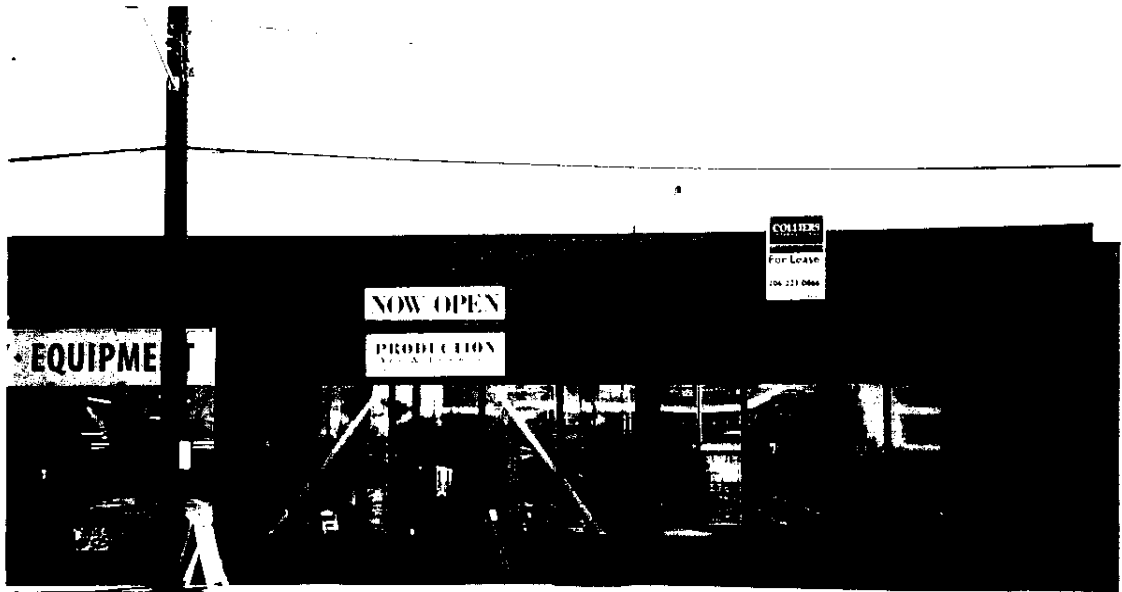
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2418-20 1ST AVENUE SOUTH



2418-20 1ST AVENUE SOUTH



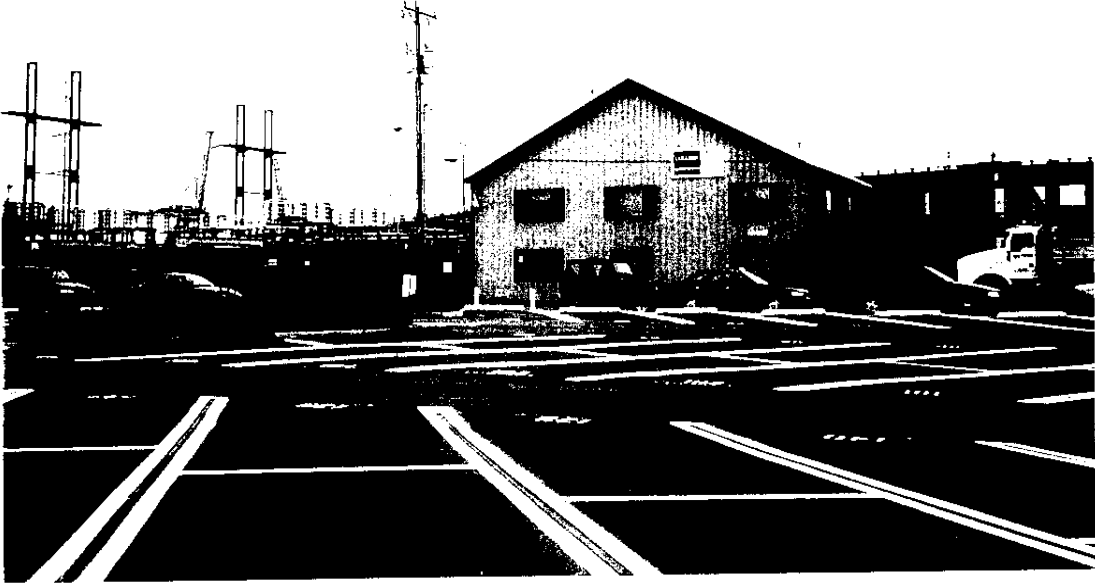
COAST CRANE BUILDING
1500 BLOCK UTAH STREET



COAST CRANE BUILDING
1500 BLOCK SOUTH UTAH STREET



COAST CRANE BUILDING
1500 BLOCK SOUTH UTAH STREET



COAST CRANE BUILDING
1500 BLOCK SOUTH UTAH STREET



COAST CRANE BUILDING
1500 BLOCK SOUTH UTAH STREET



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CEZ Tax Deferral Program.

Companies that relocate or expand in the CEZ receive a deferral of state sales and use tax. The amount of tax deferral or tax holiday depends on job creation in the CEZ. Washington does not have an income tax, making this a deferral of the largest tax paid by State of Washington businesses. See Summary of Major Changes, Tax Deferrals for Investment Projects in Distressed Areas attached as part of the State of Washington CEZ approval letter. The City of Seattle uses this tax deferral program in addition to the Bank to attract businesses to the CEZ.

The City of Seattle agreed to use the Funds as a source of financing for qualifying companies that wish to expand or locate in the CEZ. We intend to make loans for, or invest in, equipment purchases, facilities, export inventory, finance, and other trade related projects. The borrowers must meet the criteria set forth on the aforementioned commitment letter. See confirming letter from Ms. Mary Jean Ryan.

Port of Seattle Development

Some of the Port of Seattle property lies within the CEZ. For example, the Port is redeveloping a portion of its Harbor Island property for additional container storage and loading space. There are about fifty businesses on Harbor Island, many of them export related, that must relocate. The Port would put these business in touch with the Funds so the businesses could determine if financing through the Fund would be advantageous. The Funds will either lend to the businesses referred by the Port or build to suit for those businesses. The Harbor Island project will commence in early 1997. See list of Harbor Island businesses and confirming letter and notes from Mr. David Dean of the Port of Seattle.

In addition, the Port is preparing to market Port-owned property in the vicinity of SeaTac International Airport. The Funds would be included in marketing efforts to secure businesses to lease the property near SeaTac. The Port anticipates that many of these businesses will very likely be involved in international trade, especially in the areas of air cargo handling, value added distribution facilities, light manufacturing, and freight consolidation and forwarding. The Port will lease its land to the end user. The Funds will lend to or build to suit for the end user. This is the same program as we now use for the Medford, Oregon Free Trade Zone.

Employment Creation

The Port of Seattle and the City of Seattle have done extensive research concerning export related job creation. Enclosed please find two studies concerning job creation, one completed in March of 1994, the other completed in 1987. The 1994 study says that the Port of Seattle generally produces 90,000 direct jobs that in turn support 275,000 indirect jobs. This is a 3:1 job multiplier.

From the point of view of the Funds, the most relevant parts of the Port of Seattle survey concern marine cargo and air cargo. This is so because current Port expansion projects (Harbor Island and airport land) will likely involve cargo-related customers. The job multiplier for marine cargo is approximately 6.5:1, the job multiplier for airport generated jobs is approximately 8:1. See page 13, Table I-2.

The Port of Seattle survey also states that local businesses, many of which are located in the CEZ received \$7.5 Billion in revenue from Port of Seattle activities.

According to the Conway report, enclosed, one in six Washington jobs depends on exports. The export job multiplier was 3.7. This is double the 1963 figure. The trend has been to increasing reliance on exports.

In any event, the Conway report, prepared for Washington State Trade & Economic Development, the Port of Seattle report, and the City of Seattle materials, support the notion that each job created in the CEZ produces anywhere from three to eight supporting jobs.

Regional Benefit

The low cost capital provided by the Funds will provide an incentive for export oriented business to move to the CEZ. The entire region benefits from the revitalization of a chronically depressed area and an increase in export oriented industries. According to the Conway report, attached, over one out of every six jobs in the State of Washington depends on exports. Seattle is the leading trading and industrial city for the entire Pacific Northwest. The Port of Seattle is the second largest port on the West Coast. The revitalization of the CEZ and the ensuing increase in export job creation not only benefits the city and the Port but it benefits the region.

Marketing

The Funds will continue to be marketed by the same parties as

disclosed in the original regional center applications.

(b)(4)

Current Progress

OreCal, our partner in Medford, Oregon recently obtained building permit approval and we are negotiating the finance of the first building; the Medford Air Cargo building. See building permit, investment schedule and correspondence attached.

The ASPI Group, Grant County Airport, recently obtained a building permit for their air cargo facility. See Seattle Post Intelligencer article attached. Although ASPI is a different regional center, we work with them concerning development and marketing issues.

We believe our new projects will increase the appeal of our program, and, because of the involvement of the City of Seattle and the Port of Seattle, we will be able to sell more units for

\$500,000 in one payment. We now have two port related projects to our credit. Port Districts are subject to very specific rules and have very specific mandates. We have spent considerable time learning to deal with Port and related entities. Our new projects fit within our field of expertise, benefit a defined region of the country, and increase employment through exports.

Your kind attention to this matter will be appreciated.

Sincerely,
AMERICAN RETIREMENT, INC.

By
Henry Liebman, President

(b)(4)

(b)(4)

BUSINESS ASSISTANCE CENTER DEVELOPMENT LENDING COMPANY

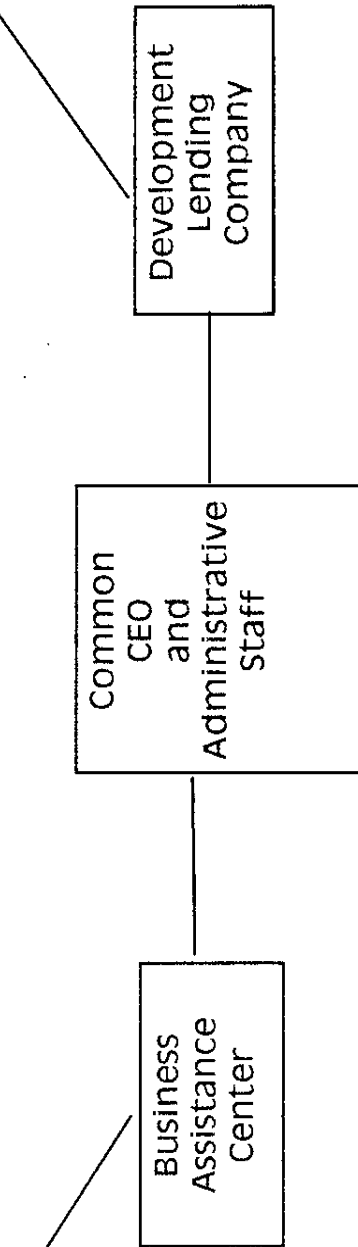
INVESTORS

SSBLA
City of Seattle
Others

- Connected and clear management structure
- Quality service standards
- Centralized location serving EC as target market
- Collaborative service delivery
- Sharing of costs

INVESTORS

City of Seattle



- ◆ Continuum of Pre and Post Business Assistance Services
- ◆ Common Intake and Assessment
- ◆ Resource Center for Business Planning and Information
- ◆ Coordinate Referrals
- ◆ Business Readiness Checks
- ◆ Training and Mentorship

- ◆ Various Small Business Lending Products
- ◆ Potential Housing Finance Products
- ◆ Certified as SBA "non-bank" Lender and Examined by Department of Financial Institutions
- ◆ Deal Structuring and Loan Packaging

SMALL BUSINESS LENDING COMPANY AND BUSINESS ASSISTANCE CENTER

REQUEST FOR QUALIFICATIONS

The City of Seattle, in cooperation with other funders, is planning to provide funds to start and operate two new not-for-profit business development ventures as part of the City's federally funded efforts and other funders' commitment to promote business formation, job creation, community revitalization, and other community and economic development outcomes. As the first step in the process, an experienced and highly talented entrepreneurial person (or persons) is being sought who has the passion, tenacity, patience, entrepreneurial drive, and commitment to successfully organize, build, and operate these two proposed ventures: a development lending company and a separate but connected business assistance center. Existing organizations that have a compatible mission may also respond to this Request for Qualifications (RFQ). However, a key focus of this RFQ is to identify the specific person who will lead and be responsible for the success of these operations on a day-to-day basis.

Selected respondent(s) will have the ability to get small, higher risk, financings done in a safe and sound manner; organize, build, and grow these two new non-profit operations; work with a diverse customer base; build strong relationships with other lenders and business development service providers; and work within a challenging environment, including complying with government regulations.

Responses to this RFQ are due by 4:00 p.m., August 12, 1996. Please send the original and six copies of your response to:

City of Seattle
Office of Economic Development
Seattle Municipal Building
600 Fourth Avenue, Room 205
Seattle, Washington 98104-1826
Attention: Janet Credo

A thorough review process will follow receipt of the RFQ responses. Following this review, it is expected one to three respondents will be asked to prepare a draft business plan(s) for these ventures as the basis for final selection. It is expected that organizational development and a more detailed business plan(s) will occur once the final selection is made and as part of the last stage of the review and contracting process. Funding to the not-for-profit organizations will follow completion of a final business plan and contracting negotiations with the organization's chief executive officer and board of directors. The target for opening the doors is the first quarter of 1997.

The final business plan and ensuing contract(s) will be negotiated with the City Performance expectations and other funding requirements-some of which are still evolving-will be provided by the City. It is expected that people will have questions regarding this solicitation. If you want to be on a "Question and Answer Fax List" please fax your name, phone number and fax number

to Janet Credo at (206) 684-0379. We will try to answer questions we get and periodically fax responses to you. Your questions can be faxed to this number or you could call (206) 386-9034 or e-mail to: don.sherwood@ci.seattle.wa.us.

The City of Seattle reserves the right to re-issue or amend the RFQ, choose not to proceed with the project, choose to proceed in a different way, or change the scope of the effort at any time during the process. All responses to this RFQ become the property of the City and will not be returned. The City has no obligation for costs associated with responding to this RFQ.

The Proposed Ventures:

A national search is being initiated to identify the best person, persons, or organization with a record of leadership and success in the business development field to develop institutional lending capacity and make available quality business planning and support services to selected markets in Seattle via the establishment of a Development Lending Company and a Business Assistance Center. This opportunity is available because the City of Seattle has decided to pursue the option of restructuring its existing federally funded small business lending program and increase its investment in related business assistance services in order to do more with its available assets. In addition, the Seattle Small Business Lenders Association (a consortium of several of the largest banks in the area), the Federal Home Loan Bank, the Federal Reserve Bank of San Francisco, and the City have all identified the need to establish a "one-stop" Business Assistance Center to make available quality pre- and post-loan business assistance services to targeted niche markets. It is expected the center will be located in the Central or Southeast area of the city, both of which are part of the City's Enterprise Community. The City of Seattle and other funders will:

- Make the City's federally funded small business loan assets (approximately \$5 million dollars in existing loans and/or cash available to lend) available to capitalize a "non-bank" development lending company that will make available financing and management assistance to targeted small businesses that would otherwise not be financed. The majority of the existing loan portfolio and income generated by the portfolio is available to provide benefits to low- and moderate-income people and assist in helping revitalize the city's distressed areas consistent with Community Development Block Grant (CDBG) and other Department of Housing and Urban Development (HUD) funded programs.

In addition to managing and servicing its own loan portfolio, the Development Lending Company will be expected to service the business loans the City chooses to retain (such as CDBG Float Loans) and obtain approval to do Small Business Administration (SBA) guaranteed loans as a means of generating other income and providing some portfolio liquidity. In addition to SBA loans, it is anticipated the lending company would use other financing instruments including: participations, subordinated debt, and other debt or quasi-equity tools. To be a SBA "non-bank" lender this corporation will be expected to be approved and periodically examined by the State's Department of Financial Institutions. It is also anticipated this corporation will be expected to be approved as a Community Based Development Organization (CBDO) as defined by CDBG rules.

- Make funds available to establish a separate but connected and collaboratively funded business assistance center that will provide a continuum of pre- and post-loan business assistance services in cooperation with other service providers and lenders or directly, as needed. We envision other existing business assistance programs will be co-located at this center and that this center will coordinate and manage referrals to and from lenders and other community-based organizations and service providers.

We envision that these two not-for-profit corporations will have the same chief executive officer (CEO) to ensure appropriate organizational connectiveness and use dollars most efficiently. However, if a good argument is made for a different organizational structure that is compatible with funding sources and funders' needs, regulatory requirements, and would create budgetary efficiencies or otherwise result in being best able to accomplish the expected outcomes, it will be considered. Likewise, if the City is convinced that participating with an existing organization would add value to the proposed operations, such a configuration will be considered. In any case, issues of governance, accountability, and control will be designed with selected respondent(s) as part of the business planning and subsequent contracting stages of the program-development process. CDBG rules do stipulate a certain board configuration and other requirements in order to qualify as a Community Based Development Organization.

We seek a market-driven, outcome-based approach that will provide the flexibility to build two dynamic inter related community-based business development institutions. The City is seeking people who are up for this challenge!

Background:

For a number of years the City of Seattle has used a portion of its CDBG plus program income from Urban Development Action Grant (UDAG), Urban Renewal, and other federally funded projects to support its small business lending program. Since 1994, the program has focused on making loans (that would not otherwise be done) primarily in the following markets and that also provide benefits to low- and moderate-income people:

- Businesses located in the lower-income neighborhoods of the City
- Minority- and women-owned firms
- Small manufacturers

It is expected these markets would continue to be the primary focus with the exception that the geographical emphasis would be expanded to outreach to the City's entire Enterprise Community designated area. Outreach efforts to other niche markets may be negotiated as part of the business plan process.

The existing portfolio has approximately 95 transactions for a total of approximately \$3.5 million in outstanding balances. The average loan size is approximately \$38,000, although loans range from as small as \$2,000 to over \$400,000. Approximately 66% of these loans are to minority-owned businesses and 58% are women-owned businesses (including minority women). The majority are direct loans where the City, using federal funds, is the only lender. Terms range from six months for receivables and contract financing to over 30 years for some real estate deals. Interest rates vary. However, the majority of the small business transactions are at market rates. Non-current loans are less than 10% of the portfolio.

It is expected specific loan underwriting criteria and pricing policies, uses of funds, and terms would be determined based on an assessment of the market opportunities, needs of the target markets, financial considerations of the Lending Company, applicable federal regulations, and the city's public policy objectives.

The Marketplace:

Seattle has an economy that is growing and diversifying. Unemployment is low and forecasts predict job demands will continue to outpace historical population increases. The area has a tremendous number of assets that contribute to its economic vitality, beauty, and quality of life. As in many growing urban areas, however, disparities exist. They are most evident in the city's Enterprise Community--an area of primarily chronically distressed neighborhoods with the highest concentrations of poverty, crime, urban blight, and unemployment. The Enterprise Community is very ethnically diverse, including African Americans, Asian/Pacific Islander, Hispanics, Native Americans, and Caucasians. It has a poverty rate three times the city's average, and an unemployment rate more than double the city's average.

While the city as a whole has enjoyed an increase in population, rising per capita income and an expanded tax base over the past decade, this general prosperity has largely by-passed the Enterprise Community neighborhoods, which have actually grown poorer. Banks, the SBA, the City, and others have improved access to capital for businesses located in the area, as well as for minority- and women-owned businesses throughout the city during the past several years. However, language and cultural differences, lack of business readiness skills and knowledge of successful business practices, and personal wealth considerations all continue to create barriers for accessing conventional financing opportunities and sustaining and growing viable businesses. While there are a number of community development corporations, public development authorities, ethnic/advocacy/service organizations, and business assistance organizations in the Enterprise Community and elsewhere in the city, there has been no focused effort to coordinate the various business assistance programs. The result is a maze of unconnected programs confusing customers and lenders.

Outcomes and Specifications:

Expected outcomes for the combined operations include:

- Create, sustain, or grow a minimum of 200 targeted (niche markets) small businesses annually (including support of the existing portfolio).
- Create and retain a minimum of 500 cumulative jobs for low- and moderate-income people by the end of the third year of operation.
- Place a minimum of 50 financing transactions annually with the Development Lending Company, other lenders, or equity investors by the second year.
- Sustain and grow the Development Lending Company and reduce the Business Assistance Center's need for subsidy by the fourth year.
- Double the Lending Company's capital base by the tenth year.

Givens

- Fully comply with all applicable funding laws and regulations (in particular Community Development Block Grant regulations) and all other applicable regulatory requirements.
- Make a long-term commitment to this effort.

- Show clear financial and program accountability against expected outcomes.

Assumptions

- The combined efforts of the Development Lending Company and Business Assistance Center will result in greater access to business assistance services, lending services, and products to the target markets while not duplicate existing operations. Outreach will continue to focus primarily on emerging or expanding businesses located in the City's lower-income Enterprise Community neighborhoods; on minority- and women-owned businesses; and on small manufacturers. Other niche markets may also be identified in the future.
- Two tandem not-for-profit entities will administer these connected efforts. A number of expenses such as occupancy, start-up and general expenses would be split between the two entities. Start-up and operating expenses for the Development Lending Company and Business Assistance Center for the first two years are projected to be in the following ranges.

	<u>Lending Co.</u>	<u>Assistance Center</u>
Start-up expenses	\$100,000	\$100,000
First-year operations	\$400,000	\$350,000
Second-year operations	\$425,000	\$375,000

It is assumed that the City will provide up to \$175,000 to the Lending Company for early stage operations plus cover some of the start-up costs in combination with interest earnings, fee income and other income. It is also assumed the City and other funders will cover start-up needs and basic operational expenses for the first three years of the Business Assistance Center. This of course depends on the performance of the entities and on the City's budget situation. The City is taking the lead in raising these funds with the expectation adequate funds will be committed by November 30, 1996.

- Funds for the Business Assistance Center will be granted through annual contributions that specify performance targets that will be developed via the business plan and contracting process.
- No decisions have been made regarding the feasibility of charging fees for services. It is assumed loan fees and other related costs would be charged to borrowers of the Lending Company. The City and the other funders have an open mind regarding this issue.
- To capitalize the Development Lending Company, a portion of the City's small business loan program's assets may be granted to the Lending Company (enough to meet the equity requirements to become a state-approved "non-bank" lender) and the rest sold or lent to the Lending Company which will require repayment. While the specific arrangement and formula for repayment has not yet been determined, it is anticipated "performance credits" could be earned for accomplishing certain outcomes that would be applied to interest and perhaps to principal owed. These credits would be earned for specific results such as jobs created, increased sales activity, or deals placed with or graduated to other lenders. It is anticipated credits would be given for short-term and long-term impact as well as for accomplishing specific targeted results.

It is also assumed that an adequate loan loss reserve would initially be established or in some other way addressed by the City in order to compensate for non-performing loans in the existing portfolio. A loan loss reserve of at least 10% would be maintained for the Lending Company, unless over time historical performance demonstrates a lesser amount would be adequate.

- The Lending Company will be expected to become certified by the Washington State Department of Financial Institutions and the Small Business Administration as a “non-bank” lender and have the authority to do SBA-guaranteed loans. In addition, it is anticipated the Lending Company will need to be approved as a Community Based Development Organization (CBDO) per CDBG rules. It is assumed the former certification will be obtained by the end of the first year and the latter accomplished prior to release or transfer of funds.
- The Business Assistance Center will be connected to the SBA’s Seattle District Office’s Enterprise Center and will develop collaborative relationships with CDCs, other community-based organizations, university and community college business assistance programs, lenders, and other service providers that are not directly housed at this “one-stop” center. It is expected that this center will have the electronic and technical capacity to link with information networks and data sources as well as with other lenders, organizations, service providers (including the SBA’s Enterprise Center) and businesses. It is also assumed there would be a common intake and assessment process developed for the entities associated with this “one-stop” center. Quality performance standards would be developed to which participating service providers would agree to adhere. The development of such standards and the on-going adherence to these standards will be the responsibility of the selectee.
- The selected entity(ies) will obtain adequate bonding and insurance as stipulated by the City and other funders as applicable.

RFO Response:

The leadership, management, communication and technical capacity of the person who will be the CEO of these operations is the most critical factor in the long-term success of these efforts. Therefore, questions are oriented to that person. However, if you want to provide information on other key personnel you can. If you are associated with an existing organization, it is important you identify the actual person (or persons) who will focus on these initiatives and the person who will lead the effort. Job descriptions listing qualifications are not acceptable.

If you are interested in responding to this Request for Qualifications you need to:

1. Answer the attached questions. Please limit your response to no more than 15 pages (excluding resumes and references referenced below). Please make your responses concise and detailed, short on philosophy and longer on tactics.
2. Provide a current resume (plus one(s) for other key personnel if applicable).
3. Provide five references (names, phone numbers, addresses, and brief explanation about your relationship with each person) from people who can speak to both your strengths and weaknesses and past experiences most relevant to this challenge. Include people who have

worked for you and, as applicable, people in businesses with whom you have worked. If more than one person's credentials are being presented, the above-referenced information needs to be presented for each person.

Please do not include letters of support.

The original and six copies of your response are due in the City of Seattle's Office of Economic Development by 4:00 p.m., August 12, 1996.

Selection Criteria:

RFQ respondents will be evaluated based on numerous factors. Key considerations include:

- Evidence of ability to build, manage, and successfully grow multi-faceted businesses or programs.
- Evidence of ability to make a long-term commitment to and have a vested interest in these ventures.
- Evidence of ability to communicate and work effectively with diverse populations and community-based organizations in lower-income communities.
- Evidence of ability to get deals done and create and grow viable small businesses.
- Evidence of ability to develop and lead a successful team effort that has multiple players and funders.
- Evidence of ability to work in a complex environment, including working with government regulations.

Expected Next Steps:

It is expected the preliminary review process will take a minimum of six weeks. Once the review process is completed, from one to three respondents will be asked to do a business plan(s) for these ventures as the basis for final selection. Organizational development and a more detailed business plan(s) will occur as part of the last stage of the review and contracting process. Our review process will be rigorous. We will call references you provide plus others we identify who can provide insight regarding your capabilities and track record. By submitting a response to this RFQ, it is understood you and all for whom credentials are being provided are authorizing us to contact any persons regarding your qualifications and to share any such information with the review team and others, as applicable.

Attachments:

Draft organizational chart

Concept outlines for the Development Lending Company and Business Assistance Center

RFQ QUESTIONS

1. What evidence can you provide that you will be invested in the long-term success of these ventures? What resources will you contribute to these operations?
2. Please take not more than a page to describe yourself in a way that answers the following question: What is the best evidence you can provide that you are the right person or group to achieve the stated outcomes?
3. What programs or businesses have you built and managed? What businesses have you advised? What were the outcomes? Please describe an effort that did not work in which you were involved, describing the role you played and what you learned from it.
4. What evidence can you provide that you have had success in working with very diverse people (including people with limited English-speaking ability) and organizations in lower-income communities to create, finance, and grow businesses? (Focus on results).
5. What evidence can you provide that you have had success in managing financial and regulatory reporting requirements of funders or investors?
6. Which of the outcomes listed on pages 4 and 5 do you think you will have the most trouble meeting and why?
7. Based on the information you have, what would be the mission statement for these operations? Please be concise. No more than a couple of sentences.
8. What, if anything, would you suggest be changed about the program design to make it more successful?
9. What evidence can you provide that you have the ability to pull people together who do not have a history of working together to create a "one-stop" business finance and assistance center in addition to developing a positive working relationship with other lenders or equity investors in the area and placing deals with them?
10. How will you develop consensus with other lenders and service providers on a common assessment and intake process and also get other service providers to buy into and abide by rigorous quality standards?
11. What factors will you weigh in making decisions regarding what service(s) a client will receive, who will provide the services, and how much time will be devoted to a particular client as applicable?
12. How will you measure the quality of your services?
13. What questions do you need to have answered in order to put together business plans for these operations?
14. What questions have we not asked that you think are important to ask?

DEVELOPMENT LENDING

COMPANY.....to provide access to credit to targeted markets

Access to multiple lending products for those that do not qualify for traditional credit opportunities.

Obtain certification as an SBA non-bank lender with the ability to do SBA guaranteed loans. Examined by the Department of Financial Institutions.

Work cooperatively with other lenders to problem solve, structure and participate in transactions.

Help build and expand institutional lending capacity to small businesses in the area by growing the fund and developing additional lending tools.

Use excess revenues to support fund growth and business resource center activities over time.

Outreach and marketing

Work with community organizations, lenders and others to identify prospective customers

Primary target markets to include small businesses in the Central, Southeast and International District or other low-income areas of Seattle; women & minority owned businesses that are certified by the state; and small Seattle-based manufacturers and other select markets that may be negotiated in the business plan development process.

Business plan review and loan underwriting

Assess plan eligibility and feasibility

Work with the borrower and technical assistance providers, as applicable

Work with the borrower/other lender(s) to structure transactions, as applicable

Loan monitoring and servicing

Monitor for compliance with HUD rules

Work with the business to monitor results, identify challenges

Provide technical assistance support as needed

Track and collect loan payments

Develop work-out plan if necessary

Fund management

Plan for and manage internal cashflow

Develop revenue generating lending tools as feasible

BUSINESS RESOURCE CENTER....to support the development and success of viable small businesses

Provide access to business assistance and financial services by establishing working relationships with banks, other nonbank lenders and technical assistance via appropriate referrals and/or through the co-location of various service providers and lenders at a centralized location (in Central of Southeast Seattle).

Develop and agree on quality standards.

Encourage partnerships and evolve as needs change or opportunities arise.

Common intake, assessment, and monitoring

- Determine needs
- Develop a plan
- Identify who could best provide the service(s) or product(s) needed
- Monitor for quality of service provided

Pre-and-post loan business assistance services

- One-to-one counseling
- Group and classroom training
- Mentorship
- Student interns
- Business readiness checks

On site and at the business

Business resource center

- Business plan information & prep
- Entrepreneurial guides
- Computer access
- Internet connections
- Specialized services, as available

Connected to the SBA's Enterprise Center

Loan packaging assistance and referrals

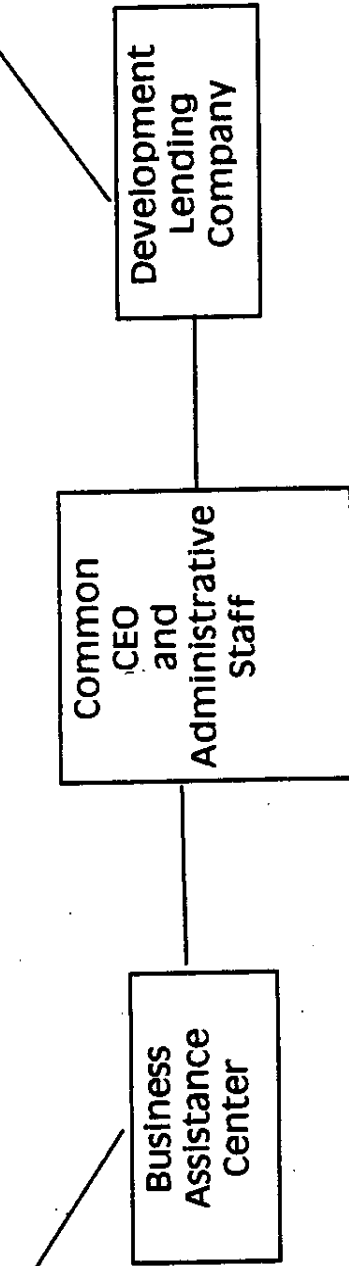
- Knowledge of lenders loan criteria
- Joint case review and problem solving
- Help with financing proposals
- Referral to lenders as appropriate

BUSINESS ASSISTANCE CENTER DEVELOPMENT LENDING COMPANY

- INVESTORS**
- Connected and clear management structure
 - Quality service standards
 - Centralized location serving EC as target market
 - Collaborative service delivery
 - Sharing of costs

- INVESTORS**
- SSBLA
 - City of Seattle
 - Others

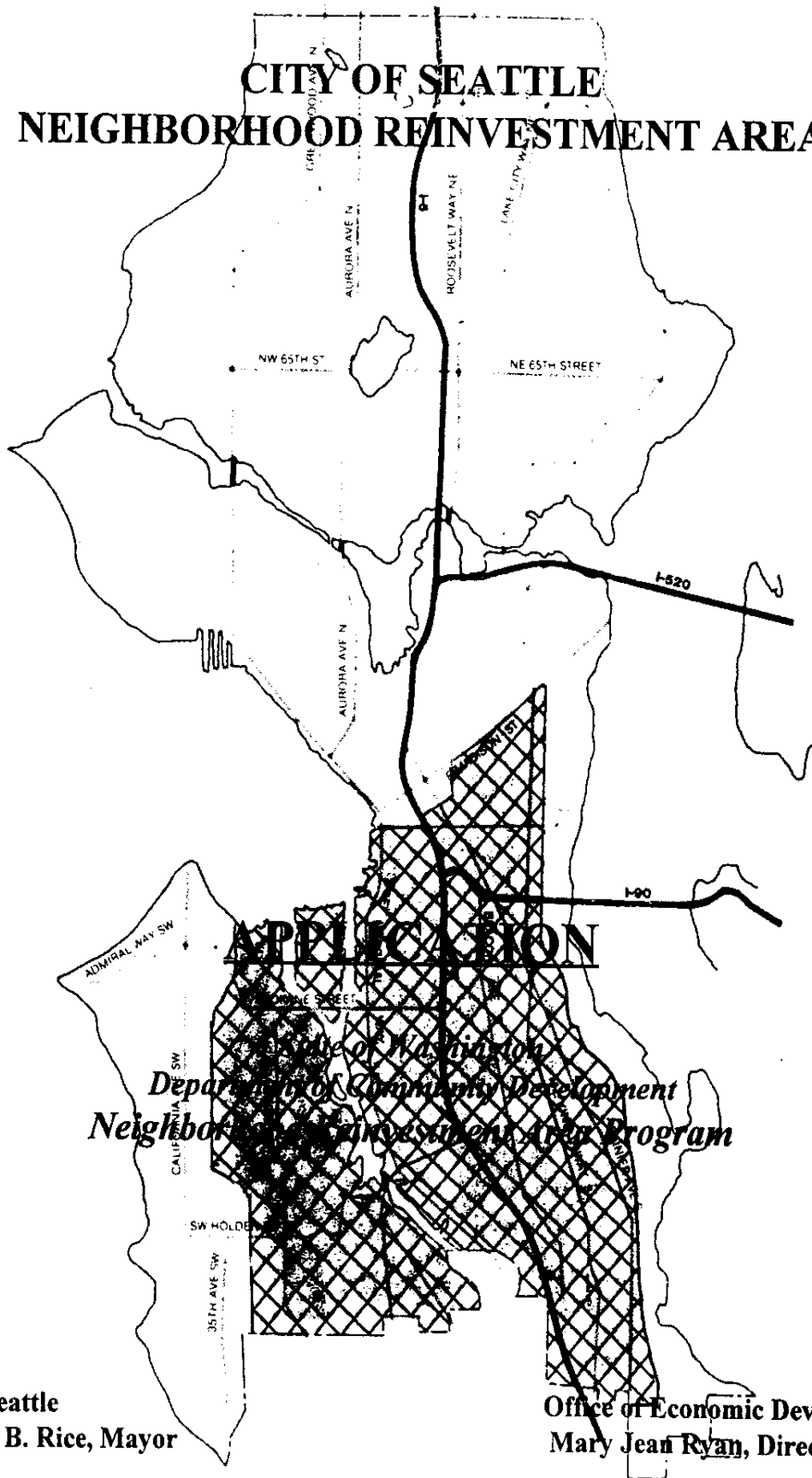
City of Seattle



- Continuum of Pre and Post Business Assistance Services
- Common Intake and Assessment
- Resource Center for Business Planning and Information
- Coordinate Referrals
- Business Readiness Checks
- Training and Mentorship

- Various Small Business Lending Products
- Potential Housing Finance Products
- Certified as SBA "non-bank" Lender and Examined by Department of Financial Institutions
- Deal Structuring and Loan Packaging

CITY OF SEATTLE NEIGHBORHOOD REINVESTMENT AREA



City of Seattle
Norman B. Rice, Mayor

Office of Economic Development
Mary Jean Ryan, Director

March 4, 1994

COVER SHEET

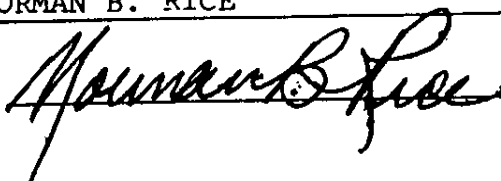
APPLICANT INFORMATION

- A. Sponsoring Jurisdiction: City of Seattle
- B. Jurisdictions chief elected official: Norman B. Rice
Title: Mayor
Address: 1200 Municipal Building, 600 Fourth Avenue, Seattle 98104
Telephone: (206) 684-4000
- C. Designated contact person: Mary Jean Ryan
Title: Director- Office of Economic Development
Address: 330 Municipal Building, 600 Fourth Avenue, Seattle 98104
Telephone: (206) 684-8090
- D. For our tracking systems, please provide the following information for the proposed area's location:
State Legislative District(s): 11th, 37th & 43rd
Congressional District: 7th

I hereby certify that I am authorized by the sponsoring jurisdiction listed above to submit this application to the State of Washington.

Name: NORMAN B. RICE

Title: MAYOR

Signature: 

Date: MARCH 3, 1994

APPLICATION

I. GENERAL INFORMATION

Responses to the following questions will be used to determine eligibility for designation as a Neighborhood Reinvestment Area.

- A. Please identify the area proposed for designation and its boundaries. Attach a map of the proposed area on page 2.

The physical boundaries of the Neighborhood Reinvestment Area are generally as follows:

North: 32nd Avenue and East Madison Street to 12th Avenue, then south to East Cherry and west to James Street and Melrose, then southeast to Yesler Way and west to Elliott Bay. Elliott Bay forms the northern boundary for the remainder of the Reinvestment Area .

South: The Seattle City limits.

East: E. Madison and 32nd Avenue to McClellan St., southeast to Cascadia Ave. S , south to South Alaska Street and down to Wilson Avenue S. The Boundary follows Wilson Ave. S until it connects with Seward Park Ave. S. and follows that to Henderson Street when it goes south and follows to the east of Rainier Ave until it intersects with 51st Ave S. At that point, the boundary follows to the east of Renton Ave. S. to the southern city limits.

West: Elliott Bay and E. Marginal Way south to the Spokane St. Viaduct. The boundary follows the viaduct west to 35th Ave. SW. At SW Holden, the boundary turns east to 26th Ave. SW and turns south to the southern city limits.

The Census Tracts that contain the boundaries of the Neighborhood Reinvestment area include; tracts 77, 79, 85 - 95, 99 - 104, 107 - 114, 117 - 119. The neighborhoods that can be found within the boundaries include: The Central Area, the Rainier Valley/Southeast Seattle, Pioneer Square, International District, the Duwamish, and Delridge/Highpoint.

- B. Based on 1990 U.S. Census data, what is the median household income for the proposed neighborhood reinvestment area:**

The median household income for the Neighborhood Reinvestment Area is \$ 21,202

Based on 1990 U.S. Census data, what is the median household income for the county in which the proposed area is located?

The median household income for King County is \$ 36,179.

What percentage of households in the proposed area have incomes at or below 80% of the county median household income?

Over 63% of the households within the Neighborhood Reinvestment Area have incomes below 80% of the King County Median.
(As per 1993 estimates by the U.S. Department of Housing and Urban Development.)

- C. What is the average unemployment rate for the proposed area for the most recent 12 month period for which data is available? Please include the time period and source of your data.**

The Washington Department of Employment Security has projected an average unemployment rate for 1992 of 12.59% for the labor force within the Neighborhood Reinvestment Area.

What is the average unemployment rate for the county for the same time period? Include source of data.

The average unemployment rate during 1992 for King County was 6%, as determined by the Washington Department of Employment Security.

- D. Have you prepared and adopted a five-year neighborhood reinvestment plan for the proposed area? _____ NO X YES**

If yes, please attach a copy of the plan as attachment 1 at the end of the application.

A Five-Year Neighborhood Reinvestment Plan is attached.

II. DESCRIPTION OF PROPOSED NEIGHBORHOOD REINVESTMENT AREA

A. Provide a brief description of the proposed neighborhood reinvestment area and its key characteristics.

The Neighborhood Reinvestment Area consists of a mix of residential, industrial and commercial land uses. There is a high percentage of persons of color and low-income residents throughout the area, high unemployment, an infusion of public services, high crime rates, a concentration of subsidized housing units and an aging housing stock. Each neighborhood within the Reinvestment Area is distinct with strong neighborhood identity and the desire for controlled economic growth.

The neighborhoods within the Reinvestment Area are served by city services but have some limitations with drainage, streets, curbs, sidewalks, recreational facilities, and health facilities. Access to major transportation routes is easily reached from almost all neighborhoods within the area. Vacant developable land is available throughout the area for residential, commercial and industrial use. There are competitive constraints to reinvestment in commercial properties due to contamination issues and small parcel sizes. The Reinvestment Area is seeing some new economic development, however, credit is often difficult to obtain due to the low-income image of the area and reinvestment rates are relatively low.

B. Why has this area been selected for Neighborhood Reinvestment Area designation? How were the boundaries determined?

The City used a number of factors in selecting the area for designation. They included:

1. Does the area have economic expansion potential with firms that can benefit from the State's sales and use tax deferral program? ; and
2. Does the area have an active network of community-based organizations involved in the economic, community and human development needs of the community? ; and
3. Are there current community development plans and strategies to guide actions within the area ?

For the area outlined, these three factors exist. Additionally, a further detailed analysis of the income levels and estimated unemployment rates was conducted with HUD CDBG estimates and the Washington Department of Employment Security. The final boundaries were determined where the resident population met the designation criteria.

C. What is the total population in the proposed area?

Based on 1990 census data, the population was 106,304. The U. S. Department of Housing and Urban Development estimated a 1993 population of 96,092 for the Reinvestment Area.

D. What is the age distribution by percent of population in the proposed area?

Under 16 22.4% 16-24 12.6% 25-44 35.3% 45-64 16.9% 65 + 12.8%

III. EXISTING BUSINESS BASE

Please provide response to the following questions regarding the current business base based on available data. If data is not available, you may choose to provide your best estimate or leave the question blank.

A. What is the approximate number of business currently located in the proposed neighborhood reinvestment area?

There are approximately 4,406 businesses located in the Reinvestment Area. These estimates were derived from City of Seattle - Business License Data.

B. What is the current business mix, based on percentage of total businesses?

<u>Sector</u>	<u>Number of Firms</u>	<u>% of Total</u>
Agriculture/Mining	54	1 %
Construction	493	11 %
Manufacturing	745	17 %
Transportation	188	4 %
Communications/Utilities	3	1 %
Wholesale Trade	1009	23 %
Retail Trade	585	13 %
Finance, Insurance, Real Estate	86	2 %
Services	1206	27 %
Government	37	1 %

C. Please identify the five largest employers in the proposed area:

U.S. Government	2,131 employees
Providence Medical Center	2,000 employees
Gai's Bakery	700 employees
City of Seattle	616 employees
Food Services of America	600 employees
Aldus	571 employees

D. What financial institutions are located in the proposed reinvestment area:

Seattle is a regional center for financial services for both domestic and international commerce. With the closure of Emerald City Bank by the Federal Deposit Insurance Corporation in 1993, it is notable that the Neighborhood Reinvestment Area has no institutions that are what is commonly regarded as community banks. Institutions with locations within the Neighborhood Reinvestment Area are:

<i>Institution</i>	<i>Total Assets 6/30/93</i>
Seattle-First National Bank	\$15,098,764,000
Key Bank of Washington	\$6,594,038,000
US Bank of Washington	\$5,908,213,000
First Interstate Bank of WA	\$3,672,428,000
Washington Federal Savings & Loan Association	\$3,152,671,000
Washington Federal Savings	\$2,775,000,000
West One Bank of Washington	\$1,755,225,000
Washington First International Bank	\$54,150,000
Swedish Hosp Employees Federal Credit Union	\$17,378,000
Eastside Credit Union	\$8,490,000
Kenworth Employee Credit Union	\$7,888,000

Source: McFadden American Financial Directory, Fall 1993

E. What are the major public agencies and non-profit development organizations located in the area (government, community colleges, community development corporations, etc.)?

Some of the major public agencies and non-profit development organizations located within the Neighborhood Reinvestment area include:

Major Public Agencies

City of Seattle - Parks Facilities, Libraries, etc.
Central Area Health Clinic
Pacific Medical Center

State of Washington

Department of Employment Security (ESD)
Department of Social and Human Services (DSHS)
Seattle Vocational Institute (SVI)
South Seattle Community College

Federal Government

Veteran's Hospital

Non - Profit Development Organizations

African American Heritage Foundation
Asian Counseling and Referral Service
Black Dollar Days Task Force
Catholic Community Services
Center for Career Alternatives
Central Area Community Development Association
Central Area Motivation Program (CAMP)
Central Area Youth Association (CAYA)
Chinese Information and Service Center
El Centro de la Raza
Employment Opportunities Center (EOC)
Interim Community Development Association
International District Public Development Authority
Metropolitan Seattle Urban League
Southeast Effective Development (SEED)

F. What is the approximate number of commercial buildings in the area?

There are approximately 4,223 commercial buildings in the Reinvestment Area.
(Source - King County Assessment Files)

G. What is the approximate commercial building vacancy rate?

The estimated commercial vacancy rate for the area is 5.5% as provided by Coldwell Banker. This figure does not include unusual or hard-to-market buildings so a more accurate vacancy estimate would be closer to 10%.

H. What is the approximate number of industrial buildings in the area?

Of the commercial building inventory, approximately 1,586, or 38% of the inventory are being used for industrial uses.
(Source - King County Assessment File)

I. What is the approximate industrial building vacancy rate?

The current estimate for an industrial vacancy rate is less than 4%. This figure includes unusual and/or hard-to-market buildings as per Coldwell Banker market research..

J. What percentage of commercial/industrial buildings are:

Owner occupied	<u>45%</u>	Renter occupied	<u>55%</u>
----------------	------------	-----------------	------------

K. Of the renter occupied commercial/industrial buildings, what percentage is controlled by absentee landlords ?

Approximately 70% of the renter occupied buildings have landlords within the Seattle metropolitan area. Of this figure, it is impossible to tell whether the tax payer also owns the company sited there. The remaining 30% reside outside the immediate metropolitan area.
(Source - King County Assessment Files)

L. What percentage of area's housing is:

Owner occupied	<u>51%</u>	Renter occupied	<u>49%</u>
----------------	------------	-----------------	------------

M. Of the renter occupied housing, what percentage is controlled by absentee landlords?

Approximately 75% of the rental housing is owned by people residing within the Seattle metropolitan area. The remaining 25% reside outside of this area.
(Source - King County Assessment Files)

IV. NEIGHBORHOOD REINVESTMENT AREA PLAN

- A. **Briefly describe the process used to analyze the needs of the proposed neighborhood reinvestment area and the strategy. Identify the key participants in the process and the steps taken to involve community groups and area residents in the development of the plan.**

The needs of the Neighborhood Reinvestment Area were analyzed through a review and compilation of 79 planning and policy documents relevant to the area. These documents ranged from census data, to the proposed Seattle Comprehensive Plan and Capital Improvement plan, to social service needs assessments and policy frameworks, to individualized neighborhood plans developed through grass roots initiatives at problem identification and strategy development. These documents are listed in the Index to the plan and a synopsis of the processes used to develop each document is available through the City of Seattle, Office of Economic Development. The neighborhood plans that form a key element in the plan typically involved extensive surveying of residents and businesses within the neighborhood boundaries, focus groups, interviews and open houses (or other presentations) to solicit input. Most of the plans have been developed and refined over many years. The specific processes used in development of the neighborhood specific strategies in the plan are described in the body of the plan as preface to the strategy descriptions.

- B. **Please summarize the priority goals and expected outcomes to be achieved through the reinvestment strategy.**

Priority goals and outcomes of the reinvestment strategy are as follows:

Create compact, densely developed, transit-oriented, mixed use communities supported with adequate transit service, parks, open space, and urban services through the Urban Villages Strategy.

Create a business environment that will retain and encourage expansion of businesses that pay above average wages and are good stewards of the environment through training and education, streamlined regulations and processes affecting land development, use of programmatic environmental impact statements, regular review of construction, tax, bonding and development requirements, development of infrastructure including advanced telecommunications, and support for capital accessibility.

Empower communities, their residents and leaders through funding, leadership training, and support of grass roots planning. Hold the City accountable for regularly reviewing progress in addressing community-identified needs.

Preserve affordable housing through a variety of strategies so that reinvestment benefits current residents rather than displaces them.

C. Is the proposed strategy consistent with the existing comprehensive plan and zoning ordinances for the area?

Yes. The proposed strategy is consistent with existing policies and the current framework policies for the City's Comprehensive Plan. It is consistent with zoning ordinances, individual community plans and policies.

D. Describe how you plan to monitor the implementation and evaluate the results of the reinvestment plan. Please specify how community groups and area residents will be kept involved and informed while the strategy is being carried out.

Upon receipt of State approval for the Neighborhood Reinvestment Area, the City will develop a three-part evaluation process.

1. Develop a process with appropriate State agencies (Department of Revenue, Department of Employment Security, and the Department of Community, Trade and Economic Development) to provide summaries of deferral and employment actions taken during the year.
2. Provide continual development updates and interdepartmental interactions through the Mayor's Economic Development Sub-Cabinet. This Cabinet includes City departments involved in economic development activities and will be used to implement City initiatives, coordinate the delivery of City services with private and community investment, and prioritize City expenditures.
3. Establish regular meetings with community residents, organizations and business groups to discuss development initiatives within the Reinvestment Area. The City currently has a proven system with community groups to report on actions taken or considered which impact their community. These will be expanded to business organizations. The Mayor also meets with community residents through a series of Town Hall meetings. The Reinvestment Area will be a regular agenda item for these sessions as well.

Lastly, through the comprehensive planning process, City departments will begin developing more detailed community plans and implementation strategies. All of the efforts undertaken within the Reinvestment Area will be evaluated within that process so that approaches can be modified and City policy support positive actions.

V. LOCAL COMMITMENT

- A. **Summarize the support for this designation from local non-profit organizations, local government, major property owners, business owners, residents and others within the reinvestment area. Identify any specific commitments made to help carry out the reinvestment strategy.**

The attached Reinvestment Area Strategy list a number of program and project funding commitments to this area. They include prioritization of CDBG funds, the City's Human Services Program and the Children and Family Action Plan. The City Council has identified the Reinvestment Area as a priority geographic area within the City and this designation provides for expedited regulatory reviews for private investment, as well as budget prioritization for project implementation.

Since the program was announced, the City has received a number of inquiries from private companies, developers and real estate brokers indicating solid interest in the program and its benefits.

Community-based development organizations and community residents are the core supporters for this application. Their community plans and projects have been incorporated within the Reinvestment Strategy, and presentations before their community councils and boards have been very positively received.

Through the Strategy, the City has committed to continually work with the community and businesses to enhance the development of jobs within the area. Budget priorities have been identified and community projects prioritized.

- B. **Describe any past efforts by the *public* sector in the proposed area aimed at revitalization. Joint efforts involving the private sector should be included:**

The plan contains a representative list of recent public sector investments and commitments aimed at revitalization. Among those cited are:

Development of a 28+ acre park over Interstate 90 Freeway which is a joint project of the Washington State Department of Transportation and the City of Seattle

Multi family housing developments in the International District by El Centro de la Raza and Interim Community Development, funded through public programs to assist in the development of affordable housing. In total the City of Seattle Department of Housing and Human Services completed the rehabilitation and/or construction of approximately 1,350 low-income housing units in the City in 1992, with a large share of the total investment of \$80 million flowing to the Neighborhood Reinvestment Area.

Application by the Seattle Housing Authority for a \$500,000 Urban Revitalization Planning Grant for the Holly Park community.

Leadership training through the Washington Community Development Academy jointly funded by the City of Seattle and Local Support Initiatives Coalition.

Planned street improvement in the Neighborhood Reinvestment Area valued at in excess of \$25 million.

Park improvements throughout the Neighborhood Reinvestment Area with an estimated cost of \$10.4 million.

Entrepreneurial training programs funded by the City of Seattle to Employment Opportunities Center, Seattle Vocational Institute and Black Dollar Days Task Force.

Planned funding for new community development corporations in the Central Area.

A Central Area Capital Fund which will provide equity capital for community-based development organizations involved in real estate development. Funds are coming from the HUD Special Grant, CDBG funds and LISC.

C. Describe any past efforts by the *private* sector in the proposed area aimed at revitalization. Joint efforts involving the public sector should be included:

Some of the past investment by private and public/private initiatives include:

Medical related investments within or on the periphery of the Central Area by Group Health Cooperative, Seattle Central Community College, Seattle Vocational Institute, the new Central Area Medical Clinic, Providence Medical Center, and others. Total permits for investments in medical structures in the "East-mid sector" from 1984 -1989 valued 19 proposed construction projects at \$70.3 million.¹

\$108 million of permit activity in non-residential structures in the Duwamish from 1984 to September 1989.¹

The Seattle Small Business Lenders Association, a consortium of major Seattle financial institutions has made \$ 1.75 million available for small business credit needs in the Central Area and Southeast. This is a joint project with the City of Seattle and four area banks.

The Good Neighbor Fund begun in 1991, has provided over \$ 60,000 in matching grants to businesses for facade repair. Although a small program financially it has been very successful in helping small businesses and improving relationships in neighborhoods.

Three substantial new retail centers (Asian Plaza with over 44,000 square feet), Jackson Street (with over 13,000 square feet), and Ding How (75,000 square feet) demonstrate the entrepreneurial spirit and reinvestment contribution of Asian investors.

The investment of \$ 750,000, to substantially renovate the Promenade 23 Shopping Center located at 23rd & Jackson Street.

The investment of \$ 2.5 million is redeveloping deteriorated buildings at 23rd Avenue and Union Street in the Central Area.

The construction of a new \$ 13 million retail center in the Rainier Valley. This project represents to largest retail development in the community and will provide a large grocery and drug store.

¹Commercial Development in Seattle, December 1, 1989

- D. Has the proposed area been designated by the local legislative authority as an area to receive federal, state and local assistance designed to increase economic, physical, or social activity in the area? If so, explain the process:**

Yes. The Seattle City Council, through resolution, designated this Reinvestment Area as a targeted geographic area for the City of Seattle. A copy of the resolution is attached.

RESOLUTION 28879

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A RESOLUTION relating to economic development; designating a priority geographic area; and directing to Mayor to submit an application to the State of Washington to create a special economic designation for this priority area.

WHEREAS, The City of Seattle encourages Seattle neighborhoods to take part in the development of neighborhood plans to promote neighborhood identity and help meet neighborhood needs; and

WHEREAS, The City of Seattle has recognized community planning initiatives in the Central Area and Southeast Seattle, and has supported community planning initiatives in Delridge and Beacon Hill; and

WHEREAS, The City of Seattle's Comprehensive Plan Framework Policies provide for the establishment of priority geographic areas for distressed communities and for the manufacturing and industrial centers; and

WHEREAS, the State of Washington has created a special Neighborhood Reinvestment Area designation which provides for the extension of the State's Sales Tax Deferral Program to manufacturers, research & development companies and computer, software development companies located in these designated areas; and

WHEREAS, The City of Seattle has an economically disadvantaged area in which a number of businesses could benefit from this State Neighborhood Reinvestment Area designation; NOW THEREFORE.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. The area identified by the map shown as Exhibit A is recognized as a priority geographic area of the City of Seattle for recognition by the State of Washington. This area is hereby designated as an area to receive federal, state and local assistance designed to increase economic, physical or social activity in the area.

Section 2. The Mayor, or his designee, is authorized to prepare and submit an application to the State of Washington, Department of Community Development for designation of the area shown on Exhibit A under the Neighborhood Reinvestment Area program, and is further authorized to make, for and on behalf of The City of Seattle, all assurances, certifications, and representations required in connection with the application. The Mayor, or his designee is authorized to prepare and submit the five-year neighborhood reinvestment plan required by the application based upon the relevant plans and policies for the designated area previously adopted or recognized by the City.

ADOPTED by the City Council of the City of Seattle the 22 day of Feb, 1994, and signed by me in open session in authentication of its adoption this 22 day of February, 1994.

[Signature]
President of the City Council

Filed by me this 28 day of February, 1994.

BY: [Signature]
Deputy Clerk

THE MAYOR CONCURRING:

[Signature] 2/28/94
Norman B. Rice, Mayor



STATE OF WASHINGTON

DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT

906 Columbia St. SW • PO Box 48300 • Olympia, Washington 98504-8300 • (206) 753-2200

March 31, 1994

RECEIVED
APR 04 1994
MAYORS OFFICE

The Honorable Norman B. Rice
Mayor, City of Seattle
1200 Municipal Building
600 Fourth Avenue
Seattle, Washington 98104

Dear Mayor Rice:

I am pleased to inform you that your application for designation of a Community Empowerment Zone (formerly known as Neighborhood Reinvestment Area) has been approved subject to the conditions described below. Congratulations!

As you may know, the 1994 Washington State Legislature passed EHB 2664, a bill which made several important changes to the sales tax deferral program. One key change is that the deferral for qualified projects has now been made an exemption. The primary change affecting Community Empowerment Zones is the requirement that a business seeking the exemption fill at least 75% of the new employment positions with residents of the Zone. The business is not required to be physically located in the Zone so long as the employment requirements are met by December 31 of the year in which the project is operationally completed and maintained for each of the seven succeeding years.

Through EHB 2664, the Legislature has clearly signalled its intent that employment for residents of the Zone is a principal state goal for making the designations. I believe this change will significantly strengthen the impact of the Zone designation. However, the passage of the new legislation occurred after the deadline for applications and we have only now been able to assess the impact of the new law.

Because of this strong new legislative direction, we believe that the Zone designations should be reviewed so that jobs created by the tax incentive program can be filled by residents of those areas most in need of economic opportunity. At a minimum, we are requesting that you review your proposed area to focus on those areas and residents that are your highest priority. To achieve this, we would like to meet with your representatives to discuss the impact of the tax incentive changes and potential strategies, including fine tuning of your Zone boundaries, to direct new employment opportunities to areas of greatest need. We will be following up with your application contact person this week to make arrangements for this meeting.

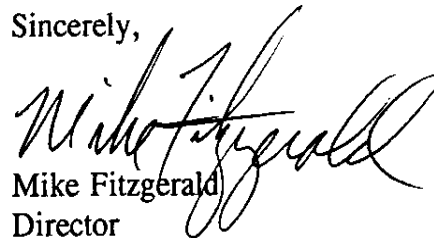


The Honorable Norman B. Rice
March 31, 1994
Page Two

One component of this approach may be a requirement that each census tract proposed for inclusion in your Zone meet the income and unemployment level criteria contained in the original legislation and request for proposals. If your application was based on an aggregate of all tracts in your proposed Zone, we will need you to submit data for each census tract included in your Zone, and a revised map of the Zone if needed. A form for providing this information is enclosed for your use. Once this information is received, we will review the data and provide a final designation for the boundaries of the Zone. It would be very helpful to have this information available in draft form when we meet with your representatives; our goal is to finalize the designations by April 29, 1994.

I have enclosed a summary description of the changes to the tax deferral program for your reference and a copy of the full bill. If you have any questions concerning this information, or the requirements for additional data on your proposed Zone, please contact Michele Brown at (206) 586-0657.

Sincerely,






























A handwritten signature in black ink, appearing to read "Mike Fitzgerald", written in a cursive style.

Mike Fitzgerald
Director

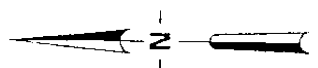
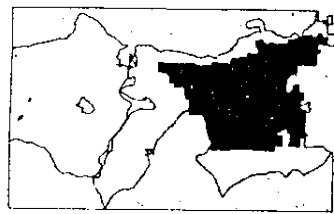
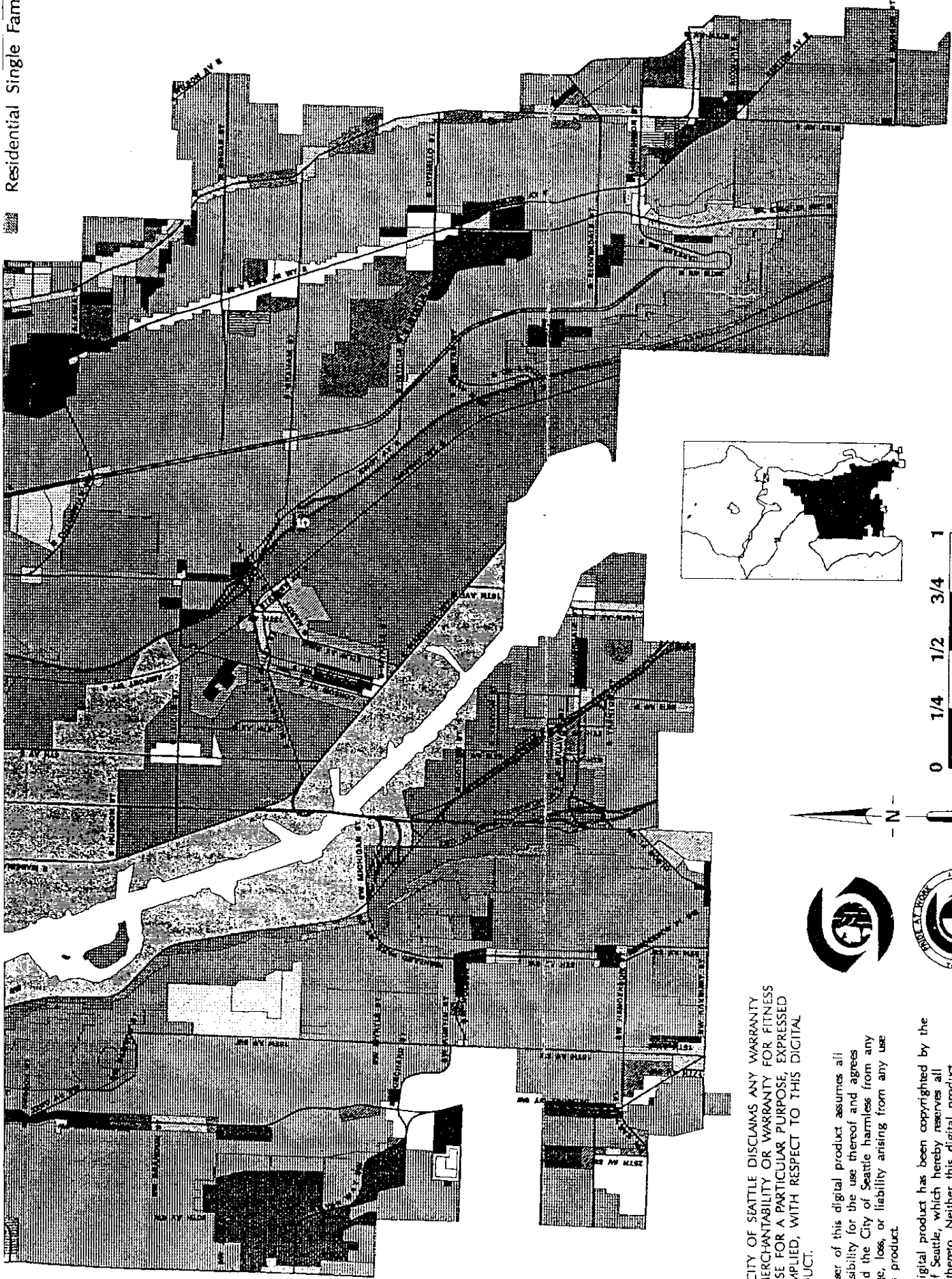
MF:jmh
Enclosures

cc: Chuck Depew

City of Seattle State of Washington Neighborhood Area Reinvestment Area Zoning

-  Business Commercial
-  Commercial 1
-  Commercial 2
-  General Commercial
-  Downtown Harborfront 1
-  Downtown Office Core 2
-  Highrise
-  Industrial Buffer
-  Industrial Commercial
-  International District Mixed
-  International District Residential
-  General Industrial
-  General Industrial 1
-  General Industrial 2
-  Heavy Industrial
-  Lowrise 1
-  Lowrise 2
-  Lowrise 2 Residential/Commer
-  Lowrise 3
-  Lowrise 3 Residential/Commercial
-  Lowrise/Duplex/Triplex
-  Major Institution Overlay
-  Midrise 1
-  Neighborhood Commercial 1
-  Neighborhood Commercial 2
-  Neighborhood Commercial 3
-  Pioneer Square Mixed
-  Residential Duplex
-  Residential Single Family 5000
- Residential Single Family 7200





Miles



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City of Seattle

Executive Department—Office of Economic Development

Mary Jean Ryan, Director
Norman B. Rice, Mayor



June 20, 1996

To: Henry Liebman

From:  Chuck Depew

SUBJECT: Special Economic Development Designations

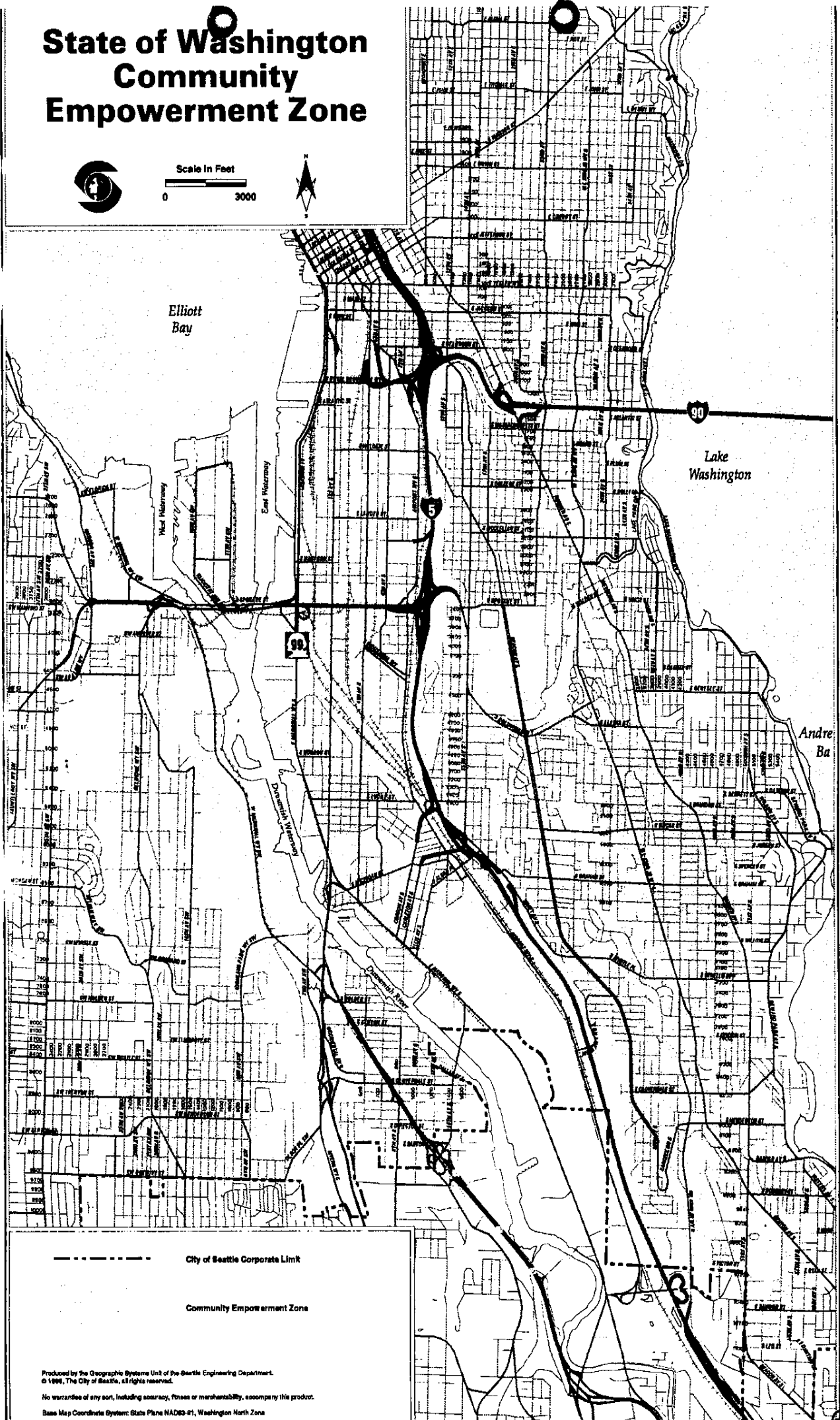
I have attached the application and map for the State of Washington's Community Empowerment Zone (previously Neighborhood Reinvestment Area) and a map of the federal Enterprise Community designated area.

I hope that these assist your efforts. Please let me know if the Office of Economic Development Can assist you ant further.

State of Washington Community Empowerment Zone



Scale In Feet
0 3000



Produced by the Geographic Systems Unit of the Seattle Engineering Department.
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No warranty of any sort, including accuracy, fitness or merchantability, accompanies this product.
Base Map Coordinate System: State Plane NAD83-01, Washington North Zone

Washington State
 Employment Security Dept.
 Labor Market and Economic Analysis
 July 25, 1996

**LABORFORCE, UNEMPLOYMENT AND UNEMPLOYMENT RATE
 1995 ANNUAL AVERAGE**

<u>SUB-AREA</u>	<u>RESIDENT LABORFORCE</u>	<u>UNEMPLOYMENT</u>	<u>UNEMPLOYMENT RATE</u>
<u>ALL AREAS GRAND TOTAL</u>	68,648	6,110	8.9%
CENTRAL AREA			
77-BG 1,2,3,4	2,254	147	6.5
79-BG 1,2,3,4	2,371	153	6.5
85-BG 2,3	438	90	20.5
86-BG 1,2,3,4	1,369	138	10.1
87-BG 1,2,3,4,5	2,284	361	15.8
88-BG 1,2,3,4,5	2,368	296	36.6
89-BG 3,4,5,6	1,482	143	9.6
90-BG 1,2,3	940	110	11.7
94-BG 6	343	0	0.0
Sub-total	13,849	1,438	10.4
INTERNATIONAL DISTRICT			
91-BG 1,2,3,4	883	99	11.2
92-BG 1	309	58	18.8
Sub-total	1,192	157	13.2
PIONEER SQUARE			
92-BG 2,3	821	170	20.7
Sub-total	821	170	20.7
DUWAMISH			
93-BG 1,2,3,4,5,6,7,8	1,718	104	6.1
109-BG 1,2,3,4,5	842	86	10.2
Sub-total	2,560	190	7.4
SOUTHEAST SEATTLE (INCL. BEACON HILL)			
94-BG 1,2,3,4,5	3,232	234	7.2
95-BG 5,6,7,8	1,315	196	14.9
100-BG 1,2,3,4,5,6	4,108	235	5.7
101-BG 3,4,5	1,636	183	11.2
102-BG 3,4	1,131	99	8.8
103-BG 2,3,4,5	2,863	378	13.2
104-BG 1,2,3,4,5,6,7,8	6,490	293	5.3
110-BG 1,2,3,4,5	3,211	448	14.0
111-BG 3,4,5,6	3,530	346	9.8
117-BG 1,2,3	2,910	167	5.7
118-BG 3,4,5,6	2,463	243	9.9
119-BG 5	912	46	5.0
Sub-total	32,801	2,868	8.7
W. SEATTLE (DELRIDGE/HIGHPOINT)			
99-BG 1,2,3,4,5,6	2,893	238	8.2
107-BG 1,2,3,4,5,7	3,007	412	13.7
108-BG 1,2,3	2,596	154	5.9
112-BG 1,2,3,4	1,827	190	10.4
113-BG 1,2,3,4,5	4,210	138	3.3
114-BG 2,3,4	2,892	156	5.4
Sub-total	17,428	1,287	7.4

City of Seattle

Executive Department Office of Economic Development Employment Security Department

1000 4th Avenue
Seattle, WA 98101



July 19, 1996

Henry Liebman
Cole, Norwall & Liebman
720 Olive Way, Suite 1300
Seattle, WA 98101-1812

Dear Mr. Liebman:

You requested information for the Washington State Empowerment Zone regarding the various factors relating to cumulative percentage of unemployed labor force for the area. Utilizing data provided by the Washington State-Employment Securities Department, the unemployment rate for the Empowerment Zone is approximately 8.9%.

This estimate represents the 1995 Annual Average and is the most current information available for sub-county calculations. Should you have additional questions, please feel free to contact me at 684-8248.

Sincerely,

Dwight J. Prevo



STATE OF WASHINGTON
EMPLOYMENT SECURITY DEPARTMENT
PO Box 9046 • Olympia, WA 98507-9046

August 14, 1996

Henry Liebman
Cole, Norwall & Liebman
720 Olive Way, Suite 1300
Seattle, WA 98101-1812

Dear Mr. Liebman:

The Employment Security Department has determined that the unemployment rate for the empowerment zone previously defined as Central Area, International District, Pioneer Square, Duwamish, SouthEast Seattle, and West Seattle is 8.9 percent. This is the annual average rate for 1995.

The official methodology for calculating sub-county unemployment estimates utilizes ratios from the 1990 census. These ratios are then applied to our current estimate for the county to calculate a sub-county estimate. These procedures will not show any changes in relationships between the county and the subcounty that has occurred since the 1990 census.

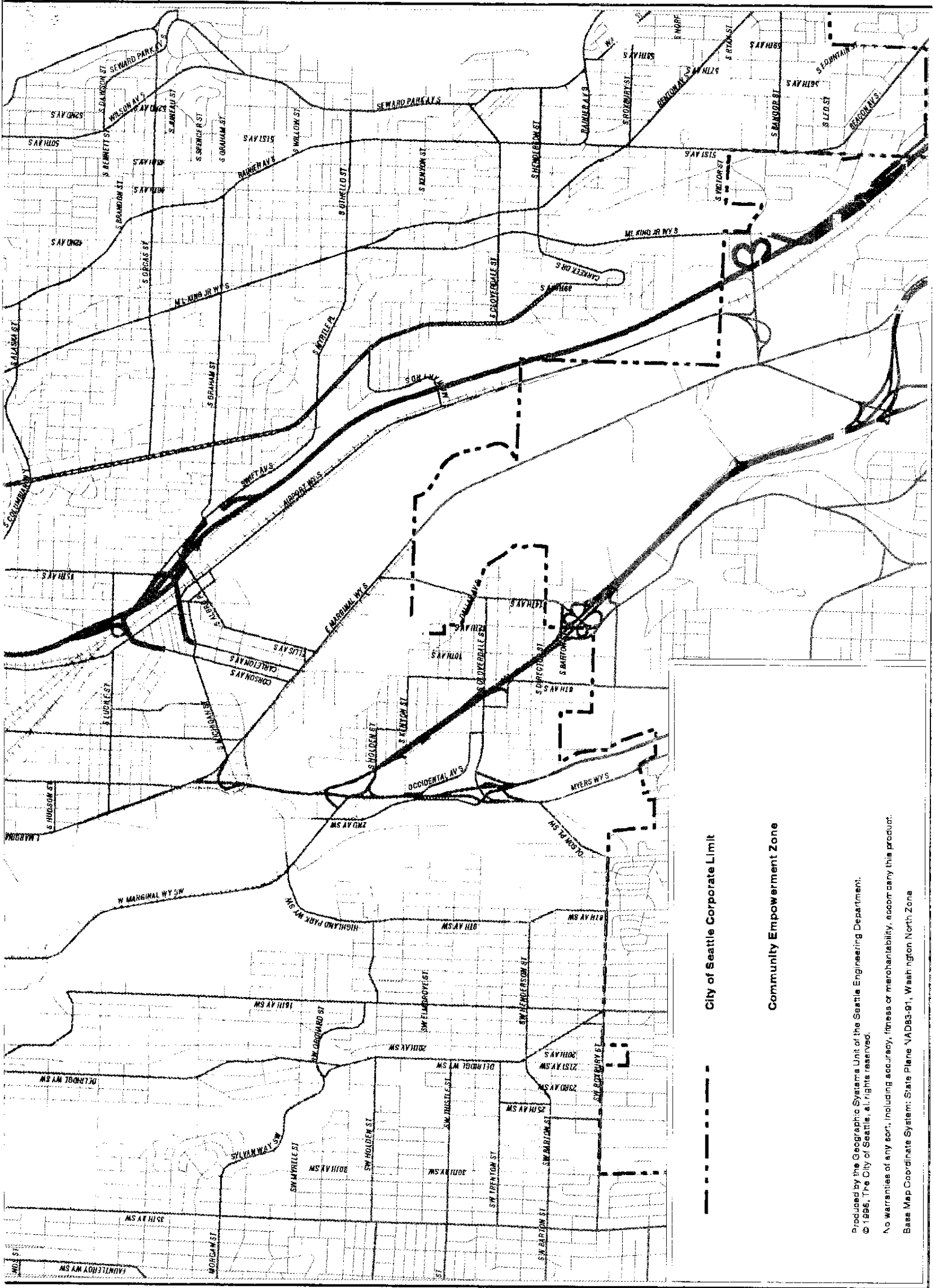
Should you have any questions about this information, please feel free to contact me at (360) 438-3163. I will be glad to answer any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Norris".

Tim Norris
Employment Security Dept.

Enclosure



--- City of Seattle Corporate Limit

- - - Community Empowerment Zone

Produced by the Geographic Systems Unit of the Seattle Engineering Department.
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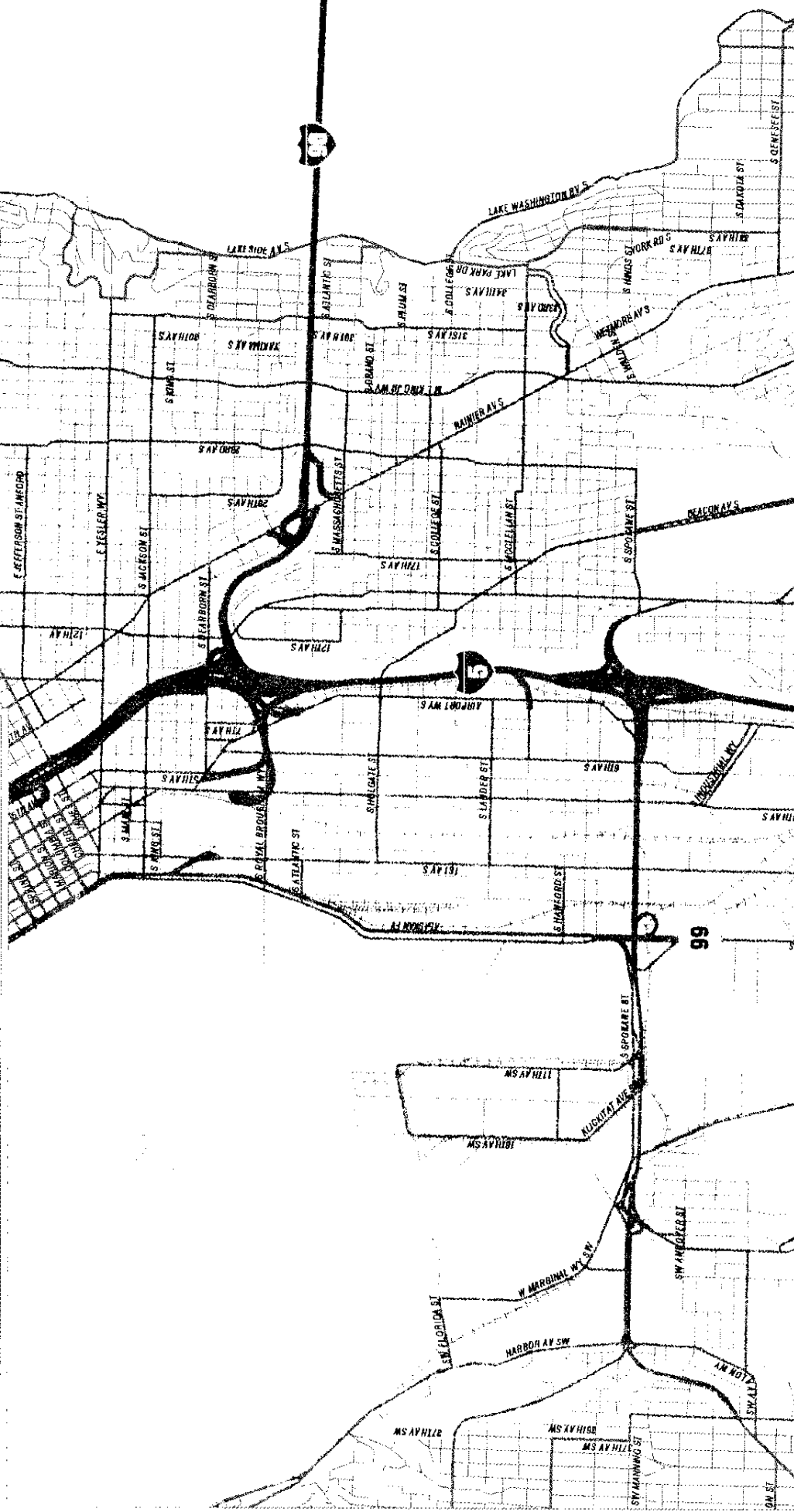
No warranties of any sort, including accuracy, fitness or merchantability, accompany this product.

Base Map Coordinate System: State Plane NAD83-91, Washington North Zone

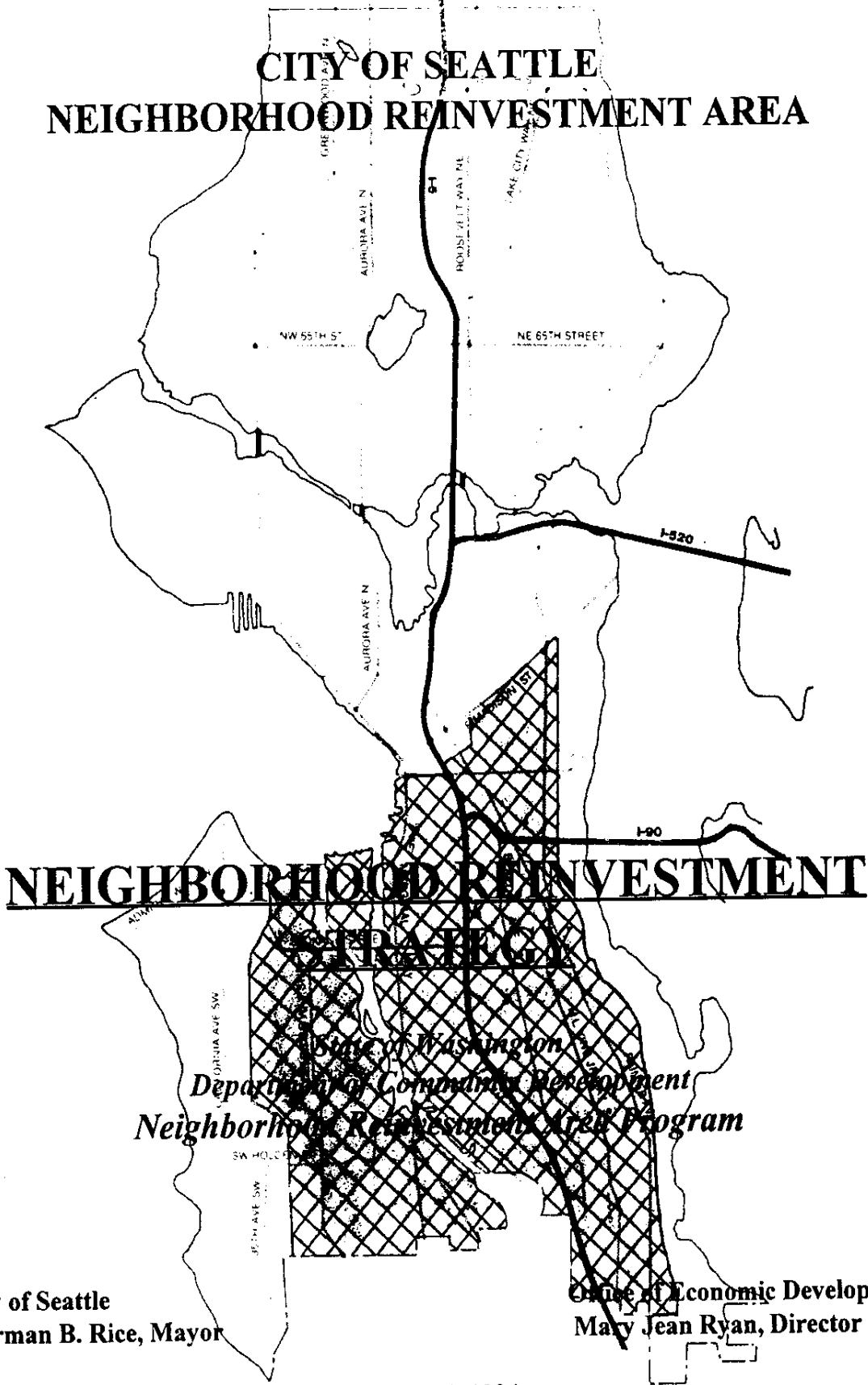
State of Washington Community Empowerment Zone



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CITY OF SEATTLE NEIGHBORHOOD REINVESTMENT AREA



March 4, 1994

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INTRODUCTION

The City of Seattle has nominated an area of central and south Seattle as a Neighborhood Reinvestment Area under State law. This plan was developed as part of the application for this designation. This plan is organized in five major sections:

A Summary of the Neighborhood Reinvestment Area and Reinvestment Plan describes the general characteristics and needs of the Reinvestment Area and outlines major strategies that are detailed later in the plan.

The Neighborhood Reinvestment Area in Perspective describes major trends and relationships in the City of Seattle and King County that effect the Neighborhood Reinvestment Area.

Sub Area Profiles describe the characteristics of five sub areas that are included in the Reinvestment Area: the Central Area, the Southeast, Pioneer Square and the International District, Delridge/High Point and the Duwamish. These profiles summarize key information on the geography, population, economic characteristics, housing, infrastructure, social characteristics, health statistics, recreation and transportation amenities, and economic development readiness and needs. Each sub area profile is concluded with a summary of major strengths, weaknesses, opportunities and threats.

Five year Neighborhood Reinvestment Area Strategic Plan describes (a) goals and strategies to address the economic development, human and community development, public safety, infrastructure and public facilities needs identified in the sub area profiles; (b) profiles the organizations available to help achieve these goals and objectives; (c) profiles the major financial resources available and potentially available to help fund the reinvestment strategy and (d) provides an representative list of reinvestment projects and funding commitments.

An Index completes the plan. This index describes documents that were used in preparing this plan. Many of these are still operational planning and implementation documents for the Neighborhood Reinvestment Area.

A SUMMARY OF THE NEIGHBORHOOD REINVESTMENT AREA AND REINVESTMENT PLAN

CHARACTERISTICS

The Neighborhood Reinvestment Area is generally bounded by downtown Seattle and E. Madison on the north and Seattle city limits on the south. Seattle is a city of neighborhoods and within the Reinvestment Area there are many including the Central Area, Southeast Seattle (including Beacon Hill), the International District, Pioneer Square, Delridge and High Point and the Duwamish.

The area contains a rich diversity of people. Residents in the Neighborhood Reinvestment Area tend to be younger, on average, than elsewhere in the City of Seattle. The area is considerably more racially diverse than the County and City, as a whole. People of color, especially Asians, African Americans and Pacific Islanders are the predominant racial and ethnic groups in parts of the Reinvestment Area and, for instance, the Central Area is known as the center of the African American community as is the International District for the Asian community. Persons facing cultural and language barriers are more pronounced in the Reinvestment Area than elsewhere in the City.

Residents of the Reinvestment Area are much more likely to live in poverty (especially children), be homeless, be unemployed, have serious health risks, and be less educated than the city average. High crime rates plagued portions of the Reinvestment Area. Much of the area suffers from a poor image in the wider community.

The Reinvestment Area has a rich history reflected in the housing stock, commercial buildings, public facilities and churches. While historic structures have attracted investment (such as in Pioneer Square) the overall age of the stock means that the area suffers from considerable deterioration and functional obsolescence. Deterioration of the community is also a result of the lower than average owner occupancy rates and high vacancy rates in housing units.

Residents, business persons, organizations and institutions from the Reinvestment Area are heavily involved in developing and implementing community improvement initiatives. This plan is the outgrowth of hundreds of hours of community based planning activities.

The Reinvestment Area is generally well served by major transportation routes, public facilities, and basic infrastructure. Deficiencies that do exist in curbs, streets and sidewalks, recreational facilities, health facilities, parking, and drainage improvements have been identified and are being aggressively funded by the City of Seattle in its Capital Improvement Plan.

There are pockets of substantial reinvestment in the area. Recent private investment by real estate developers, Asian investors, and regional retailers indicate a development

interest in the area. Housing prices, among the lowest in the City, are favorable for capturing a market that is being otherwise priced out of City living. However, reinvestment rates are lower than in other areas of the city and the general perception remains that lending institutions are reluctant to lend in most of the Reinvestment Area.

Reinvestment potential, however, is great. The Duwamish, the major employment center for the area, is one of the largest and strongest industrial areas in the City of Seattle, with land prices affordable to a wide range of businesses. Throughout the area there is a substantial amount of developable land near major transportation routes. There appears to be significant economic leakage from the area for goods and services that are convenience and basic items such as personal care services and groceries. The communities are pro-business and work to encourage a supportive and favorable business climate.

Despite these favorable conditions, employment growth, especially of higher wage jobs, is hampered by soil contamination issues, difficulties involving land assemblage, and the high cost of renovating older buildings. In order to retain jobs near low income communities the City of Seattle must pursue strategies to overcome these competitive disadvantages that frequently cause jobs to move to the newer, undeveloped areas in the suburbs.

STRATEGIES

Strategies to address reinvestment needs and opportunities have been developed at many levels: regionally, city and community. This plan contains details on regional and city strategies that involve the Reinvestment Area, strategies that are targeted to low income residents of the area and strategies that have been developed for each affected neighborhood through grass roots planning efforts. Below is an outline of the thrust of the most significant strategies that have wide implication throughout the Reinvestment Area.

All of the Reinvestment Area will be affected by the Urban Villages Strategy which is the heart of the proposed Seattle Comprehensive Plan. This strategy works toward creating compact, densely developed, transit-oriented, mixed use communities supported with adequate transit service, parks and open space and urban services.

Economic development strategies emphasize creating long term economic opportunity and social equity for all Seattle residents by helping to shape an economy characterized by high wage levels and by firms, institutions, and employees embracing the best practices of environmental stewardship. The emphasis is on expansion and retention of existing businesses and major institutions over outside business recruitment. Other areas of emphasis include small business, businesses with better than average economic impacts, areas of pivotal roles in the economy such as downtown and industrial centers, and distressed communities.

The development of community organizational capacity is a key strategy. Trust must be placed in the community to make fundamental decisions about resources, priorities and actions. Increasingly community involvement is viewed as critical to ensuring that

economic, social and other benefits of reinvestment flow to the residents of the area and not to people who flow in as the reinvestment climate changes. Particularly among ethnic and racial minorities, the accumulation and control of wealth by members of the community rather than the majority population is a central strategy.

Skill development training of employees, community leaders, and residents from basic education, competency training, retraining for dislocated workers, training in international affairs, leadership training, entrepreneurial training, and English as a second language training are all key components of the City's economic development strategy. A large focus is placed on training, development and empowerment of youth in several of the community based planning initiatives.

Strategies to improve the business climate include streamlining regulations and processes affecting land development, use of programmatic environmental impact statements, regular review of construction standards, tax policies, bonding requirements and development requirements, and improvements in communications between business and the City, the City and residential communities affected by economic development, and the City and other jurisdictions.

Emphasis will be placed on developing infrastructure and capital facilities supportive of business development and expansion including advanced telecommunications infrastructure.

Human services strategies give priority to low income populations and communities by both targeting resources and improving access to services. Much of the focus is on the family beginning with infant health care, child care, reduction in neglect and exploitation, public safety, and increased sensitivity towards people of diverse backgrounds.

Housing strategies include the preservation of affordable housing, provision of a variety of housing options, homelessness prevention, homeownership strategies for low and moderate income households, and housing rehabilitation strategies.

The City's Capital Facilities Plan allocates approximately \$2 billion over the next six years for transportation and utility projects, major maintenance, renovation and repairs projects, capital development projects and housing development.

Neighborhood strategies also focus on increasing the amount of private financing available to the community, public safety initiatives, the clean-up of vacant and deteriorated properties, improvements in recreation, health and transportation facilities, and improvements to the visual appearance of the neighborhoods.

**Neighborhood Reinvestment Area
PERSPECTIVE**

THE NEIGHBORHOOD REINVESTMENT AREA IN PERSPECTIVE

This overview is provided to put the proposed Neighborhood Reinvestment Area into a regional and city perspective, by highlighting its characteristics. In addition, when trends and opportunities of the region are particularly important to the future of the Neighborhood Reinvestment Area, these are highlighted.

POPULATION CHANGE

Between 1990 and 1992 population in the county increased at an average annual rate of 1.7 percent adding 57.2 thousand people to reach a total of 1,564,500. The greatest increases were in the east and south parts of the county; Seattle's gain was very low with an average annual growth rate of only .4 percent. All metropolitan areas have experienced suburbanization since WWII, first with housing and then with employment moving from the urban core. An estimated 69% of the Seattle/Tacoma (MSA) population live in the suburbs. A major thrust of community and economic development in Seattle is to build a strong quality of life and business climate that will ensure the City's competitiveness, especially its more distressed communities, with the trend toward suburbanization, especially of jobs.

Table 1
Population Change
(in thousands)

Area	1980	1990	1992	Av Ann. % Growth 1980 - 90	Av Ann. % Growth 1990 - 1992
King County	1,269.7	1,507.3	1,564.5	1.9	1.9
Seattle	493.8	516.2	522.0	0.4	0.6

Source: 1990 US Census of Population and Housing

Population increase was fueled heavily by in-migration, with natural population increase accounting for less than half of the county's population gain. Fully 57 percent of the new residents moved into the county during this period. The county's current economic slowdown will slow the influx of new residents. Future population growth of 1.31 percent annually is forecasted for the county as a whole over the upcoming decade. That would be a significantly lower rate of population gain than the 1980's average of 1.9 percent annually.

The lower expected rate is attributable to two primary factors: the slowdown from the superheated employment economy of the 1980's and the lower birthrate as baby boomers reach their forties and pass beyond peak child bearing years.

Between 1980 and 1990 there was a shift in the age structure in Seattle. There was a 2.2 percent decrease in the number of people under 18 years old and a 6 percent increase in the number of people 18 years old and over. (Source: 1990 US Census of Population and Housing)

As shown in Table 2 the average age of the population in 1990 of the Neighborhood Reinvestment Area was significantly younger as compared to the city as a whole. This is reflective of the fact that the Caucasian population in the City contains a smaller proportion of young people than any non-White population. Only 13.0 percent of the Caucasian population is under 18 while 26.9% of the non-white population is under 18.

Table 2
Population by Age 1990

Area	Total Population	0-15 yrs	16-64 yrs	65+ yrs
City Total	516,259	76,970 (15%)	360,889 (70%)	78,400 (15%)
Neighborhood Reinvestment Area	106,304	23,848 (22%)	68,864 (65%)	13,592 (12%)

Source: 1990 US Census of Population and Housing

The racial and ethnic composition of King County has become more varied since 1980. The minority proportion of the population has increased from 12.8 percent in 1980 to 16.7 percent in 1990. Now one out of every six people in the county is a racial minority. Of all the Puget Sound counties, King County and Pierce County are the most ethnically and racially diverse.

In the City of Seattle, there was a 56.0 percent increase in the population of Asians and Pacific Islanders, up from 38,936 in 1980 to 60,819 in 1990. Asians and Pacific Islanders now account to 11.6 percent of the City population. The African-American population increased by 11.6 percent, from 46,565 to 51,948. The American Indian population increased by 7.4 percent from 6,821 to 7,326 and the number of people of Hispanic origin increased 44% from 12,744 to 18,349. Only the Caucasian population declined from 396,275 in 1980 to 388,858 in 1990, a 1.9 percent decline.

Tables 3 and 4 profile the race and ethnicity of residents in the Neighborhood Reinvestment Area. The area is considerably more racially diverse than the county and city as a whole. Since 1980, the most prominent trends have been the increased share of the total population that is Asian and a decline of the Caucasian population in the area.

Table 3
Population by Race and Ethnicity 1990

Area	Total Population	Caucasian	African American	Am Indian, Eskimo & Aleut	Asian or Pacific Islander	Other	Hispanic Origin*
King County	1,507,319	1,278,532	76,289	17,305	118,784	16,409	44,337
Seattle	516,259	388,858	51,948	7,328	60,819	7,308	18,341
Neighborhood Reinvestment Area	106,304	38,447	31,984	2,620	30,880	2,373	5,500

Source: 1990 US Census of Population and Housing

Table 4
Population by Race and Ethnicity 1990
(Percentage)

Area	Caucasian	African American	Am Indian, Eskimo & Aleut	Asian or Pacific Islander	Other	Hispanic Origin
King County	84.8	5.1	1.1	7.9	1.1	2.9
Seattle	75.3	10.1	1.42	11.8	1.42	3.6
Neighborhood Reinvestment Area	45.12	31.5	2.21	19.28	1.88	4.01

Source: 1990 US Census of Population and Housing

HOUSING CHARACTERISTICS

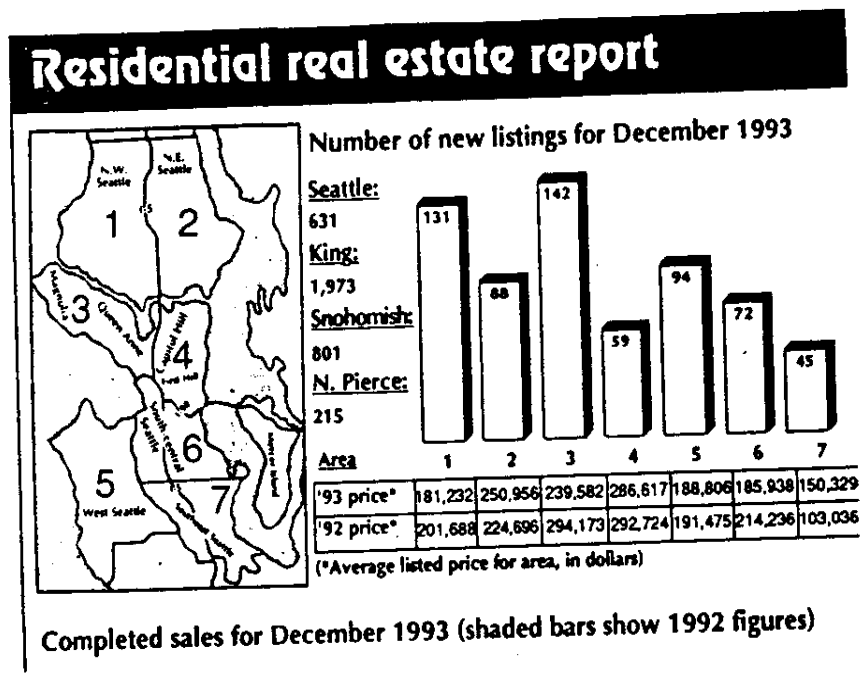
Table 5 shows the characteristics of housing in the Neighborhood Reinvestment Area as compared to the City as a whole. Noticeably, owner occupancy is lower and vacancy rates much higher than averages for the City.

Table 5
Selected Housing Characteristics 1990

Area	Housing Units	Single Family Units	Owner Occupied Units	Renter Occupied Units	Vacant Units
City Total	249,032	132,330 (53%)	115,699 (46%)	121,003 (49%)	12,330 (5%)
Neighborhood Reinvestment Area	43,176	24,050 (56%)	17,928 (42%)	22,056 (51%)	3,192 (7.4%)

Source: 1990 US Census of Population and Housing

As reported by the Puget Sound Multiple Listing Association, average listed price for housing varied in 1993 from a high of \$250,000 in Northeast Seattle to a low of \$150,329 in Southeast Seattle. However, both of these areas experienced increases in the average listed price from the prior year, while all the other areas of the city (except West Seattle) experienced declines of up to as high as 19 percent in the Queen Anne/Magnolia neighborhoods. The relatively good price of housing in the Neighborhood Reinvestment Area bodes well for reinvestment potential.



Source: Puget Sound Multiple Listing Association

EMPLOYMENT, UNEMPLOYMENT, POVERTY AND INCOME

Of the 439,636 people in Seattle sixteen years and over in 1990, 64 percent were either employed or in the armed forces. Another 31 percent of this group was not in the labor force due to a variety of reasons including school, health or personal choice. There were 14,659 people who were unemployed and actively looking for work.

In the Neighborhood Reinvestment Area at the same period, 57% of the population 16 years and older were either employed or in the armed forces. Another 38 percent were not in the labor force and 4,524 were unemployed and actively seeking work. The overall unemployment rate in 1990 was 8.8% at a time when the rate in King County was 4.1%. By 1992, the latest available estimates of unemployment rates, the County unemployment rate had grown to 6% and that of the Neighborhood Reinvestment Area reached 12.6%

In King County there are more wage and salary jobs than there are employed residents. Although commuting occurs both into and out of the county, the net morning commute in

inbound, with only 6.8 percent of King County's resident work force commuting out of county for employment. This is one reason King County's unemployment rate is consistently lower than other Puget Sound counties. The same pattern exists in Seattle, where the daytime population totals about 723,000 persons, considerably above the residential population. These numbers reflect about 60,000 Seattle residents who work outside Seattle, 267,000 people who come into Seattle to work from other places and 236,000 residents who do not hold jobs.

Consistent with national trends, there has been a significant sectional shift away from manufacturing jobs to employment in lower paying service jobs. Complicating this trend is there have been considerable changes in the types of businesses that are considered to be "manufacturing" or "industrial", the types of jobs available in those businesses, and the types of buildings and use of land made by those businesses. High technology businesses in particular and even traditional manufacturing businesses diversifying into more "value added" activities tend to have enhanced engineering, design, marketing and service components increasing the non-manufacturing portion of the manufacturing enterprise.

In 1970, Seattle accounted for 30% of manufacturing jobs in the region. By 1990 Seattle's share of the manufacturing sector had declined to 20% and the Puget Sound Regional Council is forecasting it to decline further to 16% by 2020. Seattle is generally at competitive disadvantage in several areas: the need to assemble several parcels, clean up contaminated soil and make significant investments in building rehabilitation.

The trend has been for service jobs to grow much more rapidly than higher paying manufacturing jobs. As the share of manufacturing jobs declines the income from manufacturing jobs is expected to increase significantly and the gap between manufacturing and non-manufacturing jobs to widen. In 1990, manufacturing income was 144% of non manufacturing income. By the year 2010, it is projected to be 170%.

Table 6
Occupations with Most Annual Average Job Openings
King County
1990 - 1995

Occupation	Total Job Openings	Openings Due to Growth	Openings Due to Separations
Salespersons, Retail	1,769	681	1,088
General Managers and Top Executives	1,345	492	853
General Office Clerks	1,204	388	816
Bookkeeping, Accounting and Auditing Clerks	1,049	216	833
All Other Secretaries	1,005	407	598
Registered Nurses	948	530	418
Janitors and Cleaners	913	222	691

Table 6 (continued)
Occupations with Most Annual Average Job Openings
King County
1990 - 1995

Occupation	Total Job Openings	Openings Due to Growth	Openings Due to Separations
Receptionists and Information Clerks	807	476	331
Sales Representatives, Except Scientific and Retail	802	293	509
Cashiers	792	396	396
Waiters and Waitresses	755	528	227
Accountants and Auditors	701	268	433
First Line Supervisors, Sales	639	244	395
All Other Managers and Administrators	611	221	390
Guards	519	177	342
Clerical Supervisors and Managers	519	200	319
Lawyers	482	277	205
Nursing Aides, Orderlies and Attendants	455	259	196
Combined Food Preparation and Service Workers	429	195	234
Maintenance Repairers, General	407	163	244
Utility	403	104	299
All Other Sales and Related Workers	360	195	165
Truck Drivers, Light	356	180	176
Cooks, Restaurant	352	170	182
Food Preparation Workers	351	168	183
Electrical and Electronic Engineers	348	169	179
All Other Professional, Paraprofessional and Technical Workers	347	112	235
Physicians	345	129	216
Instructors and Coaches, Sports and Physical Training			

Source: Washington State Employment Security Department

A key factor in the selection of the boundaries of the Neighborhood Reinvestment Area was the need to work to influence these trends toward lower wage employment in the City by the retention and attraction of industrial employment close to residential areas of relatively low incomes and high unemployment. The Duwamish offers many opportunities for this to occur.

Small business is also a very important component of the Seattle economy. The majority of businesses in Seattle have fewer than 100 employees and most have fewer than 10 employees. This is particularly true in the construction, wholesale trade, manufacturing,

retail and related service sectors. More than 24,000 business license holders had gross earning of less than \$50,000 in 1992. Self employment is a fast growing segment of the Seattle economy.

Based on projections made by the Puget Sound Regional Council, Seattle's proposed comprehensive plan is designed to accommodate an increase of 146,600 jobs during the period 1990 - 2010. These jobs are projected to be in the sectors described in Table __, but could change as a result of implementation of some economic development policies which encourage manufacturing, producer services, transportation services, international trade, communications/electronics, marine dependent industries, wholesaling, advanced technologies, computer and software, biotechnology, medical technology, new materials technology, environmental technology and tourism. In encouraging these sectors that promise greater long term economic impact value than those otherwise trended, the incentives which accompany Neighborhood Reinvestment Area status are critical.

Table 7
Estimated Number of Jobs by Industry to be Accommodated
1990 - 2010
City of Seattle

Economic Sector	Estimated 1990	Estimated change 1990 - 2010	Estimated employment 2010
Retail	64,813	19,687	84,500
Finance, Insurance, Real Estate and Services	204,277	98375	302652
Government /Education	83,615	23,737	107,352
Wholesale Trade Transportation, Communications and Utilities	69,258	12,278	81,536
Manufacturing	47,839	-7,477	40,362
Total	469,802	146,600	616,402

Source: Working Draft, Seattle Comprehensive Plan, 1/10/93

Seattle is very highly rated by importers and exporters. In a survey of 5,000 US trading firms, Seattle was ranked ahead of Los Angeles/Long Beach and San Francisco/Oakland in term of port facilities, transit time to foreign markets, low costs of doing business, customer services and knowledge of East Asia. Exports originating in Washington State accounted for 23.5% of gross state product in 1990. Per capita exports are twice the US average and higher than any other US state. Total value of imports and exports through

the Port of Seattle in 1990 was \$28 billion. Export oriented activity is an important element in the expansion of the Seattle economy.

As mentioned earlier, unemployment in King County is consistently lower than in other Puget Sound counties and than the state average. However, unemployment in the Neighborhood Reinvestment Area was 210 % of the County average in 1992. Additionally unemployment falls most heavily on racial and ethnic minority groups. As shown in table 8 relative to the composition of the labor force, African American and Asian/Pacific Islanders in King County are significantly underrepresented in managerial and professional specialty occupations and significantly overrepresented in service and laborer occupations and among the experienced unemployed.

Table 8
Civilian Labor Force by Occupation Group, Sex, Race and Hispanic Origin
(Percentage)

	Caucasian	African American	Native American	Asian/Pacific Islander	Other	Hispanic
Civilian labor force, 16 years or over	85.0	4.2	1.0	7.1	0.1	2.6
Managerial and Professional Specialty Occupations	88.9	2.6	0.6	6.1	0.1	1.7
Technical, Sales, And Administrative Support Occupations	86.1	3.9	0.8	6.8	0.0	2.4
Service Occupations	75.4	7.6	1.6	10.8	0.1	4.5
Farming, Forestry and Fishing Occupations	81.4	4.3	1.9	7.4	0.1	4.9
Precision Production, craft and Repair Occupations	86.0	4.1	1.3	5.4	0.1	3.1
Operators, Fabricators, and Laborers	80.0	6.5	1.3	8.6	0.1	3.5
EXPERIENCED UNEMPLOYED NOT CLASSIFIED BY OCCUPATION	60.7	14.2	3.6	16.1	0.0	5.5

Source: 1990 US Census of Population and Housing

Poverty is significantly more common in the Neighborhood Reinvestment Area than in the City as a whole. As shown in Table 9, in 1989, 22.8% of the people in the Reinvestment Area had incomes below the poverty level compared to 12.4% of the City as a whole.

Poverty in the region is also concentrated among particular racial, ethnic and age groups. Blacks and Pacific Islander/Asian residents have a higher incidence of poverty, especially among those too young or too old to be in the workforce. In addition, half or more of all households headed by females with young children in the home are impoverished.

**Table 9
Poverty Levels
1989**

	Seattle	Neighborhood Reinvestment Area
Number of people for whom poverty status was determined	498,333	102,221
Number of people in poverty	61,681	23,255
Percent to people living below poverty level	12.4%	22.8%

Source: 1990 US Census of Population and Housing

Seattle's average per capital personal income is consistently higher than those of the state and the US and, on average, residents are better off in terms of income than they were 10, 20 or 30 years ago. But studies at the national level indicate that the decade of the 1980's was characterized by increasing inequalities in income, as the gap widened between the wealthiest and least-wealthy Americans. As shown on Table 10 per capita income also distinguishes the Neighborhood Reinvestment Area in the region and is very unevenly distributed among racial and ethnic groups.

**Table 10
1989 Per Capita Income**

Area	All persons	White	Black	Asian /Pacific Islander	American Indian
Seattle	\$18,308	\$20,645	\$ 10,503	\$11,881	\$10,323
Community Reinvestment Area by neighborhood:					
Central Area	\$13,062	\$13,848	\$10,644	\$23,238	\$18,805
Southeast	\$ 9,645	\$13,890	\$ 8,617	\$ 8,633	\$ 5,628
Beacon Hill	\$11,306	\$14,167	\$ 9,706	\$10,792	\$ 3,076
International District	\$ 6,107	\$ 7,582	\$ 3,983	\$ 5,669	\$ 7,061
Pioneer Square	\$13,077	\$15,173	\$ 8,589	\$ 8,353	\$ 8,737
Delridge/High Point	\$11,873	\$14,178	\$ 7,014	\$ 8,251	\$ 6,702
Duwamish	\$16,263	\$20,058	\$10,364	\$14,476	\$ 5,900

Source: 1990 US Census of Population and Housing

EDUCATION

Educational levels in Seattle are typically higher than found elsewhere. In 1990, 31 percent of the City's residents 25 years and older had at least a bachelor's degree, compared to just 23 percent statewide. At the other end of the spectrum, there were more than 19,000 (5.1%) of Seattle residents 25 years and older with less than nine years of formal education and another 31,000 (8.4%) who attended high school but did not graduate.

In the Neighborhood Reinvestment Area, 10,863 residents had obtained bachelor's degrees or advanced graduate or professional degrees. This represents 15.7% of the population 25 years or older. Only about half as many residents held a bachelor's degree or better as in the City as a whole. Another 9,364 (13.6%) of residents of the Reinvestment Area had less than 9 years of formal education and another 10,789 (15.6%) had attended high school but did not graduate.

CRIME

Seattle is experiencing the same problems with violence as many other cities around the country. While most crime categories show decreases and the total number of offenses were down somewhat in 1992, murders and aggravated assaults showed increases from the previous year. Within the 30 census tracts identified as part of the Neighborhood Reinvestment Area there were 19,378 instances of Part I* Offenses in 1992. On average this was 645 for each census tract and 20% higher, on average, per tract than as in the City as a whole. (Source: 1992 Annual Report, Seattle Police Department). Crime and violence has been identified by the City and organizations within the Neighborhood Reinvestment Area as an important community and economic development issue.

*Part I Offenses are very serious crimes including murder, rape, robbery, aggravated assault, burglary, theft, auto theft and arson.

FINANCIAL INSTITUTION RESOURCES

Seattle is a regional center for financial services for both domestic and international commerce. With the closure of Emerald City Bank by the Federal Deposit Insurance Corporation in 1993, it is notable that the Neighborhood Reinvestment Area has no institutions that are what is commonly regarded as community banks. Institutions with locations within the Neighborhood Reinvestment Area are:

<i>Institution</i>	<i>Total Assets 6/30/93</i>
Seattle-First National Bank	\$15,098,764,000
Key Bank of Washington	\$6,594,038,000
US Bank of Washington	\$5,908,213,000
First Interstate Bank of WA	\$3,672,428,000
Washington Federal Savings & Loan Association	\$3,152,671,000
Washington Federal Savings	\$2,775,000,000
West One Bank of Washington	\$1,755,225,000
Washington First International Bank	\$54,150,000
Swedish Hosp Employees Federal Credit Union	\$17,378,000
Eastside Credit Union	\$8,490,000
Kenworth Employee Credit Union	\$7,888,000

Source: McFadden American Financial Directory, Fall 1993

COMMUNICATIONS

US West Communications serves the Seattle city area. The major daily newspapers are the Seattle Times and the Seattle Post Intelligencer, both with circulations over 200,000. Some newspapers with a focus on the Neighborhood Reinvestment Area, business and/or ethnic and racial minority special interests include Asia Pacific Business Journal, Asia Today, Asian Weekly, Beacon Hill News, Cambodian News "Jati Khmer", Chinese Business Journal, Daily Journal of Commerce, The Facts Newspaper, Filipino American Herald, The Hispanic News, Hwa-Yu Post, The Korea Central Daily News, Korea Times, Korean Journal, La Voz Newsmagazine, Puget Sound Business Journal, Seattle Chinese Post, Vietnam Moi Newspaper, Vietnamese Weekly News and Directory and White Center News. Sixteen AM stations and 17 FM stations provide music, news, and features in the Seattle area.

Source: Seattle Yellow Pages, US West Communications

POLITICAL GEOGRAPHY

In the Puget Sound region there is an evolving system of Regional Governance with the primary impetus away from single inclusive governance being the requirements of the Washington State Growth Management Act of 1990 and the federal Intermodal Surface Transportation Efficiency Act of 1991.

The King County Executive is elected at large for four-year terms. Elections for the nine-member County Council are by district for overlapping four-year terms. The County government has jurisdiction in the unincorporated areas of the County and is a partner in regional planning efforts. The Municipality of Metropolitan Seattle managed a comprehensive sewage plan and transportation system within King County.

King County districts within the Neighborhood Reinvestment Area are #5, #8 and #10 represented by Councilmembers Ron Sims, Greg Nickels and Larry Gossett.

The Port of Seattle is governed by five commissioners, elected at large in King County for six-year overlapping terms. The Port manages the Seattle-Tacoma International Airport, Seattle marine facilities, and Fisherman's Terminal.

Within the City of Seattle, the Mayor and a nine-member city Council are elected at large for four year terms. Offices are non-partisan.

State Senators representing the impact area are Senator Phil Talmadge (District #11), Senator Dwight Pelz (District #37) and Senator Janice Niemi (District #43).

State representatives are:

District 11:	Representative Velma Veloria	Representative Mike Heavey
District 37	Representative Vivian Caver (appointed)	Representative Jesse Wineberry
District 43	Representative Cal Anderson	Representative Pat Thibaudeau

Jim McDermott represents District #7 which includes the Neighborhood Reinvestment Area in the US Congress.

**Neighborhood Reinvestment Area
SUB AREA PROFILES**

THE CENTRAL AREA

Community Boundaries

The City of Seattle Office of Economic Development has defined the Central Area boundaries as being within the following Census tracts: all of Tracts 87, and 88 and portions of:

- Tract 77 - Blocks 1,2,3 & 4
- Tract 79 - Blocks 1,2,3 & 4
- Tract 85 - Blocks 2 & 3
- Tract 86 - Blocks 1,2,3 & 4
- Tract 89 - Blocks 3,4,5 & 6
- Tract 90 - Blocks 1,2 & 3
- Tract 94 - Block 6.

Location and size

The Central area is located at Seattle's geographic center, midway between the Central Business District (CBD) and Lake Washington.

Geographic characteristics

The Central Area is named for its geographic location and contains some of Seattle's oldest surviving housing stock as well as remnants of Seattle's diverse ethnic settlements.

Capital Hill, to the northwest, is a dividing line between the Central Area and the CBD, and, to the east, a ridge divides the Central Area's plateau from the higher income residential view properties on the slopes of Lake Washington, and from the neighborhoods of Madison Park, Madrona, Leschi and Mt. Baker. Overall, the area consists of a series of north-south ridges and valleys, which act to physically fragment the area. DN 31

Population trends, including age and ethnicity trends

1990 Census Profiles:

- The age distribution of the population in the Central district is very similar to the age distribution citywide--18 percent of the Central district population is 15 years old and under compared to 15 percent citywide and 15 percent is 65 years and over as is the case citywide.
- The Central district experienced declines in the numbers of people of color and an increases in the young and elderly in the ten years between 1980 and 1990.
 - There was a 29 percent increase in the White population between 1980 and 1990.
 - There was a 3 percent increase in the number of people of color during the decade.
 - The population under the age of 5 increased by just 5 percent between 1980 and 1990.
 - The population aged 65 years and over increased by 49 percent during the decade.
- The population increased by 11 percent compared to 4.5 percent citywide.

The racial diversity is one of the most distinctive features of the Central district:

- Thirty-one percent of the population is white compared to 75 percent citywide.
- Fifty-four percent of the population is African American compared to just 10 percent citywide.
- Twenty-four percent of the total African American population in the city lives in the Central district.

According to the Draft Central Area Action Plan, there has been a significant decline in the percentage of the African-American population living in the Central area.

Education attainment of residents

1990 Census Profile:

The Central district population is slightly less likely to have completed high school than the city as a whole --on average 14 percent of the population aged 25 and over have less than a high school education compared to 13.6 percent citywide.

Employment and unemployment

1990 Census Profiles:

The Central district had a higher unemployment rate in 1990 than the city as a whole -- 14 percent of the labor force was unemployed in 1990 compared to 4.9 percent citywide.

Industry breakdown of employment

1990 Census Profiles:

Employment of residents in the Central district is primarily related to services (44%), retail trade (16%), and manufacturing (13%).

Per capita income

1990 Census Profiles:

Per Capita income was \$13,062 in the Central Area, as compared to \$18,308 citywide.

Leakage analysis

A report by the Seattle/King County Economic Development Council, referred to in the Community Input Study, reports that at least \$28.6 million is being spent outside the Central area annually, specifically from the Minor and Mann neighborhoods of the Central Area. That figure is based on the retail market potential of an area (i.e. number of area households x average household income) and the fact that 40-50 percent of the amount typically is captured by local retail/services businesses.

The same source estimated that the Minor Area had a 1985 retail market potential of \$26.2 million. Local businesses captured approximately 22 percent of the available purchase dollars. The 78 businesses in the Central Area shared these revenues. In the Mann area, the retail market potential was \$25.9 million with only \$1.6 million retained by the 25 firms in the area.

Together, the two areas had a total market potential of \$52.1 million and \$28.6 million was spent outside the Central Area. That is the potential amount of money available for expanded retail and service opportunities in the Central Area (as defined by the study). These two neighborhoods only represent the area's core, so it can be assumed that some additional "retail trade leakage" increases the total available to be captured by Central Area businesses.

According to that study, less than 15% of those respondents interviewed purchased food in the Central Area, preferring to use QFC or Safeway, usually in the Capitol Hill area. Nordstroms and Bon Marche in downtown Seattle were the primary recipients of clothing dollars of Central Area residents. Those items purchased outside the Central Area by a majority of those surveyed are; furniture, household appliances and entertainment. Those items purchase in the Central Area that attracted at least a majority of respondents were dry cleaners, drugstores, gas/service stations, fast food restaurants, health services, barbers/hairdressers, banks/financial institutions, hardware stores and sit-down restaurants.

It should be noted, that in a neighborhood in the center of an urban area, within walking distance of downtown and transit distance of a wide range of retail and service centers, it is not unusual for a large number of retail dollars to be spent outside the area. It is unusual however, that residents prefer to go outside their neighborhood for basic needs such as groceries, as was reported in the Community Input Study.

According to the Community Input Study, the EDC report suggests that lack of available shopper items within the area and the convenience store orientation of its business community are two reasons why residents spend so much money outside the area.

The Community Input Study goes on to state that the "leakage" represents potential income to existing and new businesses. There appears to be a particular market in minority and the lower income households where options and the resources to exercise them are limited.

Composition of income

The City of Seattle CHAS states that incomes are lowest in the Central Area and downtown, followed by Southeast Seattle and Delridge.

1990 Census Profiles:

- Median household income was \$17,584 compared to \$29,353 citywide.
- Median family income was \$22,900 compared to \$39,860 citywide.
- Central district residents were more likely to live in poverty -- 25.5 percent of the people live in poverty compared to 12.4 percent citywide.
- The poverty rate among children is even higher -- 26 percent of the children under 18 were living in poverty compared to 15.7 percent citywide.

Zoning and land use

In 1980, Common Ground, assisted by student interns, surveyed all Central Area land. The following information was gained from that survey:

- The State of Washington, the City of Seattle, the School District and various religious

institutions own considerable amounts of Central Area land. DN 31.

- The Central Area contains a large number of vacant sites of varying sizes suitable for development. Most are found between 15th and 31st Avenues, and between I-90 and Mercer. DN31.

Seattle's I-90 Area Development Policies written in August 1989 by the City of Seattle, described the I-90 corridor as being located in Seattle's Central Area from approximately Dearborn Street on the north to Holgate Street on the south, from the Lake Washington Shoreline to I-5. Conditions in the area immediately surrounding I-90 were described as having deteriorated over the last two and a half decades with a steady increase in the number of vacant lots and boarded up homes - many owned by the City or State. The Master Plan For The Central Area includes a map of vacant land parcels throughout the Central Area.

The Yesler/Atlantic Land Disposition Report notes that the City owns 22 separate parcels in the Yesler/Atlantic Urban Renewal area which are vacant. The Report sets policies recommending that most of the city-owned land be sold by public bid or transferred to a Public Development Authority for low-and-moderate income owner-occupied and rental housing, as well as limited commercial development. Policies were established to govern the redevelopment of publicly-owned land in the I-90 corridor that is ready to be surplus. Policies deal with the phasing of sales and the public bid process.

The primary goal of the I-90 Area Development Policy is towards the development of low-density housing, with emphasis on development of a significant number of single-family homes.

The Master plan for the Central Area states that there are almost 50 acres of land in the Central Area that are publicly owned. This includes the Leschi and Madrona area which are not in our plan area. 94% of those acres are distributed south of Yesler Way.

An appraisal report by Palmer, Groth, Pietka & Monger describes the Central Area neighborhood as being dominated by single family residential housing. There is a lack of new single family housing construction and what few units have been developed are multi-family.

Infrastructure

The 1993 Seattle Comprehensive Plan outlines in text and in map form all current utility and infrastructure locations and capacity for future expansion in the Seattle utility service area. According to the maps included in the Comprehensive Plan, the Central District is fully served by sewer and water, storm drainage, natural gas, telephone service, cable television, and cellular one phone service.

The Summary in the Central Area Action Plan states that public facilities and infrastructure are adequate and there are no stated goals and objectives relating to infrastructure.

Commercial and industrial sites and development readiness

Commercial areas in the Central District, tend to be located in the valleys, along major arterials.

According to authors of Master Plan for the Central Area, the location of commercial areas has the potential for attracting customers with high traffic volumes, however, this has not been the case in the Central area. Most of the commercial uses are not geared to attract the cross district flows either due to type of business or safety of the area. According to the same source, over 45% of the commercial land is located at the periphery of the district along Madison, Rainier and 12th Ave.

Vacant, developable land in the Central Area totals about 11% of the land uses, according to the Master Plan. The majority of this vacant, developable land is found south of Yesler, near the industrial areas and along 12th Avenue where the land prices are lowest. The high development potential is further supported by zoning and access since many of the vacant lands zoned for commercial or mixed-use development are located along arterials that carry volumes of potential customers.

The Yesler/Atlantic Land Disposition Report identifies 5 vacant sites totaling 81,300 square feet within the Yesler/Atlantic area as being suitable for commercial uses. Three more sites totaling 60,300 square feet were determined suitable for general, residential and/or commercial uses. Most of the sites are located along Jackson Street, west of 22nd Avenue and are owned by the City of Seattle.

Environmentally sensitive sites

A map included in the 1990 Census Profiles shows environmentally sensitive areas all along Lake Washington, along E. Denny Way and into the northeast section of the Central district.

Major employers

According to METRO's data gathered in Computer Trip Reduction surveys some of the largest employers located in the Central Area and their employment are Providence Hospital (2,000), Gai's Bakery (700), Branch Villa (237), Goodwill (168), Continental Baking (139), Catholic Community Services (123) and Seattle University (383).

Nina Shapiro with the Seattle Weekly, wrote an article entitled, "Black Capitalism's New Approach", on April 28, 1993, which discussed some of the businesses in the Central area. Her focus was on the fact that plans for economic revival seem exclusively focused on stimulating small businesses, particularly retail. That leaves the plight of manufacturing jobs, which offer the best wages for semiskilled workers, an unsolved problem.

The Community Input Study which provides a description of the amount and kinds of retail dollars being spent within and outside the Central District, used the findings of 77 businesses that were surveyed by the Urban Business Association. The study did not list the types of businesses owned by the respondents, however it did state that retail trade businesses favored the establishment of more retail firms and financial services, while service companies favored restaurants and retail firms. Forty three out of seventy seven businesses were located in an area bounded by Olive, 14th, Jefferson and the lake.

Housing data including values, percentage owner occupied, vacancy rates, condition, growth trends, building starts and demolitions, housing types and average turnover rates.

The 1990 Census shows a total of 10,097 housing units in the Central area. This is an increase of 6 percent since 1980. The vacancy rate of housing units was 10.5 percent in 1990 as compared to 4.5 percent citywide. Of the 9,034 occupied units, 3,138 (35%) are owner-occupied and 5,896 (65%) are renter occupied.

The Census provides a breakdown of units by structure in the Central area as follows:

UNIT	#	%
1, Detached	3,779	37.4%
1, Attached	306	3.0%
Duplex	835	8.3%
Triplex or Fourplex	885	8.8%
5 to 9	819	8.1%
10 to 19	1,045	10.3%
20 to 49	1,330	13.2%
50 or more	991	9.8%
Mobile home or Trailer	17	0.2%
Other	90	0.9%
TOTAL	10,097	100.0%

Multi-family units with 5 or more units amount to over 41% of all units in the Central area.

The City of Seattle CHAS selected Squire Park and Judkins Neighborhoods in the central and south part of the Central Area and the I-90 Redevelopment Area on the south as Impact Areas. They are characterized by poorer than average housing conditions, a weak housing market, a large amount of vacant land and buildings, and high impacts from crime and subsidized housing. DN46

The increase cost of housing is severely limiting affordability among very low-income households. Average rents vary from a low of \$410 in the Rainier Valley to a high of \$595 in Greenlake/Wallingford and Queen Anne neighborhoods. Households at 30% of median income cannot afford average rent levels in any neighborhood. DN46. The 1990 Census shows the median gross rent for the Central area is \$366.

The State of Washington CHAS related that Seattle's 1989 housing condition study showed that the vast majority of the city's housing stock is in good to excellent condition. Less than 2 percent of the structures were considered deteriorated or dilapidated. Housing in poor condition is concentrated in three Seattle neighborhoods. DN53 Rainier Beach and Garfield-Madrona were among the neighborhoods that had the worst concentration of poor housing conditions. The Garfield-Madrona area showed by far the largest concentration of housing scored as deteriorated or dilapidated. DN46

Housing condition can be estimated using Census data. Census information shows that the median year for homes being built in the Central area was 1942 which was 52 years ago. Forty-eight percent of housing units were built before 1940.

Lack of complete plumbing and kitchen fixtures can also be an indication of poor housing conditions. In the Central area in 1990, 0.8% of all housing units lacked complete kitchen facilities and 1.2% of all units lacked complete plumbing facilities.

The median value of occupied housing units in the Central area is \$85,750 as compared to \$136,494 for the City of Seattle.

Average home purchase prices in many neighborhoods are now over \$150,000. In March 1993, only Delridge, Beacon Hill, South Park and the Central Area had average purchase prices below \$150,000.

According to the City of Seattle 1994 Proposed Interim Capital Facilities Plan, the City will sell approximately 10 vacant land parcels in the I-90 redevelopment area and oversee construction and development of 19 new homes.

Seattle Public housing in the Central Area includes: The Argonaut, Yesler Terrace, and Jefferson Terrace. Yesler Terrace was the first public housing project in the nation, in 1939. Senior public housing includes the Gideon-Mathews Garden.

Educational, social and cultural amenities

Seattle University occupies much of the western periphery of the neighborhood and exerts a strong institutional presence along Broadway and 12th Avenue. The University was founded in 1891 and is the oldest Central District school. DN12 Garfield High School, one of the City's largest and best, is located on 23rd Ave at Jefferson in the southeastern corner of the neighborhood. Garfield is the only high school located in the heart of the Central District and is home to a number of special education programs and shares public space with the Garfield Community Center and local pool facilities.

According to the Master Plan for the Central Area conducted by the University of Washington Urban Design/Economic Development Studio in December of 1992, the Central Area has four public elementary schools, two middle schools, one high school, one alternative school and one college, as well as a couple of private and/or religious schools.

The Colman School, built in 1909, currently stands vacant, two blocks from the new Colman Elementary building. In 1913, M.L. King Elementary was founded, and in 1923, St. Theresa and Garfield High were founded.

The Douglas Truth Library houses an African American Collection which has served to reinforce the predominant ethnic identity of the Central and South District of Seattle.

According to the Master Plan, there are over 80 religious congregations located within the bounds of the Central Area. "Social services play a part in even religious institutions, however, the area of social concern differs from institution to institution. Each congregation has one or two strong social programs. New Hope Baptist is clearly a leader in community-based activities. Its programs focus on improving the quality of education and training for the community, especially as it relates to economic development for the Central Area. First AME also focuses on education with an emphasis on social reform (prison ministries) and also devotes much program money to housing for seniors and low income community members. Tabernacle Baptist focuses on youth programs with an emphasis on community involvement to mitigate the area's drug and alcohol problems."

Public Safety

Crime rates are high in the Central Area. Three of the area's seven Census tracts were ranked as "significantly above average" on combined occurrence of major offenses in the Seattle Police Department's 1990 Annual Report. All of the tracts in the Central Area were significantly above average in at least one of the major crime categories. DN46.

The Central District is located within the Seattle Police Departments designated East Precinct which serves the area north of I-90 and east of I-5, plus the East Lake community.

Hospitals and health services

Residents of Central Seattle almost always fare significantly worse in terms of health issues than those living in the East and Northeast parts of the county. DN15.

The rates in Central Seattle for infant mortality were significantly higher than the average county rate over the 1986-1990 period. DN15

Central Seattle had higher rates of low birth weight than the average as compared to all other areas of Seattle-King County. DN15

In 1990, 9.0% of King County births were preterm. Seattle's preterm births were 10.7%. The Central area's preterm births were about 15%. DN15

A markedly larger percentage of pregnant women in Central Seattle did not start prenatal care on time, compared to women in other areas in the county. DN15

Death, illness and injury are strongly associated with residence in low-income county areas such as Central Seattle. DN15

Central Seattle had the highest number of deaths in the Seattle-King County area during 1986-1990 for all causes, including: cancers, diseases of the heart, pneumonia and influenza, liver disease, unintentional injury, and suicide. DN15.

Central Seattle residents had a life expectancy (averaged over 1986-90) of 70.5 years while Mercer Island residents had one of 81.3 years, a 10.8 year difference. DN15.

Central Seattle had death rates significantly higher than the county average; Central Seattle's rate also exceeded the U.S. rate. DN15.

Providence Hospital occupies a major facility on East Cherry Street between 14th and 18th Avenues while a new Central Area clinic is under construction at Yesler & 21st Ave.. (The clinic is a consortium of the County Doctor community health services and children's hospital's Odessa Brown Clinic.

Recreational and tourism amenities

The Master Plan For the Central Area lists a total of twenty-two public parks in the Central Area, which also includes the Madrona and Leschi neighborhoods. Public restrooms are available at eight of the parks, five of the parks have picnic tables and/or shelters, eleven of them have play areas, and three of them offer tennis courts.

The same source notes that special attention has been given to the Little League designation of the playfield by Garfield High School and the Pratt Fine Arts Center at Pratt Park.

The City of Seattle 1994 Capitol Improvements Plan notes that a levy in 1991 passed providing for the redevelopment of five community centers. Construction of the Garfield and Delridge Centers began in late 1993.

The CIP outlined a project to enhance the Edwin T. Pratt Park to create an innovative children's play area with an African theme in memory of Dr. Blanche LaVisso. The play area will open in 1994.

The Department of Transportation is developing a new park of 28 acres on the lid over the I-90 Freeway between 23rd Avenue S. and Yakima Avenue S. The park will include two tennis courts, a play area, paths and amenities. DN 50

A memorial sculpture to the Rev. Dr. Martin Luther King Jr., and landscape has been developed at the park on Martin Luther King Jr. Way South and South Walker street. Construction began in 1993 and will be completed during 1994.

Investment (capital) resources

According to "Credit Needs and Market Opportunities In the Central Area of Seattle", banks in the Central area are not supportive of minority business development although recent investments in the Seattle Small Business Lenders Association may be changing this picture. Small business credit remains one of the Central Area's greatest needs. There is also a need for consumer and mortgage credit.

Several sources support the feeling that there is community support in the Central Area for business development and expansion and that the undeveloped land in the Central Area is crucial to the area's economic future. DN 2

An appraisal report by Palmer, Groth, Pietka & Monger on a property in the Central Area, describes the neighborhood in the Central Area as being largely built up with some areas of vacant lots or under-improvements, supporting the inference that new investment in the community has been somewhat restricted.

The Community Input Study Central Area of Seattle, published in 1988 included results of a survey of businesses and residents regarding business development and retention. The problems facing business owners were listed as follows:

- The level of police protection was viewed as the most inhibiting public service in the Central area.
- High cost of property and casualty insurance.
- Securing adequate operating funds.
- Marketing.
- Insufficient parking.
- Skill levels of employees.
- 12th Ave. median project.

Nina Shapiro, a journalist for the Seattle Weekly, wrote an article featuring the lack of economic development in the Central Area in April 1993. In her article entitled "Black Capitalism's New Approach", she reports that Promenade 23, a strip mall in the Central Area which was once hailed as a new start for the deteriorating neighborhood, has never made a profit in its 14-year history. She warns that a revival in the retail market in the Central Area will spark interest in the area, however, it will not help a great deal with the unemployment situation.

Transportation (roads and access and transit)

In response to the Action Plan, the Seattle Engineering Department (SED) has applied for funds to provide street and pedestrian lighting; improved traffic and pedestrian signals and signal interconnect; reconstructing sidewalks; and new lane markings to better channel traffic in the following project area: E. Madison St. between Broadway and Lake Washington BLVD; and 23 Avenue E. between Rainier Avenue S. and E. Madison Street.

Other projects that were identified in the Central Area Action Plan as needing attention are:

- Boulevard Enhancement - Martin Luther King Jr. Way.
- Improve pedestrian safety.
- Improve bicycle circulation.
- Work on improved transit planning.

Historic sites

In 1991 the City of Seattle's Urban Conservation Division of the Department of Neighborhoods surveyed historic sites and buildings in the Central District. The Central District contains some of the city's oldest surviving residential development. Most of the buildings in the survey area were built between 1890 and 1930 with the majority having been built in the early 20th Century. Over 300 properties are included in the inventory as having historic value.

Ethnic diversity has characterized the Central Area historically. There area traditional Japanese American and Italian American neighborhoods and there were African American settlers as early as the 1880's. Architecture is also varied throughout the Central area. In general, the area is a showcase of early to mid-twentieth century patternbook architecture.

According to an Appraisal report by Palmer, Groth, etc., the Immaculate Conception Church is of historic merit and its steeples rise from what is already the highest point in the neighborhood. Horace Mann School is an historic building, as is the original Capital Hill fire Station, now used as a community center and offices for CAMP.

SUMMARY OF STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS THE CENTRAL AREA

STRENGTHS

There is support within the Central District community for business development/ expansion and retention and documented leakage of trade dollars for basic items.

There is a willingness within the community to help itself. There has been an increase in community-based planning and organizing activity.

There is a substantial amount of vacant land available for commercial and residential development.

The Central District is known as the center for the African-American population.

The area contains some of the City's oldest surviving housing stock with over 300 properties identified as having historic significance.

WEAKNESSES

Community leaders identified that few of the financial resources are owned by persons of color.

Local financial institutions are reluctant to loan to persons of color.

The Central District is plagued with a high crime rate, high incidence of medical concerns related to a low-income population, low per capita incomes and high unemployment.

The Central District has a poor image.

The African-American population is losing ground as the majority population in the Central Area due to the attraction of lower land and housing costs as compared to other areas of Seattle. Several information sources viewed this as a weakness due to the diminishing strength of the African-American community.

There is a deep mistrust of outsiders.

OPPORTUNITIES

The Central District has an abundant amount of developable land located along major arterials.

Community leaders are pro-development.

There is a resident semi-skilled work force.

The Central District's location near downtown Seattle and Lake Washington is ideal for business development.

Public facilities and infrastructure are adequate.

Low land prices may encourage businesses to locate in the Central area as well as potential residents.

There are several historic sites and buildings in the Central District.

With proper training and education, Central District students can be ready for the changing workforce upon graduation.

THREATS

Higher paid wage jobs are leaving the city, making them less accessible to Central District residents.

Industrial opportunities are limited inside the city limits due to the size of land parcels available for development as well as potential hazardous wastes.

Currently, the Seattle transportation system discourages easy access to employment opportunities outside the City.

Central District leadership is fragmented with no central voice.

SOUTHEAST DISTRICT OF SEATTLE

Community Boundaries

The City of Seattle Office of Economic Development has defined the Southeast Area boundaries as being within the following Census tracts: All of Tracts 94, 100, 104, 110, 117 and portions of:

- Tract 95 - Blocks 5,6,7 & 8
- Tract 101 - Blocks 3,4 & 5
- Tract 102 - Blocks 3 & 4
- Tract 103 - Blocks 2,3,4 & 5
- Tract 111 - Blocks 3,4,5 & 6
- Tract 118 - Blocks 3,4,5 & 6
- Tract 119 - Block 5

The Southeast District is comprised of many different neighborhoods, some of which will be mentioned throughout the body of this report. Separate planning studies have been conducted for the Rainier Valley, North Beacon Hill neighborhood, Holly Park and the South Atlantic Street neighborhood.

North Beacon Hill is bounded by I-5 on the west, I-90 on the north, Rainier Avenue South and Martin Luther King Jr. Way on the east, and South Graham Street on the south.

Holly Park is a "garden community" of 2,231 people owned and operated by the Seattle Housing Authority and located in Southeast Seattle.

The boundaries of the South Atlantic Street Neighborhood are I-90 to the north, South Walker Street to the south, Rainier Avenue to the west, and 30th Avenue South to the east. This is a neighborhood that has been heavily impacted by construction of the I-90 freeway and the Lid Park.

Southeast Seattle is surrounded on two sides by stable middle- to upper-income neighborhoods (most of Beacon Hill, Mt. Baker, Lakewood, Seward Park, Columbia Heights, and Rainier Beach) surrounding a valley core of lower-income neighborhoods, including North and South Columbia, Rainier Vista, Holly, Brighton, and Dunlap.

Location and size

The Southeast District is located near Lake Washington and is bordered in rough terms, by Interstate 90 on the north, Interstate 5 on the west and the city limits on the south. It is home to 51,805 persons, 10 percent of the city of Seattle's population.

Geographic characteristics

There are three dominant natural features to the Southeast Area: The north/south ridge east of Rainier Avenue, which slopes eastward to Lake Washington, the low lying Rainier Valley floor,

and the north/south ridge west of Martin Luther King Way South (Beacon Hill).

The topography partially contributes to problems of achieving redevelopment potential. Drainage problems exist in low-lying areas and at locations that drain into the lake. On some blocks, vacant and underutilized land is below the City Engineering Department's preferred grade (the present grade of the arterials), while other developable sites may include sharp changes in grade. DN 3

Population trends, including age and ethnicity trends

The 1990 Census reports that there are 51,805 people in Southeast Seattle. According to the Southeast Seattle Action Plan, Southeast Seattle's total population began to decline in 1970 after 20 years of steady growth. The Puget Sound Council of Governments (PSCOG) projections indicate that Southeast Seattle's population will either continue to decline or stabilize during the next 10 to 20 years.

While Seattle's net population increased by only 22,459 since 1980, the minority population resulted in a 40,000 increase and now makes up about 25 percent of the total population. Asians are now the largest minority group in Seattle. This trend holds true for Southeast Seattle where Asians and Pacific Islanders comprise 43 percent of the area's population. In the Southeast neighborhood of Beacon Hill, Asians or Pacific Islanders make up 52 percent of the population. African Americans comprise 27.5 percent of the population in Southeast Seattle. Seventy seven percent (77%) of Southeast Seattle's population is made up of non-whites.

Of the 51,805 people in Southeast Seattle, 68 percent are native to the United States and 32 percent are foreign born. As a point of interest, the Census reports that 16 percent of Southeast residents consider themselves "linguistically isolated", while 53 percent of residents speak only English at home. Thirteen percent of Southeast residents speak Chinese at home and 9 percent speak Tagalog. A total of 23 different languages were listed as being spoken in Southeast homes.

The 1990 Census of Population and Housing shows that the median age of all persons in Southeast Seattle (excluding Beacon Hill) is 31.6 years of age. In Beacon Hill, that figure is 34.4 years of age. The median age of African Americans and Asians in Southeast are lower than for whites, 27.5 years of age for African Americans and 30 years of age for Asians (excluding Beacon Hill). The median age of whites in Southeast in 1990 was 41.6 years of age. The figures for Beacon Hill are very similar to the rest of the Southeast.

Household characteristics

According to the Seattle CHAS, total households in the City of Seattle increased from about 220,000 in 1980 to 236,700 in 1990. The average household size is 2.09 persons.

The Southeast District has a total of 18,325 households. Households are slightly larger in the Southeast than those for the city as a whole, (2.76 persons per household as compared to 2.09 persons per household citywide) according to the 1990 Census of Population and Housing. The following statistics were taken from the 1990 Census of Population and Housing, and from the 1990 Census Sub-Area Profiles:

- 42 percent of the households in the Southeast district are married couple families compared to 36 percent citywide.
- 26 percent of the households are single person households compared to 40 percent citywide.
- 15 percent of the households are single parent households compared to 6.2 percent citywide.
- A high proportion of the population in the Southeast district are kids aged 17 and under -- 24 percent of the population is less than 18 years old compared to 15 percent citywide (children less than 16 years old).

In 1980, over half the children in the Rainier Valley were in one-parent families and 27 percent of Southeast Seattle residents were children (the City as a whole had 16 percent children under the age of 18). D 6

Education attainment of residents

The 1990 Census of Population and Housing report the following statistics for the Southeast District of Seattle:

- 16 percent of residents age 25 and older have less than a 9th grade education. Twenty six percent (26%) of those residents are Asians or Pacific Islanders.
- 27 percent of residents aged 25 and older are high school graduates.
- 21 percent of residents aged 25 and older have had some college.
- 10 percent of residents aged 25 and older have a Bachelor's Degree.
- 4 percent of residents aged 25 and older have a Graduate or Professional Degree.

The North Beacon Hill Action Plan reported that almost one-third (32%) of North Beacon Hill residents over 18 years of age have not graduated from high school.

Employment and unemployment

According to the Puget Sound Conference Of Governments (PSCOG) Employment Estimates for Subcounty Areas: Covered Employment and Payroll, First Quarter 1989, the Columbia/Rainier Beach reporting area showed 4,212 jobs or 0.5% of the County total. Beacon Hill had 8,310 jobs or 1.0% of the County total.

The unemployment rate in 1990 was higher in Southeast than for the City as a whole -- 9 percent of the labor force was unemployed compared to 4.9 percent citywide. DN 10 and the 1990 Census of Population and Housing.

The 1990 Census of Population and Housing breaks unemployment down by race in Southeast Seattle:

- 7.6 percent of Whites were unemployed.
- 13.3 percent of African Americans were unemployed.
- 6.1 percent of Asians or Pacific Islanders were unemployed.

Industry breakdown of employment

As shown below, the Southeast has a high proportion of jobs in the manufacturing, retail and service sector:

- 20 percent of the jobs are in retail compared to 14 percent citywide.
- 31 percent of the jobs are in the services sector compared to 61 percent citywide.

According to the 1990 Census of Population and Housing, Industry classifications for Southeast Seattle (Employed persons 16 years and over) were as follows:

Industry	Southeast	Percent
Total	22,161	
Agriculture, Forestry & Fishing	333	2
Mining	21	.1
Construction	749	3
Manufacturing		21
Nondurable goods	1,927	9
Durable goods	2,720	12
Transportation	1,347	6
Communications & Public Utilities	537	2
Wholesale Trade	829	4
Retail Trade	4,441	20
Finance, Insurance & Real Estate	1,339	6
Services		31
Business & Repair Services	1,194	5
Personal Services	887	4
Entertainment and Recreation	251	1
Professional & related services		
Health services	2,304	10
Educational services	1,114	5
Other	1,230	6
Public Administration	938	4

In the Beacon Hill neighborhood, major industrial categories were also listed as services, retail trade and manufacturing.

Employment to population ratios

Employment density in the Southeast district is substantially lower than is true citywide. There are two jobs per gross acre compared to 9 citywide. D 13 The 1990 Census of Population and Housing shows that 78 percent of Southeast residents worked in place of residence and 22 percent worked outside the area. Ninety six percent (96%) of Southeast residents (age 16 and older) worked in the County of residence. Three percent (3%) worked out of the county and less than 1 percent worked out of state.

Per capita income

Per capita income in Seattle in 1990 was \$18,308 which is comparable to that for all of King County at \$18,587 and higher than per capita income for the entire state which is \$14,923. DN24 The 1989 per capita income in Southeast Seattle was \$9,645 (excluding Beacon Hill). The per capita income in the Beacon Hill neighborhood of Southeast Seattle was \$11,306 in 1989.

The 1990 Census of Population and Housing reported the following income categories:

- In the city of Seattle, the 1990 household income of single persons and unrelated individuals was a mean of \$28,005. In Southeast Seattle (excluding Beacon Hill) this figure was much lower at \$18,003, and for Beacon Hill the nonfamily mean income was \$19,702.
- Family households in the city of Seattle had a mean income of \$49,572. The mean family income in Southeast Seattle (excluding Beacon Hill) was \$30,634 and \$35,306 in the Beacon Hill neighborhood.
- The median household income in Southeast Seattle (excluding Beacon Hill) was \$21,960. In Beacon Hill, that figure was \$26,460.

An article in the Monday, October 30, 1989 Seattle Times entitled; "Segregation in housing patterns separates whites, minorities", stated that since 1980, the number of poor people in Southeast Seattle increased by 33 percent, while the number through the city rose only 6 percent. This was based on a study by SLR consulting firm that used new information, including birth records to provide a demographic profile of the region for the Seattle-King County Department of Public Health.

Leakage analysis

The Southeast Seattle Action Plan relates that the leakage of consumer dollars from the Southeast has been documented in the past and as incomes have increased in many neighborhoods, is probably much stronger today. Retailers have historically chosen to locate elsewhere, given the difficulties in the Southeast with site assembly, development and targeting a particular market in such a diverse population.

Zoning and land use

According to the zoning map included in the Seattle Comprehensive Plan, the Southeast District is primarily single-family residential with commercial and multi-family areas primarily located along Rainier Avenue South and Martin Luther King Way.

The Seattle Comprehensive Plan has identified several locations within the Southeast area, as Evolving Residential Urban Villages. These are areas that have sufficient infrastructure and public amenities to support growth, have a broad mix of housing types and can accommodate development to achieve target densities. Columbia City and Rainier Beach were selected as meeting the above criteria.

Martin Luther King Way at Raymond and Martin Luther King Way at Othello were identified as Potential Residential Urban Villages.

According to the "South Atlantic Street Neighborhood Draft Concept Plan", between Martin Luther King Way and Rainier Avenue, zoning ranges from commercial to low density multi-family, duplex and triplex. The Plan cautions that attention will have to be given to supporting existing residents of the area, with more effective buffering between commercial and residential uses and encouraging new development that will enhance revitalization of all elements of the community.

The "South Atlantic Street Neighborhood Draft Concept Plan" notes that there is a large portion of vacant land within the study area which is held by the State and/or the City. These vacant parcels have been identified and mapped in the Plan.

The North Beacon Hill Action Plan concluded that based on current zoning, that the neighborhood could experience multifamily housing growth in the future. Much of the single family zoned land, however, is in environmentally critical areas, or is permanently held in parks, open space or other uses.

Infrastructure

According to the 1993 Seattle Comprehensive Plan and the "South Atlantic Street Neighborhood Draft Concept Plan", the full range of public utilities are available in the southeast area. Electric power, telephone, and cable television are above ground. Water, gas, and sewage facilities are in place.

As a point of interest, the 1990 Census of Population and Housing, Summary Tape File 3, shows that in the Southeast, there were 21 housing units on individual wells, 53 housing units with a septic tank or cesspool and 66 units with some means of sewage disposal other than public sewer or septic. The Census also showed a variety of home heating fuels:

· Utility gas	5114 housing units (28%)
· Bottled, tank or lp gas	221 housing units (1%)
· Electricity	9021 housing units (49%)
· Fuel oil, kerosene, etc.	3768 housing units (20%)
· Coal or coke	56 housing units (.3%)
· Wood	235 housing units (1.3%)
· Solar energy	12 housing units (.06%)
· Other fuel	97 housing units (.5%)
· No fuel used	34 housing units (.2%)

This data does not reveal if in the housing units where no fuel was used, the utilities were unavailable, or the occupants were unable to afford any type of heating fuel.

Storm drainage is available in most of the Southeast area, however, drainage is a limiting factor in commercial and industrial development. In September, 1993, the Seattle Engineering Department

submitted an application for funding to improve the drainage system along Martin Luther King Way South between Beacon Avenue South and Boeing Access Road. According to the Southeast Seattle Industrial Drainage Project Profile Narrative, this section of southeast Seattle currently has no formal drainage service.

Commercial and industrial sites and development readiness

According to "Southeast Seattle A Promising Future", there are five major retail centers in Southeast Seattle. They are: Rainier/Genesee, Columbia City, Rainier Beach, MLK/Othello and MLK/Graham. Each center has a variety of commercial and industrial businesses. All of the centers have some potential for growth, however, the MLK/Othello center has a surplus of suitably zoned land for commercial uses.

Commercial and industrial development could also take place (according to "Southeast Seattle A Promising Future") in the north Rainier Corridor along Rainier Avenue from Jackson to McClellan where parcel sizes range from one to two acres. Also, along Rainier Avenue from McClellan to Genesee with parcels ranging in size from 1/2 to 6 acres. There is potential for a planned unit development of commercial/industrial park or mixed-use development near MLK Way from Graham to Othello. The final site according to this source, is on MLK Way, south of Henderson where there are several industrial sites ranging in size from 4 to 15 acres.

According to "The Southeast Special Impact Area" study, site assembly and marketing for new development is complicated in the Southeast area due to multiple ownership of many small adjacent parcels; difficulty in obtaining private financing; complex City permitting requirements and restrictions; and, often, lack of basic infrastructure adjacent to the site. In addition, environmental clean-up or abatement costs on contaminated sites add to difficulties in marketing.

On Rainier Avenue, commercial areas north of McClellan and near Franklin High School show the greatest amount of improvement from renovation and new construction. Vietnamese developers have focused recent investment activity in this area.

Commercial buildings are generally concentrated between Othello and Orcas Streets, and in the South Industrial Area on Martin Luther King Way. Many buildings in and around the Rainier Beach Shopping Center are basically sound, but have fallen into disrepair and abandonment. DN3

Environmentally sensitive sites

Maps included in the Seattle Comprehensive Plan show that there are no wetlands in Southeast Seattle. The map does show two areas where there is a riparian corridor although the streams are underground. One is located along 52nd Avenue South between Bangor Street and a little to the north of Roxbury St. The other is located just north of there along Henderson Street and paralleling Renton Avenue for a short way. There were also several areas identified as Liquefaction areas, primarily along Rainier Avenue South and in the southwest corner of the city limits. Liquefaction areas have specific geologic conditions that lose substantial strength and cohesion during earthquakes.

Slide prone areas and areas of steep slope exist throughout the District, but are concentrated primarily on the ridges and along the shorelines.

Major employers

According to Southeast Effective Economic Development's data and METRO's Commuter Trip Reduction surveys, some of the major employers in Southeast Seattle are:

Alpac	Olsen's
Drug Emporium	Pacific Medical Center
Eagle Hardware	Rabanco
Furon - Fluorcarbon	Rainier Vista Clinic
Glant Textiles	Safeway
Group Health	Seattle Packaging
Hyster Salcs	Specialty Frozen Foods
Impressions NW	Washington Services for the Blind
J. Marcel Co.	Veteran's Hospital
McDonalds	Zion Preparatory Academy
	Paine Corporation

Housing data including values, percentage owner occupied, vacancy rates, condition, growth trends, building starts and demolitions, housing types and average turnover rates. The Southeast District is characterized by older (20-50 years) moderately priced, single-family homes as well as a large number of apartment complexes built in the mid-60's and early 1970's.
DN 17

The 1990 Census of Population and Housing shows 19,874 housing units in Southeast Seattle. Of those, 93 percent are occupied, and 7 percent are vacant.

The 1990 Census shows the types of housing units as follows:

- 61 percent detached, single-family units.
- 3 percent attached, single-family units.
- 6 percent duplexes.
- 6 percent triplex or four-plex.
- 22 percent multi-family units.
- .4 percent mobile home or trailer.
- .6 percent other.

Housing conditions in the Southeast can be approximated by looking at the age of housing stock as well as several other factors. The 1990 Census of Population and Housing lists the median year that homes were built in Southeast Seattle (excluding Beacon Hill) as 1954, 40 years ago. In the Beacon Hill neighborhood, homes were older - 1948 was the median year for homes being built.

The Department of Community Development conducted a housing conditions survey in preparation for the Southeast Seattle Action Plan that showed some neighborhoods in the

northern portion of Southeast showing improvements in housing condition indicating a reinvestment in the housing stock. The Seattle CHAS stated that overall, Seattle's housing stock was found to be in good condition but exterior housing conditions in the Southeast area as well as two other areas of the city were found on average to be 5% to 12% worse than conditions elsewhere.

Another indicator of housing condition is the presence or absence of kitchen and plumbing facilities and heating fuel. As discussed under the infrastructure section of this report, .2 percent of occupied housing units had no heating fuel listed when surveyed for the 1990 Census. The Census reports that 160 homes (.8%) in the Southeast lack complete kitchen facilities and 124 homes (.6%) lack complete plumbing facilities. The majority of those (45%) are in Asian households as well as Black households (38%).

According to the North Beacon Hill Action Plan, the North Beacon Hill neighborhood had a total of 7,672 housing units in 1990, a slight decrease from 7,701 units in 1980. This is a largely single family residential neighborhood with approximately 69 percent of homes being single family homes. According to the Action Plan, over the past ten years, the proportion of single and multifamily housing units in North Beacon Hill has stayed fairly constant. Citywide, the number of multifamily units has increased faster than new single family units.

During the 1980's, the Beacon-Rainier Valley neighborhood and the Rainier Beach area showed the least amount of building activity as compared to other neighborhoods in Seattle. Percent increases in Southeast Seattle of new building activity are less than one-fifth the city average of 8.3%. The Seattle CHAS also reported that the Southeast area had the largest number of vacant residential buildings in the City.

Housing purchase prices have increased tremendously in the twenty year period from 1970 to 1990 in the City of Seattle. The average Seattle home cost \$24,264 in 1970 and increased to \$165,792 in 1990, an almost seven fold increase. Southeast Seattle provides some of the least expensive and more affordable housing in the city. Southeast Seattle remains one of three areas in the city where single family homes are still available for less than \$100,000. In 1970, a home in the Rainier Valley cost \$19,937. In 1990, that home cost \$108,495, slightly over a five-fold increase. The 1990 Census reports a mean value of home in the Southeast (excluding Beacon Hill) as \$91,032 and \$95,041 for Beacon Hill.

The increased cost of housing is severely limiting affordability among very low-income households.

Another indicator of housing costs and values are average rents. Average rents vary from a low of \$410 in the Rainier Valley to a high of \$595 in some of the more upscale neighborhoods in Seattle.

The 1990 Census reports the median gross rent for Southeast homes as \$369 and \$397 for the Beacon Hill neighborhood. Between 1987 and 1992, average rents increased more than incomes. Despite significant increases in Seattle's rental housing stock, rents in new units are higher than

most renters can afford.

According to the 1990 Census, 64 percent of households paying 30 to 34 percent of their income on rent, earn less than \$10,000. Sixty eight percent (68%) of households paying 35 percent and over for rent also earn less than \$10,000.

Homes in the Southeast District are more likely to be owner occupied than in the city as a whole (51% to the City's 49% in 1990).

The Southeast has an above-average percentage (35%) of Seattle's subsidized housing which is 17 percent city-wide, and the concentration of subsidized housing is much higher in the Rainier Valley than anywhere else in the City, at 43% of all rentals, according to the Seattle CHAS.

In preparation for the Southeast Seattle Action Plan, the Department of Community Development surveyed the multi-family housing stock in the Southeast area. The majority of structures were found to be of modest size with 30 or fewer units per building. Most of the larger apartment buildings are subsidized projects belonging to the Seattle Housing Authority and other non-profit owners.

The Southeast area is heavily impacted by two large public housing developments, Holly Park and Rainier Vista. Holly Park was built in 1941 by the War Department as temporary housing for defense workers. The wood frame housing units are significantly deteriorated and the community is known for one of the highest incidence of violent crime in the City of Seattle. In 1993, the Seattle Housing Authority submitted an application for an Urban Revitalization Demonstration Planning Grant to rehabilitate and redesign Holly Park, a complex of 898 units housing 2,231 people. Rainier Vista includes 456 units.

The majority of multifamily units are located on the east side of the Rainier Valley on or next to Rainier Avenue South. The majority of subsidized rentals are located on the west side of the Valley on Martin Luther King Jr. Way South. According to the Southeast Seattle Action Plan, there is a heavy concentration of Section 8 Housing Certificate holders in the Southeast area of Seattle.

Southeast Seattle and three other neighborhoods have been targeted for neighborhood housing assistance programs. The criteria involved in selecting these areas included: areas with median household incomes at 80% or less of the Seattle SMSA average; areas with high crime rates; deteriorating urban environments; below average housing conditions, high rental housing vacancy rates; average single-family home sale price at 80% or less of city average; and a concentration of subsidized housing.

Educational, social, public safety characteristics

A map included in the Seattle Comprehensive Plan, shows the location of public schools in Southeast Seattle. There are twelve elementary schools, two middle schools, three high schools and two alternative schools.

The Seattle - Post Intelligencer published an article on January 3, 1990 entitled: Seattle Schools' Racial Mix. The article was based on information from the Seattle School District and showed that in the Rainier Valley in 1989, there were 83.2 percent non-white students and 16.8 percent white students. This was an increase from 1977 when percentages were 77.1 percent for non-whites and 22.9 percent for white students. The Rainier Beach neighborhood which includes all census tracts and blocks from Graham Street to the southern city limits and Lake Washington to I-5, showed 88.7 percent non-white students in 1989 and 73.1 percent non-white students in 1977.

Southeast Seattle is served by the South Seattle Precinct which includes all of West Seattle, Rainier Valley and South Seattle. According to the "North Beacon Hill Action Plan", crime statistics for the past three years indicate that, overall, North Beacon Hill experiences the same per capita rate of crime as the rest of Seattle which is slightly lower for the rest of the Southeast. North Beacon Hill neighborhoods have a strong City Block Watch program with approximately 125 organizations on North Beacon Hill alone.

The Southeast Crime Prevention Council which was formed in the 1980's and made up of citizen groups and merchant associations, lobbied for new laws to increase the Police Departments' capacity to deal with drug-related crime. Their efforts won a national award.

The grass-roots Rainier Beach United organization has obtained state funding to assist in crime prevention programs. Both organizations include drug education and work with at-risk youth, as well as organize volunteers to remove graffiti, repair vandalized property, clean up areas, and lobby for measures to assist in law enforcement. DN 3

Another neighborhood working with the police to fight crime is the South Atlantic Street Neighborhood which in 1988 formed the South Seattle Crime Prevention Council. This is a cooperative effort between the community and the Police Department and according to the South Atlantic Street Neighborhood Plan, has been effective in reducing crime.

There are between 60 to 65 human service agencies currently (February 1991) operating in the Southeast area, as well as proposals for additional services. DN3

The Seattle Comprehensive Plan shows Seattle public libraries located in Rainier Beach, Holly Park, Columbia and Beacon Hill.

The same source shows fire stations located in the Rainier Beach area, on 51st between Graham and Orcas Streets, one in the Beacon Hill area and a fourth near the intersection of Lake Park Drive and Rainier Avenue South.

Hospitals and health services

The Seattle Comprehensive Plan reports that public health facilities in Southeast Seattle include Providence Hospital near 51st and Cloverdale, PSNHC Community Clinics in the vicinity of Martin Luther King Way Jr. and S. Myrtle Way, the Columbia DPH and PSHNC Community Clinic at S. Genesee and 36th Avenue South and the Group Health Coop Clinic in Hillman City.

The 1990 infant mortality rate was 6.8 per 1,000 live births in King County. The infant mortality rate for Southeast Seattle was 12 deaths per 1,000 in 1980 (DN6) and 13 deaths per 1,000 in 1990 (DN15). Efforts to decrease incidence of infant mortality are apparent in programs through the Teen Health Center at Rainier Beach, the Columbia Health Center and through project grants designed to combat infant mortality in Southeast Seattle.

The Seattle-King County Department of Public Health published a health planning document in 1992 entitled, The Health of King County 1990. The following information was taken from that document:

- In 1990, 9.0% of King County births were preterm. Seattle's preterm births were 10.7%. The Southeast area's preterm births were over 13%.
- A markedly larger percentage of pregnant women in Southeast Seattle did not start prenatal care on time, compared to women in other areas in the county.
- The highest birth rates occurred among school age children living in Southeast Seattle and four other neighborhoods.
- Death, illness and injury are strongly associated with residence in low-income county areas such as Southeast Seattle.
- Southeast Seattle had the second largest occurrence of deaths from cancer in King County and in diseases of the heart, and the highest occurrences of death from diabetes in King County, almost twice the rate for Washington State in 1990.
- The death rate in Southeast Seattle for Motor Vehicle Unintentional injury of pedestrian was more than twice that rate for King County and the death rate in Southeast for unintentional injury by poisoning was over three times as high as that for King County and almost twice the rate as for the City of Seattle.
- The incidence of homicide and legal intervention in relation to a death in Southeast Seattle was higher than any other area within the County and over twice as high as the rate for the entire U.S.A. The number of firearms recovered in connection with deaths in Southeast Seattle was twice as high as for any other area in King County.

Recreational and tourism amenities

The "Seattle 1994 Proposed Interim Capital Facilities Plan" notes that in the Southeast and one other district, children represent more than twice as high a percentage of the population as in some of the other districts. In neighborhoods where children continue to have a high presence, it is important to have sufficient playgrounds and youth-oriented activities. The Plan goes on to state that the Beacon Hill area does not have adequate access to swimming pools. The need for a swimming pool was addressed in the 1993 Seattle Park and Recreation Complan as being included in its 6-year Action Plan.

In 1992, the City issued a bond which will fund a new gym at the new Rainier Community Center and renovate the Rainier Playfield.

The "South Atlantic Street Neighborhood Draft Concept Plan" notes that the construction of the lid across I-90, along with existing playfields south of the old Colman School and between Bradner and 29th, provide the opportunity for new parks and open space in the South Atlantic area. The neighborhood group has been working with the Seattle Parks and Recreation Department on a development plan for the lid which includes major new recreational facilities.

The "Southeast Special Impact Area" report notes that while the Southeast area has numerous park lands, there is a scarcity of indoor sports, cultural activities, educational programs, or entertainment opportunities.

The 1993 Seattle Park and Recreation Complan lists the following projects as priorities for capital improvements in the Southeast District:

- Redevelop children's play areas at Othello Playground, Hutchinson Playground, Lakewood Park, and Beer Sheva Park.
- Develop a new swimming pool to serve North Beacon Hill and Rainier Valley.
- Develop children's play water feature at Othello Playground, Brighton Playground, or Rainier Playfield.
- Develop all-weather track surface at Rainier Beach High School.
- Develop improvement plans for Seward Park, Martha Washington Park, Pritchard Beach/Beer Sheva Park, Lakewood Playground, Hutchinson Playground, and Kubota Gardens.
- Redesign parking lot, entry and lobby at the Rainier Beach Community Center.
- Convert Field #2 to all-weather surface and consider lighting at both fields at the Genessee Playfield.
- Complete park development of Martin Luther King, Jr. Park.

Investment (capital) resources

The Southeast Seattle Action Plan states that without exception, Southeast Seattle business districts show signs of economic distress due to lack of investment and to disinvestment. According to the Action Plan, local banks made 25 percent fewer home loans in Southeast Seattle than elsewhere in the City, and business owners find difficulty in obtaining loans as well.

Few resources are provided by banks to educate and counsel residents on loan options and requirements, according to; South End Credit Needs: A Community Assessment. The same source states that the eight lenders operating branches in Southeast Seattle benefit from over \$383 million in local deposits. However, these local lenders made only 54% of all housing loans in the Southeast in 1988, representing just 50% of all dollars loaned.

The same source goes on to state that factors limiting residents in the Southeast to housing credit

include chronic under-appraisal of property and high down-payment and income requirements that lock out many prospective Southeast home buyers. Factors limiting access to business credit include minimum loan sizes unreachable by modestly-sized businesses; heavy equity and collateral requirements; and lack of technical assistance resources.

A City of Seattle assessment of reinvestment in residential structures between 1987 and 1989 identifies Beacon Hill as having less reinvestment activity, relative to other communities in the City. DN51

A study of commercial investment in different areas of Seattle shows that between 1984 and 1988, the Southeast sector received a relatively small share of commercial investment, in comparison to other areas of the city. The majority of activity was located in industrial and single family zones. Public services structures received the largest share of investment in large structures in the Southeast area. DN67

The perception that the Southeast area is lacking in new investment in general and specifically lacks mixed use development, was brought out in the Mixed Use Development Standard Study prepared for the City of Seattle by Thomas & Potter in late December, 1993.

Transportation (roads and access and transit)

Two major arterials run north/south through the Southeast community, Martin Luther King Way South and Rainier Avenue South. They have been designated as part of the Washington State Highway System.

Direct access is provided to downtown Seattle via Rainier Avenue and to eastside employment centers via the I-90 bridge. East-west access via public transportation is limited to Center Park, however good public transportation is available all along Rainier Avenue. DN 36. METRO designated the Rainier Valley as a corridor for its rapid transit planning.

Street-related capital improvements were among the most commonly identified community need in a survey conducted for the Southeast Seattle Action Plan. The Action Plan describes the residential areas with the poorest conditions as the following:

- Rainier/Genesee: Some streets are in very poor condition and there is one street that is unpaved. Curbs and sidewalks are lacking throughout.
- Hillman City: The area in poorest condition is the neighborhood directly east of the commercial business district. Curbs and sidewalks are lacking throughout the area and in many cases general street conditions are very poor.
- Rainier View/Skyway and South City Limits: Public infrastructure is lacking throughout and street conditions are generally poor.
- Martin Luther King Way South and South Henderson: The community directly west of Martin Luther King Way and south of Holly Park is in need of overall improvement ranging from curb and sidewalk construction to cleanup of vacant lots.

Speeding and pedestrian safety were also issues that were mentioned in the Southeast Action Plan.

The Seattle Engineering Department responded to the problems identified in the Southeast Action Plan by preparing a document entitled: "Southeast Seattle EDA Infrastructure Improvements". This was a study funded by the Economic Development Administration (EDA) and the document focuses its attention on the Genesee Business District, and the Norfolk-Boeing Access Road. Specific streets needing improvement are listed in the document.

Problems with street conditions were also identified in "The South Atlantic Street Neighborhood Draft Concept Plan". The Plan notes that street surfaces in the study area are in poor condition, and the lack of curbs, gutters, and sidewalks is notable. The Seattle Engineering Department has agreed to construct improvements on South Massachusetts Street, which will become the major east-west arterial through the neighborhood.

Historic sites

In 1979 a survey was conducted of potential Historic sites in Southeast Seattle, however the survey was limited in scope and therefore usefulness. Columbia City has been designated an Historic Landmark District on Local and National registers, and features turn-of-the-century buildings.

SUMMARY OF SOUTHEAST DISTRICT NEEDS AND OPPORTUNITIES

STRENGTHS

Housing prices and rents are more affordable in the Southeast District than in other areas of Seattle.

Southeast Seattle is surrounded by middle and upper income neighborhoods.

The Southeast District is located near Lake Washington and I-5 and has two major arterials running through the District.

About \$20 million is targeted to street improvements over the next eight years which will begin to address one of the area's major infrastructure deficiencies.

There is easy access to I-90 and downtown Seattle.

Transit services are readily available to this area.

A wide range of retail and commercial uses exist in the District.

There is a diversified employment base in the Southeast.

Southeast residents are concerned about their neighborhood and in the case of crime prevention, are working with the Seattle Police Department.

There is effective leadership in the Southeast.

The population is diverse, both ethnically and economically.

The Southeast is made up of strong neighborhoods.

Public investment into the Southeast has resulted in three new grade schools as well as the remodeled Franklin High School, a new medical clinic and a recreation center.

WEAKNESSES

Drainage problems exist in several areas of the Southeast, limiting commercial and industrial development.

Development is threatened by multiple ownership of small adjacent parcels of vacant land.

It is difficult to obtain private financing in the Southeast District.

City permitting requirements are viewed as complex and restrictive.

Two very large public housing complexes are located in Southeast, which have some very

high crime rates and poor reputations.

There is a heavy concentration of subsidized housing in the Southeast.

The housing stock is older (20-50 years) and in relatively poor condition.

Reinvestment rates in Southeast Seattle are lower than other areas of the city.

Indoor recreation facilities and cultural activities are limited.

The Southeast has higher unemployment and poverty rates than other neighborhoods of Seattle.

Southeast Seattle residents have less formal education than in other neighborhoods.

The health profile of Southeast residents is relatively poor especially with prenatal care, heart disease, diabetes and cancer.

OPPORTUNITIES

Private investment has occurred in the past five years including regional retailers (Safeway, Eagle, Olsens, Drug Emporium) and minority (Vietnamese) developers have indicated a development interest in the Southeast area.

Recent investment by larger regional retailers are indicative of acceptance of the Southeast as a market and provide additional opportunities to attract development as firms continue to compete for market share.

The Southeast has been identified as needing economic development assistance and has been receiving funding and programs to offset some of the problems noted in the reports.

Vacant, underutilized land is available in Southeast.

Lower land prices may encourage businesses to locate in the Southeast area.

The Southeast District location near Lake Washington, I-5 and I-90 is ideal for business development. The location of two major arterials traveling north-south through the District could also attract development.

Several areas have been identified with the potential of being designated as urban villages.

The Southeast may be designated as a regional rapid transit corridor.

THREATS

Extensive commercial/business development along Martin Luther King Way and Rainier Avenue may interfere with the residential nature of the neighborhoods in those areas.

Higher paid wage jobs are leaving the city, making them less accessible to Southeast District residents.

Industrial opportunities are limited inside the city limits due to the size of land parcels available for development as well as potential hazardous wastes.

There is no mass transit in Seattle that will easily transport residents to manufacturing jobs outside the city. Since Seattle's share of these jobs is declining, low income workers are sometimes isolated from higher paying employment opportunities.

**PIONEER SQUARE AND THE INTERNATIONAL
DISTRICT**

Community Boundaries

The City of Seattle Office of Economic Development has defined the International District (ID) boundaries as being within Census Tract 91 and Block Group 1 of Census Tract 92. Pioneer Square is the area defined by the remainder of Census Tract 92 (Block Groups 2 and 3). Together, they comprise all of Census Tracts 91 and 92.

Location and size

Pioneer Square and the ID are located on the edge of downtown Seattle, with the industrial area on the south, and Elliot Bay on the west.

Geographic characteristics

Pioneer Square is the oldest part of Seattle's Central Business District and was the original site of the City of Seattle. Pioneer Square was selected as the site for Seattle because it was the only level area on the east side of Elliott Bay that had direct access to deep water. Much of Pioneer Square and the ID was built upon tidelands which were filled in following the Great Fire of 1889. Just to the east of Pioneer Square, across railroad tracts, is the ID. Interstate 5 bisects the ID.

The Pioneer Square/ID is within walking distance to the Kingdome, Seattle waterfront area and downtown Seattle.

Population trends, including age and ethnicity trends

The Pioneer Square Plan Update includes a resident profile of Pioneer Square for the years 1960, 1970 and 1980. Below is the profile for 1990 based on the 1990 Census of Population and Housing:

	<u>1990</u>
Number of Residents	951
Median Age	40.8
Race: White	662
Non-White	289
Education: High School Completion	29%
Employment: In labor force:	79%
Unemployed:	21%
Income: Median	\$8,554

1990 Census Profiles and 1990 Census of Population and Housing Special Run for ID and Pioneer Square show the following statistics:

• Nine (9) percent of the International district population and 1 percent of the Pioneer Square population is less than 16 years old compared to 15 percent citywide.

Thirty (30) percent of the ID population and 9 percent of Pioneer Square's population is 65 years and over compared to 15 percent citywide.

The racial diversity is one of the most distinctive features of the International district:

- Thirty two (32) percent of the population is white compared to 75 percent citywide.
- Fifty (50) percent of the population are Asian or Pacific Islanders.
- Thirteen (13) percent of the population is African American compared to 10 percent citywide.

Pioneer Square is comprised primarily of white males. Seventy (70) percent of the population is white and 79 percent of the population are male. African Americans comprise 17 percent of Pioneer Square's population and Asians and Pacific Islanders make up 5 percent of the total population.

Both areas have an equal percentage of its population living in the state where they were born (19 percent). However, in Pioneer Square, 10 percent of the population is foreign born while 47 percent of the ID's population is foreign born.

Household composition

There are a total of 1,081 households in the ID. Sixty five (65) percent of those are single person households and 24 percent are two person households. In Pioneer Square, there are a total of 381 households of which 86 percent are one person households and 11 percent are two person households.

In Pioneer Square there are no households with children, according to the 1990 Census. In the ID, there are 41 households or 3 percent that are married with children and 8 percent of households are single parent households.

Education attainment of residents

The 1990 Census of Population and Housing shows that 34 percent of ID residents 25 years and over have less than a 9th grade education as compared to Pioneer Square residents with 13 percent. Twenty (20) percent of ID residents have a high school diploma and 17 percent have some college. Twenty nine (29) percent of Pioneer Square residents graduated from high school and 14 percent have some college. Six (6) percent of ID residents have a Bachelor's degree and 2 percent have graduate or professional degrees. Ten (10) percent of Pioneer Square residents have a Bachelor's degree and 5 percent have graduate or professional degrees.

Employment and unemployment

The 1990 Census of Population and Housing shows that 21 percent of the labor force in Pioneer Square is unemployed. In the ID, 13 percent are unemployed. The unemployment rate for the City of Seattle is 4.9 percent.

The 1990 Census also shows the number of people with work disabilities. In Pioneer Square, 40 percent of respondents 16 to 64 years of age had some sort of work disability or self-care limitation. The ID showed 37 percent with some sort of work or self-care limitation.

Employment

The 1990 Census of Population and Housing shows that in the ID, 98 percent of workers worked in the county of residence. In Pioneer Square, 27 percent of workers worked in the county of residence and 8 percent worked outside the State of Washington.

The 1990 Census of Population and Housing lists Industry employment for both Pioneer Square and the ID as follows:

Industry (Employed persons 16 years and over)	ID		Pioneer Square	
Agriculture, forestry & fisheries	10	1%	17	4%
Mining	0	0	0	0
Construction	57	7%	44	9%
Manufacturing				
Nondurable goods	48	6%	26	5%
Durable goods	37	5%	11	2%
Transportation	39	5%	8	2%
Communications & other public utilities	0	0	0	0
Wholesale trade	31	4%	14	3%
Retail trade	222	29%	115	24%
Finance, insurance & real estate	35	5%	8	2%
Services:				
Business & repair services	21	3%	58	12%
Personal services	73	9%	32	7%
Entertainment & recreation	9	1%	12	3%
Professional & related svcs:				
Health services	47	6%	0	0
Educational services	53	7%	27	6%
Other professional & related services	68	9%	103	22%
Public administration	17	2%	7	1%

Retail trade is the largest industry group in both Pioneer Square and the ID. Professional and related services involves 22 percent of the workforce in Pioneer Square.

Per capita income

Per capita income in Seattle in 1990 was \$18,308 which is comparable to that for all of King

County at \$18,587 and higher than per capita income for the entire state which is \$14,923. The per capita income in Pioneer Square in 1990 was \$13,077, slightly below the state's level. In contrast, the per capita income level in the ID in 1990 was \$6,107.

The 1990 Census of Population and Housing reported the following income categories:

- In the city of Seattle, the 1990 household income of single persons and unrelated individuals was a mean of \$28,005. In the ID, this figure was much lower at \$7,527. Pioneer Square single households fared better with a mean household income of \$19,370.
- Family households in the city of Seattle had a mean income of \$49,572. The mean family income in the ID was \$10,933 and \$23,752 in Pioneer Square.
- The median household income in the ID was \$6,674 and in Pioneer Square it was \$8,554.

It is interesting to see that even with a large population of homeless and very-low income persons residing in Pioneer Square, households in the ID have lower incomes than those in Pioneer Square and markedly lower incomes than in the city of Seattle. This may be due in part, to the large number of elderly living in the ID and the recent influx of upper-income residents in Pioneer Square which tends to skew income figures upwards, perhaps not representing a true picture of the situation.

Another way to evaluate household income by using Census information is to look at the number of housing units without telephone service. In Pioneer Square, 40 percent of all housing units do not have telephone and in the ID, 22 percent have no telephone service.

Zoning and land use

Pioneer Square contains a mix of businesses including commercial, restaurant, entertainment and art galleries and supports a growing population of full time residents. The Chinatown/ID is a residential neighborhood for a large and mixed Asian population with businesses, restaurants and commercial establishments.

In developing the Chinatown/ID Community Development Plan, community discussions resulted in a strong consensus to have a range of housing types across a spectrum of affordability. Currently, there exists low income housing and new upper income luxury housing. To achieve this aim, the City will have to down-zone along with allowing various incentives/bonuses to allow increased heights in keeping with the historic character of the area and promoting a pedestrian friendly environment. DN60

The area east of the freeway to Rainier Avenue has almost no housing. The existing zoning is commercial. A small section east of the freeway is zoned Lowrise 3 for housing. This area was seen to be an area where residential development and family housing in the long term may make sense. DN60.

Most of the clientele who do their shopping in the ID, do not live in this area and the commercial

businesses have generated considerable traffic and parking. The ID Community Development Plan recommended reviewing the existing zoning east of the freeway to Rainier Avenue to encourage more mixed use, residential/retail developments.

Seattle's Comprehensive Plan classifies the ID as an Urban Center Village, which includes the area east of the freeway to Rainier Avenue South.

Vacant lots in the ID comprise 33 percent of the property east of I-5 with 43 parcels. King County Assessor's records have identified 32 uses for the area east of I-5 to Rainier Avenue, north on Main Street and south to Lane Street: DN60

- 43 parcels vacant lots
- 33 parcels retail/commercial/service/office
- 12 parcels housing
- 10 parcels parking lots
- 8 parcels warehouse
- 10 parcels light industrial
- 6 parcels church/fraternal
- 3 parcels food processing
- 2 parcels manufacturing
- 2 parcels other (City light utility & pool hall)

According to the ID Community Development Plan, there is an unusually high concentration of restaurants per square block. A greater commercial mix is needed in order to develop the neighborhood into a healthy commercial and neighborhood district.

Pioneer Square is in a Preservation District which was established to protect the social, cultural, historic and ethnic values of the Pioneer Square area. The purpose of the District is as follows:

- To preserve, protect and enhance the historic character of the Pioneer Square area and buildings.
- To return unproductive buildings to a useful purpose.
- To attract visitors to the city.
- To avoid the proliferation of vehicular parking and vehicular-oriented uses.
- To provide regulations for existing on-street and off-street parking.
- To stabilize the existing housing stock and encourage new and rehabilitated housing types for all income groups.
- To encourage the use of transportation modes other than the private automobile.
- To protect existing commercial access.
- To improve visual and urban relationships between existing and future buildings and structures, parking spaces, and public improvements within the area.
- To encourage pedestrian uses.

According to the Seattle Department of Community Development in 1990, land uses in the Pioneer Square Preservation District include the following (DN 61):

- Residential 5 percent
- Manufacturing 1 percent

· Transportation, Communications, Utilities	22 percent
· Wholesale Trade	3 percent
· Retail Trade	8 percent
· Finance, Insurance, Real Estate, and other services	55 percent
· Cultural Activities, Amusement, Recreation	5 percent
· Undeveloped Land	1 percent

Most of Pioneer Square's retail stores are oriented toward tourists and other visitors. Retail is dominated by nightclubs, restaurants, gift shops, galleries, and stores selling souvenirs. Antique and collectible dealers are another component of the Pioneer Square retail market. DN 70

According to the Pioneer Square Plan Update, retail space accounted for 34.4 percent of the district's total floor area and that retail activity covered approximately eight (8) percent of the district's land area. In 1991, a survey was conducted of retail space in Pioneer Square. The survey showed that the vacancy rate of retail space was 5.8 percent. The Kingdome North Parking Lot study concludes that the demand for retail in Pioneer Square appears to be adequate for the amount of space currently in the area, as seen by the low vacancy rate.

Pioneer Square does not contain a supermarket or a drug store. This is of particular concern in developing housing in Pioneer Square where there is a lack of convenience goods and services.

Infrastructure

Pioneer Square is served by Seattle Steam which provides steam to commercial, residential and institutional customers for heat, hot water and other uses. The ID has been targeted, along with several other areas as potential customer growth areas for steam.

Pioneer Square and the ID are not in Cable television franchise areas, however, these areas may be served by two cablevision companies.

According to maps located in the Seattle Comprehensive Plan, both areas are served by city water and sewer. Infrastructure was not listed as a need in any of the community reports targeting Pioneer Square or the ID.

Commercial and industrial sites and development readiness

In 1992, a study entitled; "Kingdome North Parking Lot Mixed Use Development Feasibility" was prepared at the direction of the City of Seattle and King County. The study, among other purposes, evaluated the development potential of the Pioneer Square and ID. The study concluded that this area is currently 'underdeveloped', given its location and accessibility.

Improved access through the following projects is expected to encourage more intensive office, commercial, and residential development in the area:

- The Metro bus tunnel which has two stations in Pioneer Square and one in the ID, is expected to give local office buildings a competitive boost by enhancing accessibility, and improve the area's access to persons working elsewhere in downtown.
- New Interstate 90 interchange provides full freeway access between the Pioneer Square and ID area and both the I-90 and I-5 freeways. This is expected to stimulate demand for office and retail space in the district.
- Waterfront Streetcar Extension provides direct connection between the bus tunnel and the waterfront, the ID, and Pioneer Square. This facility is expected to enhance shopping and entertainment businesses in these neighborhoods.
- Ferry Terminal Expansion on the central waterfront will nearly double the capacity of the terminal and also relieve congestion along Alaskan Way, some of which spills into the Pioneer Square area. Seattle is home to one major (Holland America) and several minor cruise lines, and has grown in importance as a stop for cruise ships from other lines. At present, cruise ships dock at Pier 66 on the north edge of the central waterfront. Current Congressional initiatives may give rise to an increase in the cruise line business which may have a major impact on this area.

Office uses account for approximately 55 percent of Pioneer Square's total land area and total 1,800,000 square feet, or 38.9 percent of the district's total floor area. DN 61 Pioneer Square also contains 1,590,000 square feet of "other" space which includes manufacturing space, basements, storage, and the upper floors of unrenovated structures. According to the Kingdome North Parking Lot study, this "other" space could be renovated to become office, retail or residential space.

The overall vacancy rate of office space in Pioneer Square was 6.9 percent in 1990, when the Kingdome North Parking Lot study was conducted. Also at the time of that study, two major office projects were proposed for Pioneer Square. The King Street Center with 15,200 square feet of retail and a public plaza was approved in August 1990 by the Department of Construction and Land Use but construction was delayed due to funding commitments. The third project is the expansion of the Graybar Building in the northeast corner of Occidental and King Street. The expansion will provide restaurant and retail uses.

According to the Kingdome North Parking Lot study, when added to the current inventory of vacant space, the 517,000 square feet identified as under renovation or planned provides sufficient space to capture the projected office demand through 1996.

Environmentally sensitive sites

Neither Pioneer Square nor the ID is shown as environmentally sensitive in the Seattle Comprehensive Plan.

Major employers

According to data collected by METRO as part of the Commuter Trip Reduction survey, some of the major employers in the International District and Pioneer Square are Uwajimaya, Inc., Acme

Poultry, Aldus, NBBJ, Group Health Cooperative, Seafood, Inc., Cole & Weber and the Ferry Service and DSHS Support services of the State of Washington.

Office tenants in Pioneer Square are primarily smaller companies that prefer buildings and a neighborhood that offer special character. Architects, designers, photographers, and graphic artists are strongly represented in the District. Social service agencies, government offices, and legal services are also well represented. DN70

In the ID, most of the private market activity is in the 12th and Jackson area, and with one exception, has been entirely retail/commercial. Mini-shopping malls with small family run businesses, dominate the area.

Housing data including values, percentage owner occupied, vacancy rates, condition, growth trends, building starts and demolitions, housing types and average turnover rates. The 1990 Census of Population and Housing shows 1,141 housing units in the ID, and 438 housing units in Pioneer Square. The vacancy rate in the ID is 5 percent and in Pioneer Square, the vacancy rate is 3 percent.

The ID is characterized by a large number of older housing structures (43% built before 1940) and large apartment buildings with 50 or more units. Ninety five (95) percent of the housing structures in Pioneer Square were built before 1940 and most of those are apartment buildings with 50 or more units.

Housing conditions can also be determined by the number of units lacking complete kitchen and plumbing facilities. In the ID, 62 units or 5 percent of all units lack complete kitchen facilities. In Pioneer Square, 2 units or .5 percent of all units lack complete kitchen facilities, according to the 1990 Census of Population and Housing. In the ID, 15 units or 1 percent of all units lacked complete plumbing facilities, and all of those units were built before 1940.

According to the ID Community Plan, Phase I, at one time, many of the ID property owners lived in the community. According to the 1990 Census, there are currently no property owners residing in the community. A number of properties are owned by individual Chinese or Japanese families, family associations, Chinese investors or investment groups and Chinese, Caucasian property owners. Most of the ID property owners own their property free and clear. According to the Community Plan, many property owners have owned their buildings for decades and are reluctant to sell, wanting to pass the property onto heirs. This has resulted in a stable ownership pattern with no reinvestment in properties. Many property owners are reluctant to take on debt and as a result, many properties have been allowed to deteriorate as owners make minimal maintenance or rehabilitation improvements.

According to the 1990 Census, there are 22 property owners residing in the Pioneer Square area.

The following is a break-down of type of structure existing in each area:

<u>Type of Structure</u>	<u>International District</u>		<u>Pioneer Square</u>	
Single-unit detached	0	0	0	
Single-unit attached	8	.7%	0	0
Duplex	7	.6%	0	0
Triplex or fourplex	39	3.4%	0	0
5 to 9 units	172	15.1%	24	5.5%
10 to 19 units	127	11.1%	134	30.6%
20 to 49 units	244	21.4%	26	5.9%
50 or more units	499	43.7%	254	58%
Mobile home or trailer	0	0	0	0
Other	45	3.9%	0	0

Both areas have large apartment complexes and very few or no single family homes.

The 1990 Census did not show any values for homes in either area because there are no owner-occupied units. The median gross rent in the ID was listed as \$148. In Pioneer Square the median gross rent was \$174.

To the east of I-5, there is a 14 unit multifamily project, a 15 unit apartment building and pockets of older housing, especially along King Street between 12th Avenue and Rainier Avenue S. There is some Senior housing (Leschi Center). DN60

In Pioneer Square, there are twenty residential structures. They contain 1,053 living units as either condos, apartments, sleeping rooms or dorm beds. Eleven of the structures are apartments, one is a hotel, four are missions, and three are condominiums. DN 61

Missions account for approximately 494 of the District's living units.

Two large subsidized apartment projects, the Frye Apartments and the Morrison Apartments contain the majority of Pioneer Square's rental apartment units. Most of the remaining units are in middle-and upper-income rental projects, which involve rehabilitation of historic buildings to lofts, conventional apartments, or mixes of the two. DN 70

The Pioneer Square Plan Update recommends that the continued success of the District depends heavily on the ability to expand the supply of housing to all income groups. The Plan proposes that the District be designated a Housing Target Area to focus attention and resources on ways to expand the supply of housing in the District.

Some of the residential structures in the ID include: the Downtowner Apartments, Ascona Apartments, St. Charles Hotel, and the Highland Apartments.

Educational, social, and cultural amenities

A map included in the Seattle Comprehensive Plan shows two alternative schools located north of Pioneer Square. There are no other schools located in either Pioneer Square or the ID, according to the Comprehensive Plan Map.

Pioneer Square was once known as Skid Road, a primary location for human services in the downtown area. There are four major shelters for single adults, primarily men, with both temporary and longer term shelter. These are: the Union Gospel Mission, the Lutheran Compass Center, the Bread of Life Mission, the Salvation Army's Harbor Light Center and the Chief Seattle Club. There is also a Downtown Emergency Service Center. There is a broad variety of human services located in Pioneer Square, the majority provides direct services to very low-income and homeless people.

Due to limited resources, shelters are not open 24 hours a day. There is a great need for drop-in centers and other programmed indoor activities to serve the homeless population. DN61

Other service providers in the Pioneer Square District include the following:

- The Central Area Community Alcohol and Substance Abuse Center - outpatient treatment.
- The United Indians of All Tribes Foundation - street youth education program and day center.
- The Union Gospel Mission - outreach program for young adults.
- Community Psychiatric Clinic - jail diversion program and a day treatment/counseling program for the mentally ill.
- Two work release facilities are located just outside the District.
- Evergreen Legal Services - legal advocacy services to low-income and indigent clients.

Several human service agencies that are primarily administrative are located in Pioneer Square. DN 61

Safety and relations in general has been an issue in the Pioneer Square area between human service agencies, their clients, business owners/operators, residents and visitors. Since 1984, the City has been attempting to address these problems. A new Pioneer Square Community Council has been formed which includes all interest groups in Pioneer Square. The City has established policies aimed at limiting the number of human service agencies in the area to provide essential services to no- or low- income people while preserving a positive climate for investment and enhancing public safety. DN 61

A fire station is located at about 3rd and Jackson Street in Pioneer Square, and Seattle Police Department's West Precinct headquarters is located directly north of Pioneer Square on Yesler.

The 1990 Annual Report Seattle Police Department shows that overall for total Part I Offenses (robbery, rape, aggravated assault, burglary, theft and auto theft), Pioneer Square scored Significantly Above Average and the ID scored Average in the number of occurrences.

Public safety is a concern of residents in the ID, particularly at night when transient and street people roam the streets and the drug culture as well as youth gang activity are evident in the area.

However, cultural and language barriers inhibit ID residents from reporting crimes. DN70

Cultural amenities in the ID include the following:

- The Wing Luke Asian Museum, located in the ID, has been a showcase for Asian and Asian American artists and community history since its beginnings in 1967.
- The Northwest Asian American Theatre (NWAAT) was formed in 1972 and is one of five Asian American theatre companies in the United States. NWAAT shares a building with the Wing Luke Asian Museum in the ID.
- The Nippon Kan Theatre serves the Japanese community as a place to hold cultural events, weddings, social gatherings, and political meetings.

Over the years, the Asian American community has developed a reputation for taking care of its own people with the establishment of family associations and tongs. Family associations serve many functions. They protect civil rights, assist in the adjustment of its immigrant members to American society, and look out for the betterment of the community. There are 17 family associations in the ID. DN68

Tongs and social clubs also play an important part in the ID community. In addition to Tongs and family associations, there are 37 organizations and agencies that serve the residents of the ID. Eighteen agencies based in the ID provide direct services. Twelve of these agencies are Asian based or focused. Social services in the ID are focused on the awareness of support requirements for developing children, newcomer and low-income adults, and the elderly population. DN68

The Bush-Asia Center is the primary community center in the ID, comprised of low-income, transitional and mental health housing, social service agency offices, retail/commercial space and a hot meal program serving Asian elderly and homebound residents.

Hospitals and health services

The ID Community Health Center is located in the ID and serves area residents as well as those needing services from outside the area. The Asian Counseling and Referral Service (ARCS) also operates in the ID. DN68 The Seattle Indian Health Board serves primarily Native American Indians in the Seattle-King County region and is also located in the ID.

Health services in Pioneer Square include primarily a variety of social services listed in a previous section of this report.

Recreational and tourism amenities

Active recreation is very limited for Pioneer Square and ID residents. Existing public open spaces and parks are devoted to passive use with occasional music concerts or special events. There are a few private athletic clubs in Pioneer Square however, they are not affordable for lower-income residents. There is a need for outdoor and indoor active recreation and program activities. Few recreational outlets exist for children. DN 61

With its historical background and features, Pioneer Square attracts a large number of tourists each year. The main attraction is the Underground Tour, a system of below-grade sidewalks left over from the fill operations when streets were raised following the Great Fire. The tour attracts approximately 75,000 visitors per year to the area.

The Pioneer Square Plan Update recommends the development of a new hotel, supermarket, drycleaners and drugstore to serve tourists and to support business travelers, visitors, residents, offices and the Kingdome facility.

The ID has three parks. A focal point in the community is Hing Hay Park with a Chinese Pavillion which is used as a setting for special events and festivals. This is a favorite spot for elderly to sit and talk. Up the hill is Kobe Terrace Park, which is just over an acre with large Japanese stone lanterns. Adjacent to it is the Danny Woo ID Garden with 100 plots that are tilled mostly by low-income Asian elderly gardeners from the District. In 1982, the International Children's Park was built in the ID. DN 68

Investment patterns

Over the last five years (currently 1993), most of the ID area's redevelopment activity has been east of the existing ID historic district boundaries. This is primarily the area contiguous to 12th and Jackson. This area has been transformed into a major center for retail commercial activities, operated principally by South East Asian refugees and Asian immigrants. This is a primary shopping center for the SE Asian community. Almost all the development has taken place in the private market place and many of the businesses have been financed by other than local conventional lenders. DN 60

In the ID and the area east of the boundaries, the following trends have been emerging:

- Continuation of long established businesses in the retail core of the ID.
- Influx of new small businesses established by SE Asian refugees and Asian immigrants in the retail core and outside of it.
- Gradual renovation of substandard and vacant housing stock for affordable housing.
- Increased interest in market rate housing by private developers to serve the downtown and affluent Asian immigrant housing market.
- Community-sponsored redevelopment projects that incorporate a number of community and public services.

Given these trends, there is increasing recognition that the private market has begun to be involved in the reshaping of the ID and surrounding area. DN60.

Since 1974, over \$200 million in public and private reinvestment has occurred in Pioneer Square in the form of capital improvements and rehabilitation of more than 30 historic buildings. Between 1974 and 1985, 25 buildings had been rehabilitated representing almost \$140 million of private reinvestment, the improvement of 1.7 million square feet of commercial space and the construction of 124 residential units. The City also made a number of capital investments in Pioneer Square, in its parks, sidewalks and street improvements. DN 61

Changes in the pattern of demand, along with development restrictions in the CBD core has resulted in increased office development in nearby neighborhoods. There has been some development of small office buildings, residential projects, and hotels in the ID. Office renovations have been occurring in the Pioneer Square District, and the City of Seattle and King County governments have committed themselves to remain in the Pioneer Square area and the south portion of the CBD proper. The City recently purchased three historic buildings on the north perimeter of the Pioneer Square District: the Arctic, Alaska, and Dexter Horton Buildings. The City has begun using these as the core of a new municipal government campus.

King County has offices in Pioneer Square, as well as the Puget Sound Regional Council and the Washington State Department of Social and Health Services. There are also a number of government offices located in the ID.

Transportation (roads and access and transit)

Pioneer Square and the ID are within easy access to I-90 and I-5 Freeways and the Alaskan Way Viaduct. There are buses at both the street level and the new Metro bus tunnel. An historic trolley system operates in this area. The Seattle Amtrak station, the State Ferry Terminal and the Washington Street Boat Landing are all within walking distance of the Pioneer Square/ID area.
DN 70

The Pioneer Square Plan Update recommends that both Pioneer Square and the ID be considered together in terms of transportation needs due to their location and type of neighborhoods which both advocate pedestrian/residential traffic.

Planned transportation improvements include the I-90 ramps on Fourth Avenue South, the high occupancy vehicles (HOV) ramps at the intersection of Airport Way and Fifth Avenue South, the Pioneer Waterfront Streetcar extension, south access to the ferry terminal and the downtown transit circulator. DN61

According to the Pioneer Square Plan Update, most streets and land in the area currently are underutilized. Parking is a problem for workers, visitors and residents in the District. As vacant lots are developed, parking shortages will increase. All streets in the Pioneer Square area have street lighting. Presently, (1990) Metro and Community Transit bus service is concentrated on First, Second Third, and Fourth Avenues and Dearborn Street. Downtown circulator routes along First Avenue South and Third Avenue South to South Jackson Street and into the eastern edge of the ID provide limited connections to other downtown activities.

Midweek parking demand for the existing supply is very high in both the ID and Pioneer Square, at or exceeding practical capacity (85%) during the weekday everywhere except the off-street spaces in the ID. There is a significant demand for off-street parking spaces in Pioneer Square.

A condition survey of existing roadway surfaces was done in the study area as part of a city-wide inventory for the Urban Arterial Street System data base. All of Alaska Way South, portions of Main Street, 2nd Ave. South, 2nd Ave. extension and 3rd Avenue South were identified as having a remaining service life of less than six years. DN 61

The 1990 Census of Population and Housing shows that the primary mode of transportation in the Pioneer Square and ID areas for workers age 16 and over, is the bus, followed closely by walking. Mean travel time to work for Pioneer Square residents is 19 minutes and 18 minutes for those living in the ID.

According to the "Kingdome North Parking Lot Mixed Use Development Feasibility" study, Metro is reviewing the feasibility of constructing an intermodal station at King Street Station. This would link local intra-city buses, inter-city buses, taxi service, rail service and proposed commuter rail service between Seattle and Tacoma.

Historic sites

The ID is one of the oldest residential and commercial areas in the city. The area originally developed as a working class residential neighborhood characterized by small frame houses, apartment buildings and hotels. The western portion of the District was dominated by small-scale commercial and light industrial activity, because of its proximity to the tideflats and rail lines. The neighborhood grew rapidly in the 1870s and 1880s with immigrants from China who provided labor for mining, logging, railroad construction and domestic service. In 1886 anti-Chinese riots drove many residents out of town although the demand for inexpensive labor caused the Chinese population to gradually come back. In 1907-1912 regrade operations razed the neighborhood and construction of the King Street Station and Union Station opened up the region's transportation hub and stimulated demand for hotels and commercial services in the surrounding neighborhood.

In the early 20th Century, Japanese immigrants moved into the ID and later, Filipinos. The ID is unique in that it is the only neighborhood in America where Chinese, Japanese, and Filipinos settled together. By 1910, the physical structure of the ID was well established. The "core" of the district lay south of Jackson Street, and the Japanese community dominated the area north of Jackson. After regrade operations, the west portion of the district had been developed with substantial brick hotel and apartment buildings featuring residential units on the upper floors and small-scale retail, service, or light manufacturing businesses on the ground floors. To the east, up the hill, residential uses predominated.

In the mid 1960s I-5 was cut through the middle of the ID and destroyed much of its housing stock. In the mid 1970s a Special Review District was established to preserve the existing stock of historic buildings, enhance housing opportunities, and improve the architectural quality of new developments.

Pioneer Square was the original site of Seattle. In 1889 a great fire destroyed all the wood frame buildings in 25 city blocks. After the fire, the Pioneer Square area was quickly reconstructed with brick and stone buildings. Few American cities can claim a 20-block concentration of Victorian-era commercial buildings which comprise Pioneer Square. DN 70

In May 1970, the Seattle City Council established the Pioneer Square Historic District and the District is listed in the National Register of Historic Places. Pioneer Square is also in a Preservation District which is intended to preserve areas of historical or architectural merit,

protect and enhance the neighborhood, promote stability of land values, assist in rehabilitation of declining areas where traditional zoning may be inadequate, and safeguard the District for the future enjoyment of Seattle's citizens.

SUMMARY OF NEEDS AND OPPORTUNITIES IN PIONEER SQUARE AND THE INTERNATIONAL DISTRICT

STRENGTHS

Both areas are recognized as having unique historic qualities and as such, are protected by certain development criteria and are eligible to participate in local and federal tax credit programs.

Pioneer Square and the ID are within walking distance to the waterfront, the Kingdome, and the downtown business core.

Both areas are served by major transportation routes as well as several different modes of transportation.

City infrastructure is available in both areas.

The development potential in both areas is favorable.

Both areas cater to a specialized type of commercial development.

The Asian community has a reputation/history of taking care of its own people, as evidenced by the formation of Chinese family associations, other business/social and civic groups/organizations catering to their ethnic group.

There is a strong cultural identity among the different ethnic groups in the ID.

The ID is recognized as the center for the Asian community in the Seattle area.

WEAKNESSES

Property owners in the ID have only recently begun to reinvest or rehabilitate their buildings. Reasons for slow growth include; reluctance to incur more debt, lack of money and the absence of development capacity or skills.

Redevelopment in Pioneer Square may dislocate the homeless and transient population in that area.

Lack of schools, family housing, active recreational areas, a library and convenience stores, in Pioneer Square and the ID may discourage families from locating in the area.

There is a lack of drop-in centers and other programmed indoor activities for the homeless population. There is a relatively high homeless population in Pioneer Square where there are four major shelters.

Cultural and language barriers in the ID isolate some residents from needed services such

as police protection and other public services available to the larger public.

Inadequate long and short term parking in both areas may limit the expansion of the tourism trade, and may also discourage many regular patrons from shopping and eating at restaurants in the area.

There is an unusually high concentration of restaurants per square block in the ID and a greater commercial mix is needed.

Undeveloped land in Pioneer Square is limited to one (1) percent of all land uses.

There is a large concentration of subsidized apartments in Pioneer Square and the ID.

Pioneer Square has a high number of unemployed residents (21 percent) as compared to the rate for the City of Seattle at 4.9 percent. The ID has an unemployment rate of 13 percent. Both areas have a high number of people with work disabilities.

Incomes in both areas are low as compared to the rest of Seattle neighborhoods.

The absence of family housing is a cause for concern in the ID.

There is a significant cost in bringing older buildings up to code.

OPPORTUNITIES

There are private and non-profit development groups with the interest and expertise to develop projects in the ID if funding were available.

Vacant lots comprise 33 percent of the property east of I-5 in the ID.

Developments proposed for the Kingdome North parking lot may contribute to increased tourism in the ID and Pioneer Square areas.

Tourism is a major asset in both areas, and the tourism industry is on the rise. Expansion of the cruise line trade may strongly impact the area.

Most of the land in Pioneer Square is underutilized, as well as land outside of the retail core in the ID.

Community groups would like to see a range of housing types available in the ID and encourage families to locate in the area.

THREATS

The developments proposed for the Kingdome North parking lot and King Street station may pose traffic, environmental and public safety issues for Pioneer Square and ID residents and business owners.

Industrial opportunities are limited inside the city limits due to the size of land parcels available for development as well as potential hazardous wastes.

DELRIDGE/HIGH POINT

Community Boundaries

The City of Seattle Office of Economic Development has defined the boundaries of this sub area as being the eastern half of Southwest Seattle which includes; the Delridge District which is made up of a number of residential neighborhoods including High Point, and; the Southwest harbor area and Harbor Island as well as other industrial areas in Southwest Seattle. The Census Tracts which make up this sub area are: All of tracts 99, 107, 108, 112, 113 and blocks 2,3 and 4 of tract 114.

Location and size

The Delridge portion of Southwest Seattle is quite a large neighborhood and contains more vacant residential developable land than any other neighborhood within the city. Harbor Island and the Southwest Harbor are industrial areas on the Duwamish River.

Geographic characteristics

Ice molding during the glacial periods shaped the area's definite pattern of north-south hill forms. The dramatic contrasts of hills, ridges and valleys and the shoreline have influenced the area's development pattern since its earliest settlements. Many areas continue in their natural state. The shoreline along the Duwamish River to the east, Elliott Bay to the north and northeast, is an important physical feature of the Southwest peninsula. Private uses dominate the shoreline with a mix of industrial and commercial uses on the West Duwamish Waterway, however, a number of areas offer public access and recreational use.

Population trends, including age and ethnicity trends

The 1990 U.S. Census shows 24,896 persons living in the sub area. This is 4.8 percent of the City of Seattle's population. Of those, 16,002 are White, 2,815 are Black, 4,453 are Asian or Pacific Islander, 1,553 are Filipino, 2,085 are of Hispanic Origin, 884 are Eskimo, Aleut or American Indian and 874 are Cambodian. Ten other races were listed.

The median age of all area residents was 30 years. Blacks, American Indian, Eskimo or Aleuts, and residents of Hispanic origin all tended to be slightly younger than Whites in the sub area, in their early to mid twenties while Whites were in their early thirties.

The U.S. Census shows that of the 24,896 persons in the sub area, 17,548 or 70 percent speak only English at home. The other 30 percent speak Spanish, Asian or Pacific Islander or another language at home and 8 percent are considered linguistically isolated.

Of the 24,896 residents, 20,769 were native, 1,392 were naturalized citizens and 2,735 were not citizens. Of those foreign born, most had come to the United States since 1975. The majority of native born residents were born in the State of Washington (11,271).

The Seattle Post-Intelligencer published an article on "Seattle Schools' Racial Mix" on January 3, 1990 which compared 1977 and 1989 enrollment by race for Seattle neighborhoods. The High

Point area of Delridge was included which showed that the percentage of white students declined over the twelve year period from 77.5 percent to 52.2 percent and the non-white student population increased from 22.5 percent in 1977 to 47.8 percent in 1989.

Sub area residents tend to like living in the King County area: 9,253 have been living in the same house since 1985, 7,963 were in a different house but in the same county in 1985.

Education attainment of residents

The 1990 Census of Population and Housing shows that in the sub area, out of 15,373 persons 25 years old and older, 5,417 (35%) graduated from high school and 1,790 (12%) graduated from college.

One thousand, three hundred and seventeen (1,317) persons or nine percent (9%) had less than a 9th grade education.

Employment and unemployment

The 1990 Census lists the unemployment rate for persons 16 years old and over who reside in the sub area, as 7.4 percent. This is higher than the unemployment rate for the City of Seattle which was 4.9 percent in 1990. The Census breaks unemployment down by race which reveals the following rates:

White	5.8%
Blacks	15.2%
American Indian, Eskimo, Aleut	16.6%
Asian and Pacific Islander	7.3%
Hispanic	11.6%

Employment

The 1990 U.S. Census of Population and Housing provides employment information on workers residing in the sub area who are 16 years and over employed in the following industries:

<u>Industry</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, & fisheries	167	1%
Mining	5	
Construction	591	5%
Manufacturing:	2,537	21%
Nondurable goods	633	
Durable goods	1,904	
Transportation	755	6%
Communications & other public utilities	314	3%
Wholesale trade	695	6%
Retail trade	1,998	17%

Finance, insurance & real estate	757	6%
Services:	3,789	32%
Business & repair services	893	
Personal services	473	
Entertainment & recreation	223	
Professional & related services		
Health services	991	
Educational services	433	
Other professional & related services	776	
Public administration	392	3%

Services and manufacturing are the largest industry groups in this portion of Southwest Seattle, followed by retail trades.

The majority of workers worked in place of residence (96 percent). For workers 16 years and over, 11,320 worked in the county of residence, 400 worked outside of King County and 58 worked outside of Washington State.

Per capita income

The Per capita income in Seattle in 1990 was \$18,308 which is comparable to that for all of King County at \$18,587 and higher than the per capita income for the entire state which is \$14,923. The per capita income in 1989 (1990 Census) for persons 15 years and over in the sub area was \$11,873. The Census breaks this down by race which follows:

Race	Per Capita Income
White	\$14,178
Black	\$ 7,014
Amer Ind	\$ 6,702
Asian	\$ 8,251
Hispanic	\$ 7,444
Other	\$ 8,483

The 1990 Census of Population and Housing reported the following income categories:

- In the city of Seattle, the 1990 household income of single persons and unrelated individuals was a mean of \$28,005. In the Southwest Seattle sub area, this figure was \$24,886.
- Family households in the city of Seattle had a mean income of \$49,572. The mean family income in the sub area was \$33,257.
- The median household income in the sub area was \$26,560.

Household composition

There are 9,482 households in the sub area. The breakdown of number and percent of persons per households is as follows:

1 person	2,578	27%
2 persons	2,914	31%
3 persons	1,639	17%
4 persons	1,216	13%
5 persons	543	6%
6 persons	326	3%
7 or more persons	266	3%

There are 2,112 married couple families in the sub area with children and 1,866 married couple families without children. There are 140 families with a father only and 997 families with a single mother.

Zoning and land use

This sub area consists predominantly of industrial uses and zoning along the shorelines and residential uses in the interior.

Delridge has large amounts of vacant and underdeveloped residential land within the community and is experiencing development pressures. The areas that are being developed have limited commercial services and convenience shopping is not readily available for much of the neighborhood. Shopping tends to be concentrated in the southern portion of the Delridge neighborhood and vehicular access to major shopping in West Seattle is restricted by difficult east-west circulation. DN 75

The Delridge community is concerned about the effects of growth on neighborhood schools. Elementary schools in the neighborhood are encountering problems with deteriorating facilities and an increasing concentration of at-risk students from low-income households in the neighborhood. DN 75

The preservation of open space is of great importance to Delridge residents due to the amount of greenbelts, natural areas and waterways in the community. Community organizations have worked hard to preserve and improve Longfellow Creek as an open-space resource.

The northern part of the sub area, including Harbor Island, was once an international center of ship building. Currently, the area is dominated by transportation rather than manufacturing. Port expansion plans will add to the loss in manufacturing and increase in transportation uses. DN47

There has been a notable increase in vacant land in the industrial area of Southwest Seattle. Two factors can be attributed to this. One is significant hazardous contamination of sites. The other is the Port's plans to utilize all of Harbor Island and the land bordering the east and west waterways for an expanded container terminal. "These plans inhibit the purchase of or reinvestment in land in this area by other potential users." DN 47 The port's plans would necessitate the relocating of most of the current occupants of these areas including: a lumber treatment facility, ship building and repair yards, a major grain terminal and mill, metal fabricators, industrial equipment manufacturing, cold storage, scrap metal recycling, warehousing and distribution, oil tank farms and tug moorage. DN 47

Harbor Island has been designated a Superfund cleanup site and is the worst industrial site for contamination in Seattle. DN 47

Major employers

The Port of Seattle is one of the largest employers in the sub area. Others include Food Services of America, Development Services of America, South Seattle Community College, and Pioneer Human Services.

Housing data including values, percentage owner occupied, vacancy rates, condition, growth trends, building starts and demolitions, housing types and average turnover rates. The 1990 Census of Population and Housing reports that there are 10,112 housing units in the sub area. The vacancy rate is 6.1 percent. Out of the 9,491 occupied housing units, 4,650 or forty nine (49) percent are owner-occupied and 4,841 or fifty one (51) percent are renter-occupied.

There are 2.6 persons per unit in the sub area which is averaged from the various races with a low of 2.3 persons per unit of Whites and a high of 3.8 persons per unit of Asian and Pacific Islanders.

Delridge is the primary residential district within the sub area and is a rapidly growing neighborhood. Much of Delridge, particularly along the valley floor and near the West Duwamish Greenbelt, was developed historically as low density single-family housing. These are large and odd shaped parcels and are now being subdivided for higher density single-family development and for multifamily residential use. The result is a somewhat incongruous development pattern in places that can be hard to serve with streets and utilities. DN 75

Delridge is primarily a moderate-income neighborhood. Housing in the area tends to be more affordable than in many neighborhoods of Seattle. However, due to limited disposable income, residents have limited resources available to upgrade the existing housing stock. Deterioration of existing housing, particularly single-family, is a growing concern within the community. DN75 There is a strong desire within the community to improve the quality of Delridge's existing housing stock and to improve the image of the neighborhood.

Much of the housing stock in Delridge was built following World War II. Some areas of housing were built much earlier than that, associated with either the beginnings of the steel mill at the present Seattle Steel site or with the maritime industry along the Duwamish Waterway. Other housing was built more recently, some of it well constructed and some built cheaply. DN 75 The 1990 Census reports that the median year housing was built in the sub area was 1955. The Seattle CHAS reports that housing conditions in Delridge are worse than the city average. In a housing conditions survey, Delridge had a lower overall housing conditions score than either the Central or Southeast Seattle areas. The survey showed that conditions are not consistent but vary greatly from block to block.

Housing condition can also be determined by the number of units lacking complete kitchen and plumbing facilities. In the sub area, 18 single-unit structures lacked plumbing facilities, as well as 6 duplexes, 8 multi-family units and 12 other structures (garages, cars, shacks, etc.)

The deterioration of housing within the Delridge area has affected property values which remain relatively low. Low property values discourage homeowner improvements and potential buyers.

The 1990 Census reports the following categories of structures found in the sub area:

1, detached	6,265	62 %
1, attached	228	2.3 %
duplex	651	6.4 %
triplex or fourplex	781	7.7 %
multi-family	2,112	21 %
mobile home or trailer	0	0
Other	75	.7 %
Total	10,112	100 %

The mean value of all homes in 1990 was \$95,029. The median value was \$84,255. The median gross rent in the sub area was \$438.

Multifamily development has occurred west of Delridge Way below SW Holden Street where, until recently, large tracts of vacant land remained available. DN11

The Mayor's Recommendations for Southwest Seattle raised the issue of the cumulative impact of extensive multifamily development on Delridge Way SW, which the community would like to see designated a boulevard.

The Mayor's Recommendations also noted that the South Delridge area has experienced considerable multifamily residential growth in recent years and has a sizable inventory of multi-family zoned, yet undeveloped properties.

In the late 1980's, Delridge was targeted by the City of Seattle as needing housing assistance. The targeted housing assistance program emphasizes the active marketing of housing rehabilitation and business assistance.

The continued location of subsidized housing in the Delridge area causes concern for community leaders as there is already a considerable amount of existing low-income housing and low-income families receiving housing assistance in Delridge. The Seattle CHAS noted that Delridge has more than double the city average of subsidized units. Of the 1466 units of Seattle Housing Authority Public Housing, 716 are at the High Point project, located in Delridge. Of those, 225 are Section 8 Certificates, 461 are elderly or disabled housing units, and 29 are scattered site housing.

The Seattle CHAS notes that Delridge as well as several other neighborhoods, have shown some of the highest percentage increases of sale prices of single family homes since 1987. However, average purchase prices of single family homes in Delridge are some of the lowest in the City.

The following are actions recommended by the community for the City's work program of assistance to the Delridge community:

- Work with the community to review and target appropriate assistance through the City's Housing Assistance Plan.
- Work with the community to identify specific neighborhood areas where housing assistance could be targeted.
- Develop a public information program to inform the community of housing assistance opportunities.
- Develop the next phase of assistance to remaining housing projects which have quality control and infrastructure problems.

Educational, social, and cultural amenities

Four elementary schools, one middle school and one high school serve residents in the sub area. There are also a number of private school programs offered, from pre-school through high school. South Seattle Community College offers a variety of continuing education, vocational, and higher educational programs.

Overcrowding in schools in the Delridge area is a concern due to residential development and the poor condition of some of the areas' schools.

Southwest Youth and Family Services (SYFS) has an Education Clinic office in the High Point Garden Community, with their main office a few blocks west of the sub area's southwest boundary. SYFS provides various programs in counseling, education and employment.

Seattle established the Southwest Family Support Center in 1992 which provide outreach to families in the community, resource information and referral, parenting classes, health screening,

social and recreational services, and others.

West Seattle has been served by Seattle Police Department (SPD) officers assigned to the South Precinct, located to the east of the Duwamish Waterway at Beacon Avenue and South Myrtle. Even though the precinct is physically located outside the Southwest Seattle area, the SPD maintains high visibility through their crime prevention division with car and foot patrols in Southwest Seattle. In 1990 the SPD recommended acquiring a mobile van unit for the area. There are also two hotline numbers in the area.

Hospitals and health services

There is no licensed community hospital in west Seattle, however, the Highline-West Seattle Mental Health Center provides comprehensive mental health services to priority populations as defined by the State of Washington. DN73 The West Seattle Community Hospital closed some time ago but its reopening is pending.

Recreational and tourism amenities

There are five playgrounds and playfields located in the sub area as well as four parks and two community centers. The City-sponsored community centers provide gyms, game rooms, craft room and swimming pools, among other amenities. Schools also provide recreational facilities through their playfields and playgrounds. DN73

Investment patterns

Residents of Delridge would like more convenience shopping and services in the center and northern portions of their neighborhood. High turnover has occurred in the few business locations that do exist and existing commercial facilities are deteriorating. Community leaders hope that the growth in population will encourage more businesses to locate in the area and that it will benefit the commercial zoned areas to the north. According to the Delridge Neighborhood Action Plan, the community wants to take a more active role in attracting new businesses to Delridge.

According to the Delridge Neighborhood Action Plan, community leaders believe that lending institutions are reluctant to finance home improvements within the Delridge neighborhood.

Transportation (roads and access and transit)

West Seattle is tied to the rest of Seattle by three bridge crossings: the West Seattle Freeway bridge, the First Avenue South Bridge, and the 14th/16th Avenue South Bridge. Average weekday daily traffic (AAWDT) volumes indicate traffic for the West Seattle Freeway is growing at a faster pace than the City as a whole, increasing by about 4 percent per year compared to citywide annual growth rate of 2.5 percent. In addition, principal north/south arterials are experiencing large growth in arterial traffic. DN73 Vehicular circulation in Delridge is difficult due to steep ridges on either side of the valley. The ridges have prevented construction of easily accessible east-west through streets. DN 75

In addition to high traffic volumes and accidents on the West Seattle Freeway Bridge, the First Avenue South Bridge is one of the highest accident locations in Seattle. This is an important access route for the middle and south parts of the Delridge neighborhood.

SUMMARY OF NEEDS AND OPPORTUNITIES IN DELRIDGE/HIGH POINT

STRENGTHS

- There is a large amount of vacant residentially zoned land available for development.
- Housing costs are lower in Delridge than in other areas of Seattle.
- Area residents are concerned about growth management and preserving the natural environment.
- Area residents are supportive of planned growth.
- This portion of Seattle is a strong industrial area.
- City services are available.

WEAKNESSES

- Support for neighborhood organization has rested with just a handful of individuals.
- Delridge has few churches to help foster a sense of community as well as a limited number of business centers. The only chamber of commerce in the area is in White Center which represents mostly unincorporated King County.
- Rapid residential growth is resulting in unplanned development.
- Drainage problems exist with new residential development.
- Community services have not kept up with residential growth.
- Transportation services need improvement to accommodate residential growth.

OPPORTUNITIES

- Commercial development in the Delridge area is needed and welcomed.
- Vacant, developable land is available in Delridge.
- This is an area of greenbelts and natural areas.
- The sub area has buildings and shorelines that are of historical importance.

THREATS

- Industrial contamination and small parcel sizes may limit the expansion of industrial growth.
- Lending institutions are reluctant to loan to homeowners in Delridge.

THE DUWAMISH

Community Boundaries

The City of Seattle Office of Economic Development has defined the Duwamish District as encompassing all of Census Tracts 93 and 109.

Location and size

"Duwamish" is most often referred to as the industrial areas located on both sides of the Duwamish River in south Seattle. For the purposes of this report, Duwamish is the industrial area on the east side of the Duwamish River, adjacent to Pioneer Square and the International District on the north, the Southeast Seattle District on the east and the Seattle city limits on the south.

Geographic characteristics

The entire Duwamish District is flat and was once tidal flats. Its level character makes it ideal for industrial development.

Population trends, including age and ethnicity trends

The U.S. Census of Housing and Population reports that there were 3,602 people living in the Duwamish District of Seattle in 1990. This amounts to .7 percent of Seattle's population and is an increase of 1,093 people since 1980. Fifty seven (57) percent of the area's residents are white (2,059), there are 667 Asians or Pacific Islanders, 490 Blacks, 210 persons of Hispanic origin, 192 American Indians and 194 persons of other races. The most significant changes in population since 1980 occurred in the increase of Blacks (from 5% in 1980 to 14% in 1990) and the decrease in the number of whites (69% in 1980).

The median age of Duwamish District residents is 37 years. Sixty five percent (65) of area residents are male. There are not very many children in the area - Census data lists 388 children under the age of 18 living in the Duwamish District. Nor are there very many elderly - 492 residents are over the age of 64 (14 %).

The vast majority of residents are native to the United States - 3,098 persons or 86 percent of the population. Two hundred and sixty nine residents are naturalized citizens and 235 residents are not citizens. Of those foreign born, most came to the United States since 1987.

One hundred and thirty five residents noted on their census that they are linguistically isolated. The majority of those speak an Asian or Pacific Islander language.

Education attainment of residents

The 1990 Census reports that out of 2,668 persons 25 years old and over, 181 persons (7%) have less than a 9th grade education, 702 persons (26%) are high school graduates and 356 persons (13%) have a Bachelor's degree.

Unemployment

The 1990 Census reports an unemployment rate in the Duwamish District of 7.4 percent. This is

substantially higher than the unemployment rate for Seattle which was 4.9 percent.

Employment

The Duwamish industrial area has a fairly high employment density (21 to 50 jobs/gross acre). In comparison, predominantly residential areas of the city have employment densities as low as 10 jobs per acre and the Downtown area has greater than 50 jobs/gross acre. DN 11

The Duwamish valley and one other area are major areas of employment. The Duwamish accounts for over 72,000 jobs. This is an area where there are significantly more jobs than households and it draws workers from all over the region. DN11

The 1990 Census reports that 81 percent of the workers age 16 and over who reside in the Duwamish area, work in the Duwamish area. Ninety eight (98) percent work in King County.

While manufacturing and production related industries remain an important source of relatively high paying jobs within the City, Seattle manufacturing jobs tend to pay less than in those in the rest of King County. In addition, there is far less new capital investment in Seattle manufacturing firms than those in the rest of the County. Nevertheless, Duwamish is second only to the downtown in the number of jobs available. DN 47

The following listing of employed persons 16 years and over working in industries, was taken from the 1990 Census of Population and Housing:

<u>Industry</u>	<u>Number</u>
Agriculture, forestry & fisheries	49
Construction	176
Manufacturing:	316
Non-durable goods	132
Durable goods	184
Transportation	99
Communications & other public utilities	7
Wholesale trade	41
Retail trade	276
Finance, insurance & real estate	147
Services:	570
Business & repair services	156
Personal services	105
Entertainment & recreation	16
Professional & related services:	
Health services	99
Educational services	70
Other	124
Public administration	73

Services, manufacturing and the retail trade were the major areas of employment for residents of the Duwamish District.

Per capita income

The 1990 per capita income of all persons residing in the Duwamish District was \$16,263. The City of Seattle's per capita income in 1990 was \$18,308 which was comparable to that for all of King County at \$18,587.

Household composition

According to the 1990 U.S. Census, there are 1,435 households in the Duwamish District. Household sizes range from a majority of one person households (43%) and a large number of two person households (37%), with lesser numbers of larger household sizes.

The Census reports that there are 627 families in the Duwamish District.

Zoning and land use

The Seattle Comprehensive Plan designated the entire Duwamish District as a Manufacturing/Industrial Center. Under the designation, actions shall be taken to maintain the manufacturing and industrial activity within these areas, while promoting employment growth in new and expanding markets. DN 11

The Duwamish includes nearly half of Seattle's 6,000 acres of industrially zoned land and contains nearly all of the city's heavy industry and marine transportation services (excluding ferries). The most common industrial uses are manufacturing, wholesaling, and transportation/ ommunications/ utilities. DN 70

Common types of activities found in the Duwamish include; warehousing, trucking, metal fabricators and foundries, apparel manufacturing and non-durable goods wholesalers such as paper suppliers, petroleum products, and clothing, food, and beverage wholesalers. Some retail and very little residential uses exist here. The area immediately to the south of the Kingdome is a neighborhood in transition from an industrial area to a broader mixture of land uses. DN 70

Georgetown is a neighborhood in the southern Duwamish District, that has a number of commercial and smaller mixed uses as well as residential uses.

West of Pioneer Square are Pier 48 and Terminal 46, both owned and operated by the Port of Seattle. Pier 48, once the Alaska Ferry Terminal, is used largely for transient moorage for large vessels. It may eventually be returned to use as a terminal. Terminal 46 is a containerized freight handling yard with berth space for three ships. DN 70

In many eastern cities, manufacturing is losing ground to other land uses. In Seattle, manufacturing had managed to hold its own in acreage from 1969 to 1974. Over the past five to six year period, there has been an approximate loss of five percent in manufacturing acreage. DN 47

The Duwamish industrial area which includes the Kingdome has been losing ground due to traffic congestion which are intensifying due to Kingdome activities when the ferry unloads and freight trains cut off east-west traffic between Alaskan Way S. and First and Fourth South. This portion of the Duwamish has been a major distribution center for the region but wholesale and warehousing uses lost about 25 acres. Increases in retail sales and service and some office increases have characterized land use change in recent years. DN47

Infrastructure

The Duwamish is well served by all major utilities. Storm water runoff and electricity are the only real utility constraints for redevelopment. Storm water runs through industrial sites with river frontage directly into the Duwamish River. Industries are currently required to obtain NPDES permits for their storm water outfalls in an effort to control and reduce harmful emissions into the Duwamish River. DN 64

Electricity seems to be abundant in the Duwamish, however the Puget Sound region is at the limits of growth in power distribution. Peak winter loads and the danger of shortages have caused the utilities to approach large load industrial users with plans for voluntary load shedding, curtailment plans, and increased costs.

Commercial and industrial sites and development readiness

The Seattle industrial land market is characterized by fairly small parcels (current vacant parcels are one-half acre on average) and a large number of functionally obsolete buildings. The parcels tend to be small due to Seattle's grid street system and the history of many small ownership's within city blocks. The buildings are older and many are in need of upgrading. Many buildings cannot be readily converted to use by a new tenant. According to industrial appraisers, up to 100 percent of the City's industrial land may be contaminated to one degree or another. An industrial user seeking to locate in Seattle is likely to need to assemble several parcels, clean up the contaminated soil and make significant investments in building rehabilitation. DN 47

Major employers

Industrial employers in the Duwamish are diverse. For instance sand and gravel operations, highly mechanized container terminals, warehouse retail stores such as COSTCO, a major postal service center, and a variety of small and medium sized wholesale, warehouse and business support operations can all be found within a few blocks of one another.

Boeing, the King County Airport and Port of Seattle holdings are major employers in the Duwamish. Other significant employers are the Postal Service with 1,616 employees, the Army Corps of Engineers, City Light, Starbucks, City Water Department, Seattle School District and Pacific Coast Feather.

Housing data including values, percentage owner occupied, vacancy rates, condition, growth trends, building starts and demolitions, housing types and average turnover rates.

According to the 1990 Census, there are 1,514 housing units in the Duwamish District. Of those, 8.1 percent are vacant. The vacancy rate in 1980 was 15 percent. Of occupied housing units, 41 percent are owner-occupied, and 59 percent are rental units.

The Census breaks down the number of housing units by structure in the Duwamish District as follows:

<u>Units in structure</u>	<u>Number</u>	<u>Percent</u>
1, detached	686	45.3 %
1, attached	14	0.9 %
duplex	56	3.7 %
triplex or fourplex	59	3.9 %
multi-family	671	44.3 %
other	28	1.8 %
Total	1,514	

There seems to be a very distinct majority of single-family homes and multi-family units over four units to the structure, in the study area, which is an interesting mix of housing.

Housing conditions in the Duwamish District can be speculated on using Census information. Census reports that the median year for homes being built in the area, was 1946 which is 48 years ago. Forty two (42) percent of all homes in the Duwamish were built before 1940 and only 17 percent have been built since 1980. These figures indicate that a major portion of the housing stock is most likely in need of rehabilitation. This assumption is further verified that the median value of housing in the District is only \$78,046 as compared to \$136,494 for the City of Seattle. The lack of complete bathroom and kitchen facilities is also an indicator of poor housing condition. The Census reports that 25 housing units or 1.7 percent of all units in the area are lacking complete kitchen facilities and 60 units or 4 percent lack complete plumbing facilities.

The median gross rent in the Duwamish area is \$430 which is lower than the city of Seattle's figure of \$459.

Public Safety

The 1990 Annual Report by the Seattle Police Department, shows that in the northern portion of the Duwamish District (north of Dawson St.), the occurrence of Part I Offenses was Significantly Above Average. The occurrences of Part I Offenses for the area south of Dawson showed Average Occurrences of; robbery, rape, aggravated assault, burglary, and, theft.

Investment (capital) resources

Over half the dollar amount planned for investment in the industrially zoned land in Seattle between 1990 and 1992 was for the Duwamish area (S. Duwamish, includes west side of Duwamish River), and of this, 98.2 percent was for industrial projects. Although this area remains one of the region's major industrial areas, the loss in manufacturing may be a concern. DN47

Transportation (roads and access and transit)

The Spokane Street Viaduct connects Interstate-5 and West Seattle and provides access to the Duwamish Industrial area and other major shipping terminals and rail yards, as well as being the major connection to southwest Seattle residential areas. The Spokane Street Viaduct is a limited

access facility that was constructed in the 1940's and is used by heavy trucks and other vehicles transporting goods. Truck traffic is very high and the facility is very narrow. This has led to many severe accidents and tragedies that have led to increasing public sentiment to reduce truck traffic on the viaduct. The city of Seattle is attempting to obtain financing to widen the viaduct to make it a safer transportation route. DN69

Traffic congestion is a real problem in the Kingdome area, often reaching its peak when Kingdome events, unloading ferry traffic and freight trains crossing the roadway occur simultaneously. DN47

The 1990 Census reports that of 2,057 workers residing in the Duwamish District, 917 or 45 percent drive alone to their places of work, 232 or 11 percent carpool, 335 use public transportation (16%) and 172 or 8 percent walked to work. Mean travel time to work was 19 minutes.

SUMMARY OF NEEDS AND OPPORTUNITIES IN THE DUWAMISH

STRENGTHS

The Seattle regional industrial market is well regarded nationally because of its past growth and current strength.

This is one of the largest and strongest industrial areas in the City of Seattle with proximity to Boeing and the Port of Seattle.

Land prices are affordable to a wide range of industrial businesses

The Duwamish District is fully served by city utilities.

The Duwamish District is a major employment area.

The area has excellent access to highway, rail, air and marine transportation

There is vacant, developable land in the area, as well as space in existing structure

WEAKNESSES

The northern section of the District is a high crime area.

Traffic issues in areas of mixed uses may negatively impact the industrial use of land.

The housing stock is older and may become deteriorated.

OPPORTUNITIES

Zoning in the Duwamish District is designed to protect the industrial use of the area.

The City is encouraging industrial growth.

The location of the District along the Duwamish River, close to I-90 and adjacent to I-5 makes it a prime locatin for continued and expanded industrial development

THREATS

Industrial growth in the Duwamish District may be hampered by soil contamination issues, the size of land parcels available for development, and the functional obsolescence of many buildings

Land prices are generall higher than in competing south county industrial parks

Residential growth in the Duwamish District and in adjacent neighborhoods may impact future industrial growth.

**Neighborhood Reinvestment Area
FIVE YEAR REINVESTMENT STRATEGY**

THE FIVE YEAR REINVESTMENT STRATEGY

The Neighborhood Reinvestment Area strategy is based on the premise that the future of the Neighborhood Reinvestment Area, to the extent the future can be influenced locally, will arise out of policies and strategies adopted at all levels of concern -- regional, county, City and neighborhood. This strategy reflects the operating goals and objectives relevant to the Neighborhood Reinvestment Area from all these levels of concern. While many of the strategies are clearly neighborhood specific, many others are directed to the individuals and families who are residents of the Neighborhood Reinvestment Area.

The development of these policies and goals involved an enormous amount of public process and public input--from neighborhood meetings, surveys and interviews, to the formal Overall Economic Development Plan process encouraged by the US Economic Development Administration, and the municipal process used to consider and adopt City Comprehensive Plans and respond to annual reviews of specially designated neighborhoods such as the Central Area and Southeast Seattle.

At the conclusion of this plan there is an index of the social, community and economic development profiles and plans that were reviewed and consolidated to form this Neighborhood Reinvestment Area Strategy. A synopsis of the public process undertaken in developing these policies, plans and strategies is available through the City of Seattle.

This strategy is meant to address the economic development, human and community development, public safety, infrastructure, and public facilities needs identified in the area overview and the sub-area profiles presented earlier in the Plan. The strategy is described in terms of four components:

1. Statement of goals and objectives. These goals and objectives are presented in terms of areas of activity, populations and geographic areas . All have clear implications for the direction of energy and resources in the Neighborhood Reinvestment Area. While goals are statements of a preferred future, the objectives present more specific strategies for meeting these goals.
2. A profile of the organizations available to help achieve the goals and implement the objectives.
3. A profile of the financial resources available and potentially available to help fund the reinvestment strategy.
4. A representative description of reinvestment projects.

GOALS AND OBJECTIVES

THE URBAN VILLAGES STRATEGY

The City is in the process of finalizing its Comprehensive Plan which will be adopted in mid-1994. This plan is being done in accordance with the Growth Management Act and will identify the city's future land use, housing, transportation, utility, and capital facility requirements to support future growth for the next 20 years. This master plan is designed to accommodate 72,000 new residents in 60,000 households and 146,600 new jobs over the next twenty years. A draft Comprehensive Plan was published in April 1993 and made available for public comment.

The heart of the Seattle Comprehensive Plan is its Urban Villages Strategy. The Urban Villages Strategy lays out goals and policies needed to guide the City toward more compact, densely developed, transit-oriented, mixed use communities supported with adequate transit service, parks and open space and urban services. This strategy uses the following categories to define areas of Seattle and help strategically plan: (1) Urban Centers and the Urban Center Villages located within their boundaries; (2) HUB Urban Villages; (3) Residential Urban Villages; (4) Neighborhood Villages. Areas that are not Urban Villages are categorized as either (1) Manufacturing/Industrial Centers; or (2) Urban Neighborhoods.

Based on this strategy, a number of **Urban Centers** will accommodate about 50% of the projected population growth. Urban Centers are characterized by existing concentrations of employment and high density residential and institutional uses making them established areas of major activity. Five Urban Centers are in Seattle and one includes portions of the Neighborhood Reinvestment Area. Within these Urban Centers will be designated Urban Center Villages, which will be roughly 240 acres within a walking distance. **Urban Center Villages** will accommodate individualized growth rates based on distinctions in the function, intensity of activity and scale of development appropriate in different neighborhood contexts. The Urban Villages are supported by a radically new transportation network of neighborhood van systems. Pioneer Square and the International District are within the Downtown Urban Center.

After the Urban Centers and their Urban Center Villages, **Hub Urban Village** designations apply to areas with the next greatest transportation accessibility and ability to provide housing and jobs in close proximity. Both Rainier/I-90 and West Seattle Junction in the Neighborhood Reinvestment Area have the characteristics needed for Hub Urban Village designation. **Residential Urban Villages** are areas that will provide future housing opportunities in primarily residential mixed-use neighborhoods, with services available within walking distance and opportunities for limited employment activity. Twelve Residential Urban Villages are envisioned in the Neighborhood Reinvestment Area. **Neighborhood Villages** are locations which will provide for slight increases in residential densities while minimizing changes to the existing character of the area. Each Neighborhood Village shall be anchored by a two or three block area of existing

Commercial zoning, or some combination of existing Commercial and Multifamily zoning. Ten such neighborhood anchors exist in the Neighborhood Reinvestment Area.

Outside of the Urban Villages are Manufacturing/Industrial Centers. Two will be designated: the Ballard/Interbay Manufacturing/Industrial Center and the Duwamish Manufacturing/Industrial Center. This designation means that polices are directed at maintaining the manufacturing and industrial activity with these areas while promoting employment growth in new or expanding industries and other employment activities compatible with the manufacturing and industrial function of these areas.

The Duwamish Manufacturing/Industrial Center is a centerpiece of the Neighborhood Reinvestment Area nomination. This area has all the characteristics allowing higher intensity and density of manufacturing and industrial uses and is in close proximity to City communities of high unemployment and low incomes. The designation of this area is a cornerstone of blending the Urban Villages Strategy, economic development, and the Neighborhood Reinvestment Area program.

It is necessary to study the entire 531-page draft Comprehensive Plan to understand the full implications of the Urban Villages Strategy to the Neighborhood Reinvestment Area. The plan has specific policies addressing needs established in the profiles of the Neighborhood Reinvestment Area. These policies will affect economic vitality and employment, infrastructure, neighborhood character, recreational opportunities, neighborhood identity, transportation, housing (including homelessness), health and human services, education, location of public facilities, utilities and natural resources, and the relationship between government and citizens.

The comprehensive plan is further supported by planning and strategies developed by delivery organizations serving the Neighborhood Reinvestment Area and the communities themselves. Described below are parts of these strategies that are likely to impact the Neighborhood Reinvestment Area over the next five years.

ECONOMIC DEVELOPMENT STRATEGIES

REGIONAL ECONOMIC DEVELOPMENT STRATEGY

The Central Puget Sound Economic Development District (CPSEDD) is a federally funded economic development district covering King, Kitsap, Pierce and Snohomish counties. The CPSEDD has responsibility for certain economic development planning in the region and collaborates with private and public sector partners to achieve its goals.

The CPSEDD has established the following economic development goals, objectives and strategies that are significant to the future of the Neighborhood Reinvestment Area.

Goal : It is in the public interest to guide regional economic development with full consideration of public costs and benefits.

Objectives:

- A. Guide economic development with consideration for the existing geographic distribution of economic resources and activities, as well as their supportive public and private investments.

Goal : It is in the public interest to ensure that all the residents of the region have the opportunity to share in the benefits of economic development.

Objectives:

- A. Encourage the location of new economic activity which generates employment opportunities that are accessible to areas with high concentration of low income and unemployed residents.
- B. Encourage the coordination of public manpower training and affirmative action programs so that unemployed, under employed, and other disadvantaged citizens can more equally compete for job opportunities.
- C. Encourage the participation of minority race citizens in the region's business community through fostering of minority entrepreneurship.
- D. Encourage the coordination of public manpower training and economic development programs so that jobs training opportunities and resources are planned and allocated to enable the disadvantaged to equally compete for job opportunities.

One of the 10 projects described in the Central Puget Sound Region as priority for implementation in 1994 is a Training and Activity Center sponsored by the Central Area Youth Association (CAYA). This project would renovate an abandoned 21,660 square foot building to provide youth training and entrepreneurial activities. The total project cost is expected to be \$1,689,800.

CITY STRATEGY

While the Growth Management Act does not require an Economic Development element in the Comprehensive Plan, it is required by Countywide Planning Policies. These policies are to address the local economic concerns of each jurisdiction within the context of a regional development strategy.

The City of Seattle is in the process of adopting this local economic development element designed to accommodate 146,000 new jobs over the next twenty years and encourage these jobs to be created in a manner most beneficial to Seattle residents. This element establishes policies through which the City will encourage an economic future that can

help offer long term economic opportunity and social equity for all Seattle residents, especially for targeted industries, populations and areas of the city.

The desired outcome of Seattle's economic policies is an economy characterized by high wage levels and by firms, institutions, and employees embracing the best practices of environmental stewardship. Two important policies for achieving this economic vision is support of the Urban Villages strategy through geographic priorities and supporting business incubation, small business growth and other policies that emphasize the expansion and retention of existing businesses and major institutions over outside business recruitment.

Draft policies have been established in the areas of Defining Targets for Employment Growth, Labor Force Development and Workforce Training, Business Climate, Infrastructure and Capital Facilities, and Access to Capital and are outlined below.

These policies are outlined below:

Goal: Overall growth

In order to provide employment opportunities for Seattle residents, fulfill its role as the regions most concentrated employment center, and to help curtail urban sprawl, Seattle will actively encourage employment growth in the city of at least 146,600 jobs over the next twenty year period.

Goal: Job quality

The City will emphasize economic development efforts to encouraging growth in the number of jobs that will provide high wages (those above the Countywide average).

Goal: Job type

Established trends and economic projections indicate a decline in manufacturing jobs and an increase in service jobs. Jobs within these broad descriptive categories have varying wage levels and skill requirements and there is a wide diversity of businesses classified within each of those categories. Therefore, the City shall not set growth targets by industrial sector. Seattle shall at a minimum plan to *accommodate* the industrial mix of jobs as projected by the Puget Sound Regional Council or its successor while simultaneously attempting to *encourage* a potentially different mix of jobs through its economic development priorities. *Accommodate*, as used in this context, means that Seattle shall maintain zoning and infrastructure in place sufficient to allow those jobs to be located here. *Encourage*, as used in this context, means Seattle will be proactive through the implementation of the policies in this Plan in striving to stimulate job growth.

Goal: Education: Labor Force Development/Work Force Training

Labor force development and work force training policies encourage employers, employee organizations, and education and training institutions and agencies to

provide all Seattle residents the opportunity to receive the training and retraining needed in order to compete for meaningful and productive employment and to provide a highly trained work force that will meet the needs of business. While Seattle does not have direct control over the education of its citizens, the City has a responsibility to advocate actively on behalf of our citizens.

Objectives:

- A. **Basic Education:** Recognizing that it is vital for the well-being of Seattle residents and the health of the city's economy for its residents to receive a high quality basic education, Seattle will continue to work with the Seattle Public Schools to improve the quality of public education and increase the likelihood that all young people will complete high school having achieved the basic competency needed to continue their education and/or to enter the work force. In conjunction with the School District, the City will regularly monitor the educational achievement of students with the goal of seeing fundamental improvements in educational achievement and an increase in the proportion of people completing school and continuing into post-secondary education and meaningful employment.
- B. **Competency Training:** An important component of labor force development is ensuring people have the appropriate bundle of skills to qualify them for meaningful and productive employment. The City will facilitate the creation of coalitions of business, labor, and educational institutions to develop competency-based education and training programs targeted to needs of business and to increase the employability of Seattle citizens. This may include vocational training programs, apprenticeship programs, entrepreneurial skills training, customized on-site training, and technical and vocational preparatory programs at the high school level.
- C. **Skill Enhancement:** Recognizing that a constantly changing economy requires maintenance to keep skills current, Seattle will encourage the development of ongoing training programs for people currently employed so they may improve the skills they use in their current jobs or expand their skills into new arenas.
- D. **Dislocated Workers:** In this rapidly changing economy, people may change jobs and careers with some frequency. Seattle will strive to anticipate and lessen the impacts of involuntary job changes by encouraging and facilitating the development of programs targeted to dislocated workers. The City shall also strive to minimize the numbers of dislocated workers through efforts to retain businesses in Seattle and by providing those businesses with the opportunity to thrive.
- E. **English as a Second Language:** The City recognizes that for many Seattle residents their first barrier to realizing economic freedom and opportunity is

language. The City will strive to increase the access of ESL programs for those in need of language assistance.

- E. **Education on International Affairs:** Recognizing that Seattle's economy is increasingly tied to the international market place and that our businesses increasingly need employees able to function internationally, Seattle shall encourage educational and training institutions to require education in foreign languages, geography, and international affairs.

Goal: Business Climate

The City's will enhance the conditions for business growth in Seattle and establish positive relationships between public policy goals and the needs of businesses and other major employers.

Objectives:

- A. **Land Use Permitting:** It is the responsibility of government to provide the highest quality customer service to all of its customers. In the spirit of providing good customer service to the City's business customers and to achieve the goals of the Comprehensive Plan, the City shall continue to act on opportunities to reduce or streamline the regulations and processes affecting land development. For example, the city will seek to shorten permit processing time frames, will evaluate development regulations for unnecessary layers of control, and will promote greater consistency and predictability in the regulatory control systems of other levels of government.
- B. **Programmatic Environmental Impact Statements:** Programmatic environmental impact statements (PEIS) for geographic-specific plans may be used to help reduce the permit processing time and increase predictability for individual projects that are compatible with the PEIS. Priority should be given to the development of PEISs that support the economic development geographic priorities.
- C. **Construction Standards:** rights-of-way, street width, building access standards, and construction standards and guidelines shall be reviewed within three years of the adoption of this Plan and repeated at least every five years. The review will include at least a summary of ways to promote innovative solutions to the implementation of Comprehensive Plan goals and a summary construction standards on the cost of development.
- D. **Development Requirements:** Development requirements associated with the land use and permitting approval processes shall be reviewed within two years of the adoption of this plan and repeated at least every five years. The review shall include at a minimum a summary of the development requirements impact on the cost of development, permit review/approval time frames, development

timelines, and their contribution to achieving the goals of the Comprehensive Plan.

- E. **Bonding Requirements:** Construction and developer bonding requirements shall be reviewed within two years of the adoption of this Plan and repeated at least every five years. The review shall include at a minimum a summary of the bonding requirements impact on development costs and economic development priorities.
- F. **Regulatory Reform:** Seattle shall support regulatory reforms at the State and County levels that would decrease the financial impacts of regulation on businesses and developers while maintaining an appropriate level of safeguards for the environment and worker safety.
- G. **Tax Policy Review:** The structure of City taxes and fee categories shall be reviewed within two years of the adoption of this Plan and repeated at least every five years to determine business impacts and consistency with the Comprehensive Plan and economic development priorities. This review will at a minimum address reporting and compliance processes, business and occupation tax structure, utility rate structures, and the cumulative debt and tax burden of overlapping jurisdictions.
- H. **Future Tax Impacts:** The City shall summarize the impacts of future policies of policy revisions regarding taxes, fees, or utility rates on economic development goals and strategic priorities.
- I. **Contact Between Business and Government:** The City shall strive to increase communication between government, businesses, major institutions, and other entities that may provide economic opportunities, in order to (a) enhance the City's understanding of business issues that may impact employment growth and business competitiveness; (b) enhance the business community's understanding of public policy goals and implementation issues; and (c) help promote more partnerships between government and business to achieve the goals of the Comprehensive Plan.
- J. **Relationship Between Business and Residential Interests:** The City shall strive to work with the business community and the residential community equally to identify and promote areas of common interest and to facilitate the resolution of conflicts in a manner that recognizes and respects legitimate differences.
- K. **Intergovernmental Coordination:** The City shall improve coordination of information and services among government offices which affect the viability of business in Seattle. The City shall also seek to better coordinate changes to its policies and programs with other jurisdictions within the region, in order to

more effectively participate in the development and implementation of State, Regional, and County economic development goals.

L. Intragovernmental Coordination: The City shall strive to coordinate the provision of public services in ways that support the implementation of Comprehensive Plan goals for business and employment growth. For example, public safety and neighborhood services should be well-coordinated with industrial area needs.

M. Economic Base Information: The City shall strive to increase its capacity to understand and analyze the City's economic base and the regional economy and coordinate that information with implementation of its economic development goals and priorities. The City shall biennially review economic information that is available and determine any additional information needed by key decision-makers in City Government.

Goal: The city will develop infrastructure and capital facilities supportive of business development and expansion.

Objectives:

A. Capital Investments Decisions: Decisions on capital investments by the City in utilities, transportation, and other public facilities will consider the capital investment's impacts on businesses and employment and economic development opportunities.

B. Multimodal Transportation Strategy: Rail service is the principal mode of transport of goods for import and export via the Seattle harbor and is integral to the success of many businesses and industries in Seattle and the region. The Seattle waterfront and ship canal provide a vital conduit between waterborne, surface, and air transport of goods and commodities for international trade. Truck movement is vital to regional and interstate trade of goods produced and consumed in Seattle and exported into and out of the Seattle harbor. Therefore, the City shall actively seek to facilitate a multimodal transportation strategy and play a role in advocating for improved freight and goods movement.

C. Trucks: The City recognizes the importance that truck movement plays in economic activity. Therefore, the delivery and collection of goods at local businesses will be considered in the development of projects and priorities for highways, streets, and bridges, consistent with economic development geographic priorities and with street system priorities and level-of-service standards. Specific issues to be considered include: (a) access to freeways, (b) street widths, (c) traffic congestion and conflicts due to automobile commuters or bicycles, and (d) railroad grade crossings.

D. Strategic Telecommunications Plan: The City should, within the context of a regional framework, plan strategically to take advantage of changes in the telecommunications industry and telecommunications technology in supporting the growth of business and industry. The City shall adopt a Telecommunication Strategic Plan within two years of the adoption of this Plan. The Telecommunications Strategic Plan shall be updated at least once every four years. If no regional framework is established, the City should move forward independently in the development of its telecommunications plan. The City shall encourage public and private cooperation in the formulation of this strategic plan. This strategic plan shall include at a minimum:

1. A summary of the ongoing technological advances (e.g. fiber optics, digital compression of video signals, satellite compression, network switching capacity to help create interactive systems, and personal communications services, among others).
2. A summary of direct changes to the telecommunications industry (e.g. cables, long-line carriers, production studios, and telecom equipment manufacturers).
3. A summary of changes to related industries (e.g. broadcasters, newspapers, videocassette industry, and local phone companies).
4. How the changes described in the summaries might impact the population and employment growth projections, the nature of business communications, and the size of businesses in the local economy.
5. Strategic actions recommended to address the changes and impacts described.

E. Deployment of Telecommunications Infrastructure: The City shall strive to encourage early deployment of telecommunications improvements in the combined telecommunications distribution system architecture (including fiber, coaxial, and wireless elements of the system) within the greater Seattle area. The City goals for deployment of telecommunications infrastructure include:

1. Equal access to all service providers that seek to use the distribution network in reaching their customers.
2. Competition that will result in high quality services and competitive pricing.
3. Universal access, over the long-term, to all citizens and businesses within the greater Seattle area.

F. **Effective Telecommunications Services:** The City shall strive for the most competitive and effective telecommunications services for its businesses and individual citizens. Effectiveness in telecommunications should be evaluated based on a consideration of the following four factors: (a) flexibility, (b) system security, (c) reliability, and (d) affordability.

G. **City Investments in Telecommunications:** City investments in communications and computer systems should take into consideration changes in telecommunications technology to enhance the provision of City services to citizens and businesses. The City should encourage and participate, if feasible, in a regional approach to future public network planning and implementation.

Goal: Access to Capital

Working capital and other forms of financial assistance are an important component of business start-up and growth. The following objectives will guide the City's efforts in facilitating the provision of capital for business growth and development.

Objectives:

A. **Capital Availability:** The City shall continue to promote close working relationships between Seattle's financial institutions and its business community. Where appropriate, the City shall promote the development of new initiatives and innovative programs (e.g. the Seattle Small Business Lenders Association program, loan packaging for SBA loan guarantees, Industrial Development Revenue Bonds) to lower the cost of borrowing or to assist small business growth, through increased access to capital.

B. **Technical and Other Business Assistance:** Where feasible and consistent with its economic development priorities, the City shall support efforts to assist small business through technical assistance for business start-up and/or expansion.

Goal: Small business

Recognizing the value of small businesses to the City and Regional economy, Seattle shall, where feasible, continue to act on opportunities to improve the environment for small businesses to thrive in Seattle.

Goal: Devote resources to priority economic sectors.

The City will identify priority economic sectors and designate the current sectors to be given priority in the City's economic development efforts.

Objectives:

A. **Characteristics of Priority Sectors:** Seattle will give first priority to those sectors of the economy that typically are characterized by some combination of:

OCT - 4

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
18034 13th N.W.
Seattle, WA 98177

RE: Application for Designation as a Regional Center for the
Gateway Freedom Fund

Dear Mr. Liebman:

Pursuant to Section 610 of the Appropriations Act of 1993, the Gateway Freedom Fund has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the City of Seattle Neighborhood Reinvestment Area in Seattle, Washington. I note that this office previously approved a regional center designation for the Golden Rainbow Freedom Fund to develop an air cargo and manufacturing facility in Jackson County, Oregon. Per your request, the Golden Rainbow Freedom Fund will be renamed the Gateway Freedom Fund (GFF). The GFF regional center now encompasses both the air cargo and manufacturing facility in Jackson County, Oregon and the City of Seattle Neighborhood Reinvestment Area.

Alien entrepreneurs who file petitions for commercial enterprises located within the GFF project sites must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies as described in 8 CFR 204.6(j)(4)(iii).

The designation by the Service of GFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. All petitions for alien entrepreneurs who invest within the regional center will be adjudicated by the Service on a case-by-case basis and each petition must be fully documented. The individual petitions must be submitted to the Nebraska service center.

If you have any questions concerning GFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus or Katherine A. Lorr at (202) 514-5014.

Sincerely,

Michael L. Aytes
Assistant Commissioner
Benefits Division

cc: Official File :

Ben Log

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*high MODS
put for KR*

THE GOLDEN RAINBOW FREEDOM FUND

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Seattle, WA 98177
Tel: 206-624-5622/Fax: 206-625-9218

MAGNESSGROUP/WorldwideMarketingOffice
11F-2, 2 Fuhsing North Road
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The Golden Rainbow Freedom Fund wishes to amend its Regional Status by:

1. Specifically including the Gateway Freedom Fund in the approval letter; and
- 2 To add other investment projects.

1. Addition of Name

Our original Regional Center application, attached, was filed in the name of the Golden Rainbow Freedom Fund (GRFF). That original application letter discloses that we use the name "Gateway Freedom Fund" in Japan. It is the same project using a different name. We have highlighted the relevant portion on the last page of the enclosed copy of the original submission.

Prospective investors often question whether Gateway is an approved regional center. Although, after providing the chain of documents, we satisfy most people, it would be much easier if our approval letter specifically mentioned Gateway Freedom Fund.

We would appreciate an amended approval letter addressed to both the Golden Rainbow Freedom Fund and the Gateway Freedom Fund. This would eliminate the need for further explanation of the relationship between GRFF and Gateway.

2. The New Project

The Region and Regional Benefit

This new project concerns the development of the City of Seattle Neighborhood Reinvestment Area.

The City of Seattle received State and Federal designation in 1994 for its "Neighborhood Reinvestment Area" as a Community

Empowerment Zone (CEZ). See City of Seattle Neighborhood Investment Area application and approval letter from the State of Washington.

The CEZ encompasses an aging industrial area located immediately south of downtown Seattle. The CEZ includes much of the Port of Seattle and includes many export oriented businesses. See area map attached. According to the State of Washington Employment Security Department, the CEZ unemployment rate is approximately 9%. See attached State of Washington Employment Security Department letter confirming unemployment statistics.

The City of Seattle contemplates establishment of "Urban Villages" to serve as community focal points for economic and social development. See excerpted portions of the City of Seattle Neighborhood Reinvestment Strategy attached. The City of Seattle devised particular economic strategies to develop each urban village. We wish to assist the City in developing the CEZ, one of the "urban villages."

The Business Assistance Center Development Lending Company.

The City of Seattle operates a community bank, now funded by city, state, private and federal money, to finance businesses that relocate or expand in the CEZ. The Bank targets borrowers that can not qualify for conventional financing.

The City is privatizing their bank by forming a nonprofit community bank managed by an independent board of trustees. See Development Lending Company Proposal attached.

The City of Seattle has agreed to use GRFF and Gateway (the Funds) as a source of loan capital for the Development Lending Company (Bank). We, along with governmental grants, private sources, and traditional lenders, will provide the loan capital for the Bank. See Duwamish Coalition brochure for an example of community support for redevelopment of the CEZ.

The Funds will make loans to qualified borrowers identified by the Development Loan Bank. The Development Loan Bank will service, perform due diligence and package our loans. Qualified borrowers must meet the criteria set forth in the loan criteria letter. See attached loan criteria letter. Qualified borrowers must be involved in an export related business such as cargo, trading, or manufacturing for export, located in the CEZ. See confirming letter from Mary Jean Ryan, Director of City of Seattle, Office of Economic Development.

1. relatively higher than average wage levels,
2. activity that brings new capital into the economy reflecting multiplier effects other than high wage,
3. reasonably good future growth prospects,
4. the sheer size of the sector (i.e. having a big enough cluster of firms engaging in similar activities),
5. its utilization of quality environmental practices,
6. its contribution to the diversification of the regional economic base.

Generally, each priority sector will possess at least four of these characteristics. In some instances (for example, some of Seattle's mature manufacturing sectors) a sector may not appear to have good future growth prospects given today's trends, but the sector will remain a priority based on its contribution to a high wage economy.

B. Designation of Priority Sectors: The following sectors shall be designated as Seattle's priority sectors:

Manufacturing (e.g. aerospace, wood products, food processing)
 Producer services serving a manufacturing and/or export oriented activity
 Transportation Services (marine, truck, rail, air)
 International Trade
 Communications/electronics
 Marine dependent industries
 Wholesale
 Advanced Technologies
 Computer and software
 Biotechnology
 Medical technology
 New materials technology
 Environmental technology
 Tourism

It is recognized that in addition to for-profit firms, many of the priority sectors also include major public and/or non-profit institutions. The significant economic contributions of Seattle's major institutions towards the growth of the priority sectors shall be recognized as part of these priority sectors.

C. Reviewing the Designation of Priority Sectors: Realizing the increasingly international nature of the local economy and the pace of technological change, the City will monitor the economy and will alter and refine the sectoral priorities in response to on-going changes in the economy. A formal review of the priority economic sectors shall be made at least once every four years.

- D. **Benefits to Priority Sectors:** The priority sector status shall confer upon a sector a special designation that is taken into account in the City's relevant infrastructure investment decisions, implementation of business climate, capital access and education and labor force development policies. Examples of situations where the priority status should be taken into account may include utility and other long term capital investment decisions, utility policies concerning rates, goods, movement policies, the design, timing and City financial support of neighborhood and other planning processes, City permit functions, etc.

Various City Departments may incorporate the needs of the priority sectors in their functional plans and in annual work plans, and target programmatic resources to support the start up, expansion, and retention of firms and major institutions in the priority sectors.

- E. **Priority Geographic Areas:** It is the intent of these policies to confer a priority status upon certain geographic areas of Seattle that play particularly pivotal roles in the city and regional economy or which, for other reasons, are critical to the achievement of the overall goals of the Comprehensive Plan. These policies are consistent with the overall goals of the Comprehensive Plan, and its Urban Village Strategy.
- F. **Downtown:** Recognizing that Downtown Seattle is the economic center of the city and of the region, is the largest designated Urban Center, and is home to many of Seattle's vital producer service firms, regional retail facilities, and other important economic forces, it is critical to the economic health of the city and the region to maintain the economic health and importance of Downtown. Downtown Seattle is designated as a priority geographic area.
- G. **Other Urban Centers and HUB Urban Villages:** Urban Centers and Hub Urban Villages are identified as priority geographic areas because the greatest concentrations of jobs and job growth are planned to occur in these areas. The City shall strive to maintain and enhance the health of the retail cores and the growth opportunities of the priority economic sectors found in these geographic areas.
- H. **Manufacturing and Industrial Centers:** Manufacturing and Industrial Centers play a key role in the regional economy. In addition to the land use and transportation policies designed to facilitate the overall health of these areas the City shall pursue the following:

The creation of Manufacturing and Industrial Council(s) which will include representatives from each of the Manufacturing and Industrial Centers. The Council(s), in conjunction with other groups and people affected by industrial activity, will assist the City in developing a Manufacturing and Industrial

Development strategic plan which, after adoption by the City Council, will guide City policy and investment strategy for supporting manufacturing and industrial activities. This strategic plan will be created in conjunction with the Neighborhood plans for the Manufacturing and Industrial Centers.

Through efforts with other public jurisdictions the City will strive to address the problems of site assembly, soil contamination, infrastructure inadequacies and traffic congestion that inhibits goods movement.

The City will strive to assist industrial firms in addressing capital needs through the issuance of Industrial Development Bonds and by seeking additional funds to expand small business financing programs to assist manufacturers.

The City in cooperation with other jurisdictions and with major education and research and development institutions will seek ways to support technology transfer and other efforts that increase the global competitiveness of Seattle's small manufacturers.

- I. **Distressed Communities:** Recognizing that not all areas of Seattle historically have experienced equal levels of economic opportunity and that in some areas high concentrations of people live in economic hardship, the City shall strive to address the needs of these areas in order to achieve the goals of social equity and economic opportunity. The City shall prioritize resources to assist in planning for distressed communities. The City shall also assist low-income areas in developing and implementing economic development strategies. To the extent feasible this shall be done through the neighborhood planning process.

The City shall attempt to gain State and Federal Special Area designations for lower-income Seattle communities where such designation can confer tangible benefits and shall target programmatic resources including small business capital access and entrepreneurship training programs as well as new infrastructure investment toward the economic development objectives of these areas.

- J. **Benefits of Priority Geographic Area Status:** The priority status shall confer upon an area a special designation that is taken into account in relevant neighborhood planning processes, infrastructure investment decisions, implementation of business climate policies, public safety investments, transportation planning, implementation of goods movement policies, and in the organization and delivery of labor force training and development services.

Seattle shall, where appropriate, give priority to the development of telecommunications infrastructure within and between Geographic Priority areas. Seattle will look to develop opportunities in these areas for developing

the electronic links necessary for them to become telecommunication centers for their neighborhoods and the region.

HUMAN SERVICES STRATEGIES

COMMUNITY DEVELOPMENT/HUMAN SERVICES PROGRAM

The Community Development/Human Services Program (CD/HSP) 1994 Policy Plan sets priorities for the use of funds, totaling \$23 million in 1993, that support over 200 community-based and City sponsored projects in human and community development. It contains goals and principles to guide the overall, multi-year City human and community development efforts. These activities are grouped into service areas and include: aging services; children, youth and family; health care; housing and housing services; emergency food services; and community systems support. (Economic development is also covered, but this is defined in more detail above due to the focus of this element for Neighborhood Reinvestment Area programs). The CD/HSP is one of the City's primary tools for addressing the needs of Seattle's low-income people and neighborhoods.

The multi-year community and human development goals that have been established are:

Goal: Benefit priority low-income populations

Priority low income populations are:

- . infants, children, youth and the people who care for them, including non-traditional and extended families
- . people who are homeless/at risk of homelessness
- . elderly people
- . people with disabilities
- . people without jobs or who are working poor
- . people without medical insurance

The goal is future defined to make it a priority to fund services to communities of color who are denied, by their poverty and historical and institutional practices, the opportunity to develop their full potential to enjoy the benefits of participation in the community.

Goal: Strengthen communities in need

This goal targets resources to communities to enable them to better meet the needs of their residents and members. The four objectives to meet this goal are:

1. Help neighborhoods overcome barriers to economic vitality and overcome blight
2. Empower communities by promoting neighborhood participation in identifying needs, developing projects and resolving their own problems at the neighborhood level
3. Promote improvement in the coordination of services at the neighborhood level and organize human services built around identified needs of individuals within the community; and
4. Create strong linkages between human services and physical development projects to address priorities and enhance positive impacts in a given geographic area.

Goal: Promote stability and strengthen community-based service systems which respond to human and community needs.

This goal includes efforts to decrease the hardship caused by fluctuations in resource availability by analyzing threats to the system and identifying funding and non-funding strategies to overcome them. It also establishes the need for flexibility in reallocating funding based on priorities.

Goal: Promote improved access to services

This goal promotes improved access to services and gives priority to:

- Efforts to ensure that community-based programs and facilities are in compliance with the Americans with Disabilities Act
- Language assistance and improvements in outreach and cultural responsiveness are stressed for ethnically and racially diverse priority populations
- The need for adequate support for services is promoted with federal and state resources providers

Goal: Promote collaborative efforts between communities and neighborhoods, human services, and community development to create comprehensive responses to human need.

Priority is given to projects that show successful collaborations and promote community initiative.

Priorities that shall receive special consideration in 1994 include:

- **Infants, Children, and Youth:** Efforts to address the basic needs of low-income infants, children, youth and the people who care for them. This may include maintaining, improving, or expanding ongoing services; initiating new services; providing support for needed facilities or other activities. Ongoing efforts to identify priorities for action through the Children's Action Plan will guide funding decisions.
- **Economic and Employment Opportunity:** Increasing and strengthening the City's focus on economic and employment development through the Office of Economic Development; coordinating with regional activities to leverage resources and improve strategies to address the economic development and employment-related needs of low-income neighborhoods and populations facing the greatest barriers to economic security.
- **Homelessness:** Ongoing and possible new initiatives to prevent homelessness or address the needs of homeless people -- as identified through the recommendations of the Partnership for Homeless People and the 1993 and 1994 Comprehensive Housing Affordability Strategy (CHAS).

- **Access:** Efforts to ensure access to community-based human services for people with disabilities and to promote compliance with the Americans with Disabilities Act (ADA). Efforts to ensure access to services for people with limited English proficiency.

CHILDREN AND YOUTH

In addition to the CD/HSP, the Mayor and six City departments collaborated to produce a special Children and Youth Action Plan to set out initiatives to assure the health and well being of the children, youth and families in Seattle. This plan establishes goals, objectives and specific strategies (with funding needs) in four service areas: Child Development, Family Support, Youth Involvement and Intervention and Systems Improvement.

These goals and objectives established through this effort are:

Goal: To reduce infant mortality and assure that the basic health needs of all children are being met.

Objectives:

- Increase maternity care for high risk pregnant women
- Increase the number of families receiving health care
- Provide more comprehensive health services for 150 incarcerated pregnant women
- Improve nutrition for infants
- Increase dental services to young children
- Increase child immunizations

Goal: To assure affordable, high quality child development services are available to families and that all children enter school ready to learn.

Objectives:

- Increase early childhood education opportunities for children
- Increase comprehensive child development services provided to children and working families
- Improve the quality of child care at 100 child care centers (serving 3,700 children)
- Increase early health intervention and comprehensive services to children in child programs
- Develop children's interest in reading and love for books
- Increase access to quality child care for low income families
- Improve the quality of Parks and Recreation's before and after school programs for elementary school-aged children.
- Increase the opportunities for children to participate in summer day camp programs

Goal: To enable families to help themselves and their children by building on family and community strengths and co-locating services and resources.

Objectives:

- A. Increase accessible quality health care and counseling services available to adolescents
- B. Provide comprehensive services to 150 pregnant or parenting teens
- C. Improve the quality of teen parent services
- D. Increase the health and health education services for high risk families
- E. Increase coordinated educational services for children, youth and families
- F. Increase opportunities for limited English speaking children, youth and families to participate in recreation programs
- G. Co-locate family support services at Parks and Recreation sites
- H. Increase services of Family Support Workers
- I. Increase opportunities for children to participate in summer playground programs

Goal: To foster healthy, stable families and reduce abuse, neglect and exploitation of children and youth.

Objectives:

- A. Increase in-home health intervention and child abuse prevention services
- B. Expand services to strengthen families with young children and enhance child development
- C. Support parenting education to prevent child abuse
- D. Reduce teenage pregnancy
- E. Increase public awareness of child abuse and neglect prevention
- F. Expand collaborative efforts to prevent child abuse and neglect
- G. Provide homeless child care transportation

Goal: To increase opportunities for community involvement, educational achievement and employability of youth.

Objectives:

- A. Increase children's and youth's awareness of civic responsibility and use youngsters and a resource of the community.
- B. Increase the number of youth provided with paid summer work experiences and educational services
- C. Increase employability and meaningful work experience opportunities for youth
- D. Strengthen vocational education and future employment opportunities for teenage parents
- E. Provide entrepreneurial opportunities for youth
- F. Increase dropout prevention services to middle school students
- G. Increase assistance to children and youth to help them succeed in school
- H. Increase opportunities for children and youth to receive academic assistance

- I. Provide educational assistance services to middle school students

Goal: To help communities provide safe, secure environments and activities for families and youth and decrease involvement in gangs and criminal activity.

Objectives:

- A. Increase positive recreational alternatives to involvement in gangs and criminal activity
- B. Increase coordinated services for at-risk youth at community centers
- C. Increase participation of female juvenile offenders by 50 a year in the Seattle Team for Youth Program
- D. Increase services for at-risk Asian youth
- E. Increase the safety of children and youth in schools

Goal: To improve the accessibility and effectiveness of community-wide service systems for children, youth and families.

Objectives:

- A. Increase family-focused collaborative services
- B. Increase the effectiveness of case management services for at risk youth
- C. Increase information and assistance services for youth and families with children
- D. Increase the availability of transportation for children, youth and their families to access the variety of programs that serve them
- E. Provide additional day camp and recreation programs for children with disabilities
- F. Increase access to child care centers for children with disabilities
- G. Evaluate Children and Youth Action Plan to assure effectiveness of initiatives

Goal: To increase the capacity of agencies and programs servicing at risk children, youth and families.

Objectives:

- A. Increase federal resources and services for children, youth and families
- B. Increase resources for mental health services for children, youth and families
- C. Increase state funding for services and housing for the homeless
- D. Increase housing options for homeless youth ages 12 to 21
- E. Increase State resources for recreational and cultural programs for children and youth

Goal: To increase sensitivity towards and mutual understanding of persons with diverse backgrounds, abilities and cultures in all programs and services for children, youth and families to foster respect for all families.

Objectives:

- A. Increase awareness of and sensitivity towards persons of all cultures and diverse backgrounds
- B. Increase awareness of and sensitivity towards the needs of gay/lesbian/bisexual families and youth
- C. Increase awareness of the problems associated with learning disabilities
- D. Increase the availability and appropriateness of services for children and youth with disabilities
- E. Increase the number of people of color choosing to work in the health, human services and education fields.

HOUSING

The City of Seattle, Department of Housing and Human Services prepares a Comprehensive Housing Affordability Strategy (CHAS) each year. Because its aim is to address the needs of the homeless and low and moderate income people it has important implications to the Neighborhood Reinvestment Area. The strategies incorporated into this plan are part of the draft 1994 CHAS that includes a five year Affordable Housing Strategy.

Goal: Preserve and maintain a variety of affordable housing options in existing units, city-wide, using approaches that are consistent with City growth management and residential diversity goals.

Objectives:

- A. Continue funding programs to preserve and maintain a variety of housing options affordable to low and moderate income renters and homeowners from diverse population groups including homeless persons and people with special needs such as elderly, mentally ill and others within the limits of available resources
- B. Identify fund sources to replace Seattle General Low-income Housing Levy.
- C. Focus resources increasingly in geographically targeted ways consistent with the Comprehensive Plan and growth management strategies.
- D. Maintain program flexibility to respond to emerging needs.
- E. Development incentives for owners to rehabilitate housing.
- F. Create housing development standards, zoning and regulatory flexibility to increase housing density options, and develop housing that is adaptable to different households needs, and is "family friendly" as appropriate (e.g. intergenerational families, shared housing, accommodation of cultural needs in housing design).

- G. Play a role along with Seattle Housing Authority, King County, state and federal governments and private funders and lenders in efforts to preserve low-income housing units in identified federally.
- H. Coordinate policy development through the Planning department as the City's Comprehensive Plan components are developed (with emphasis on Housing, Land Use, and urban Character plans).
- I. Increase participation in low income utility rates to keep occupancy costs as low as possible.
- J. Implement Mayoral and Council recommendations on service delivery and systems coordination based on the DHHS study of Single Family Home Repair and Housing Rehabilitation Loan programs.

Goal: Create through financing, providing technical assistance, and leveraging resources from all parts of the community a range of housing options appropriate for low and moderate income households in Seattle. Key to housing options are the goals of individual and neighborhood stability, environmental and public safety concerns and compatibility with long term growth management goals.

Objectives:

- A. Increase affordable housing stock leveraged with City funds that focuses on larger numbers of bedrooms, innovative higher density projects with a combination of "family friendly" features and integration into existing neighborhoods and planned development of urban villages.
- B. Encourage and support the development of housing options for low-income elderly people, particularly those with special needs, including adult family homes and assisted living facilities, as well as coordination of services for the elderly through case management.
- C. Create guidelines for a planned approach to preserving the existing and unique character of Seattle neighborhoods that conforms to the overall policies adopted in the City's Comprehensive Plan Framework Policies and subsequent components of the final Comp Plan, and allows opportunities to preserve and develop affordable housing options in neighborhoods city-wide.
- D. As the City and community planning processes unfold, take advantage of all potential redevelopment uses for the Sand Point naval station property, particularly the opportunity to develop mixed-income housing.

- E. Ensure flexibility in policies and regulations to allow for prototype testing and innovation in financing, development of housing, and support services.
- F. Increase permanent housing options for single adults and special populations. Design programs which provide hope, sense of community, smaller more home-like environments. Acknowledge that a significant number of people are permanently disabled through substance abuse, mental illness, or debilitating diseases, and will need long term housing and support services.
- G. implement as many of the Mayor's Partnership for Homeless People recommendations as possible.
- H. Encourage the development of multi-family, intergenerational, and co-housing models as new affordable housing options for households needing alternative housing options, especially as they relate to the Comprehensive Plan for urban Villages.
- I. Support efforts of the Seattle Housing Authority to plan for the redevelopment of family garden communities.

Goal: Prevent homelessness and promote stability for low-income and at-risk populations; conservative City planning estimates project between 14,000 and 17,000 homeless individuals in Seattle during a year, and between 3,900 and 4,300 homeless individuals on any given day.

Objectives:

- A. assist homeless families and individuals to achieve personal and residential stability through assessment of needs, and intervene to help provide access to affordable housing, increased income or employment, opportunities, and linkage to community-based support systems, including affordable child care.
- B. Alleviate immediate hardship and meet the crisis needs of homeless families and individuals
- C. Support effective solutions to the problems homeless people experience with the goal of restoring homeless people to their highest possible level of participation within the life of the community.

Goal: Provide or leverage all potential resources to decrease the number of low and moderate income households in Seattle spending more than 35% (rent plus utility costs) of their income on housing costs.

Objectives:

- A. Provide a coordinated information and referral network to make income assistance and other essential services more accessible.

- B. Increase availability of first and last months' deposit assistance for homeless people, those in substandard housing and those in public housing to enable them to get into permanent, un-subsidized housing.
- C. Expand resources to extend utility and energy assistance to all eligible individuals and families.
- D. Build active role for City with local, state, and national partners, to create economic development and employment services opportunities for homeless, low and moderate income people. Priority will be given to homeless adults, single parents of low income households, homeless persons for whom English is a second language, and economically disadvantaged youth between the ages of 14 to 21 with emphasis on those who are offenders and youth at risk of gang activity or dropping out of school.
- E. Focus City support for advocacy at state and federal legislative levels to increase funding for and accessibility of housing, income, and utility/energy assistance programs.

Goal: Support increasing access to housing support services, leveraging and advocating for additional resources to fund services and improving the coordination and efficiency of delivering case management and other support services.

Objectives:

- A. Assess the housing support needs of low-and moderate-income populations; and reviewing the service systems' capacity to provide services to those most in need.
- B. Develop and leverage long-term resources for housing support service activities.
- C. Work with local and federal government agencies and service providers to increase housing support services for people living in publicly assisted housing, including assisting SHA as they plan for changes brought about by new legislation. Plan for appropriate role of public, private, and non-profit housing developers to balance the needs of low-income households accessing those units.
- D. Improve coordination, continuity, and effectiveness of case management resources available to support homeless, low- and moderate-income households.

- E. Increase access to housing support services for low- and moderate-income households.

The CHAS should be studied in its entirety to understand the specific actions that will impact the Neighborhood Reinvestment Area.

PUBLIC FACILITIES

The City's Capital Facilities Plan (CFP) and Capital Improvement Program (CIP) allocates existing funds and known revenue sources to major maintenance and development capital projects. The CFP makes an inventory of existing public capital facilities, the locations and capacities of such facilities, a forecast of future needs, the proposed location and capacities of new or expanded facilities. The CIP is a six year financing plan that shows how elements of the Comprehensive Plan will be paid for. The CIP is updated annually and adopted along with the City budget. The 1994-96 CIP conforms to new state requirement for planning under the Growth Management Act.

The proposed 1994 Interim CFP/1994-96 CIP describes the plans and projected expenditures for maintaining and expanding the City's capital assets. The City of Seattle owns and maintains over 6,000 acres of green and open space, hundreds of miles of streets, and over 250 buildings and structures. The City also operates five utilities. The proposed plan allocates approximately \$2 billion over the six year period, with transportation and utility projects accounting for about 84 percent of the total. Major maintenance, renovation and repair projects accounts for almost \$1 billion; capital development projects and housing development proposals account for over \$996 million.

In the next section of the report, the planned expenditures in the Neighborhood Reinvestment Area are summarized.

NEIGHBORHOOD SPECIFIC STRATEGIES

Through intensive and extensive community-based planning neighborhoods and communities within the Neighborhood Reinvestment Area have developed goals and objectives to address community identified problems and opportunities. These are outlined below, and are further detailed in the referenced documents.

CENTRAL AREA

In May 1992, the Central Area Planning Committee presented its Draft Central Area Action Plan. This plan was the outgrowth of the Central Area Summit in 1991, followed by focus groups, a survey, small scale test projects, a newsletter outlining strategies, a Town Meeting, and an in-depth period of plan review by a host of concerned citizens and community organizations. The Action Plan should be reviewed in depth to fully

understand the priorities of the citizens of this portion the Neighborhood Reinvestment Area, but the following outline reflects the major strategies.

Goal: Improve the business community's access to a broad capital base that supports business lending and economic development.

Objectives:

- A. Develop new organizational and financial capacity within the community to stimulate economic development.
- B. Assist in providing community input and performing oversight functions of the Seattle Small Business Lender's Association (SSBLA) and the Seafirst Investment Loan Program.

Goal: Strengthen business nodes.

Objectives:

- A. Facilitate and support business associations for primary business districts.
- B. Prioritize the City's economic development resources towards primary business areas.

Goal: Establish alliances to develop meaningful youth employment opportunities.

Objectives:

- A. Design a model youth employment program for Central Area involving City, community based agencies and business community.
- B. Initiate a youth entrepreneurial consortium to teach skills needed to start and sustain small business.
- C. Develop meaningful vocational training opportunities and viable career paths as alternatives to a four-year college degree.

Goal: Improve support services for existing businesses that stimulate economic development and encourage new small business development.

Objectives:

- A. Advocate for the development of a comprehensive model business incubator program in the Central area.
- B. Develop innovative partnership programs that increase the community's economic viability.

- C. Identify prime locations for economic revitalization in the Central Area and support suitable projects already being developed.

Goal: Assist in the creation of high skill, high wage job opportunities for Central Area residents.

Objectives:

- A. Develop public/private partnerships for job creation.

Goal: Support expansion of home ownership opportunities in the Central Area.

Objectives:

- A. Provide pre-purchase information to first-time home buyers and housing counseling services after purchase.
- B. Enable qualified tenants of assisted-rental housing to achieve an home ownership stake in their housing.
- C. Develop a self-help home ownership demonstration project.
- D. Study the feasibility of developing an employer-assisted housing demonstration project.
- E. Advocate for the relaxation of Fannie Mae underwriting criteria to make home mortgages easier to obtain.
- F. Study the use of new technologies in housing construction which may lower development costs.
- G. Assist qualified tenants of single-family homes to become homeowners through a rent-to-own program.

Goal: Develop housing programs that support independence for the Central Area's elder population.

Objectives:

- A. Support the development of housing services that encourage age integration within the community.
- B. Work with the elder population and service providers to enhance already existing home maintenance and repair programs.
- C. Focus financial supports to the elderly homeowner.

Goal: Maintain the racial, cultural and economic diversity in the Central Area.

Objectives:

- A. Implement a pilot family-shared housing program in 1993.
- B. Develop programs which help families make the transition from renters to homeowners.
- C. Encourage participation from Central Area institutions in marketing housing opportunities in the Central Area.
- D. Develop strategies that encourage revitalization yet discourage displacement.

Goal: Develop and maintain affordable housing.

Objectives:

- A. Develop better links between the City and community-based organizations involved in housing. Improve information-sharing on available and proposed housing resources.

Goal: Improve the condition of existing housing.

Objectives:

- A. Expand public and private programs that support owner occupancy of housing.
- B. Improve the livability in residential neighborhoods by improving maintenance, correcting code violations, and undertaking long term prevention measures.
- C. Improve the maintenance of rental housing.

Goal: Facilitate the siting and design of future development in the Central Area so as to improve the livability viability and visual quality of the community.

Objectives:

- A. **Urban Village Development:** Encourage the development of viable "urban village" centers that incorporate both residential and commercial uses.
- B. **Commercial Development:** Facilitate development of viable nodes of commercial activity in the Central Area.
- C. **Residential Development:** Enhance the existing residential neighborhoods in the Central Area by encouraging compatible infill development and preserving a pedestrian-friendly streetscape.

- D. **Institutional Siting and Expansion:** Minimize and mitigate the negative impacts associated with siting and expansion of institutional land uses.
- E. **Park and Recreation Development:** Encourage development and ongoing maintenance of a parks and recreation system that serves the recreation needs of all Central Area residents, provides for a wide variety of both active and passive recreation opportunities, and maintains a network of park facilities that are fully accessible to the community.

Goal: Ensure that zoning is compatible with the goal to enhance the quality of life in the Central Area.

Objectives:

- A. **Commercial Zoning:** Facilitate and encourage concentration of a variety of businesses that would support each other and attract Central Area residents.
- B. **Commercial Zoning:** Consider rezoning or modifying zoning of underused commercial areas to make the land more useful and beneficial to the community and viable for the property owner.
- C. **Residential Zoning:** Facilitate development of good quality affordable housing within the community.
- D. **Industrial Zoning:** Examine the best use for the industrially zoned area adjacent to the Central Area at S. Dearborn Street and Rainier Avenue S. Consider the area for its potential as a location for jobs for Central Area residents and as an area to site uses that are incompatible with residential neighborhoods.

Goal: Facilitate movement of residents, workers, and visitors within the Central Area.

Objectives:

- A. **Pedestrian Safety:** Improve safety for pedestrians wishing to cross arterials in the Central Area to access schools, parks, businesses, services, and transit.
- B. **Pedestrian and Non-Motorized Transportation Enhancements:** Encourage non-motorized transportation by improving pedestrian and bicycle facilities.
- C. **Traffic Calming:** Slow traffic speed on wide streets.
- D. **Neighborhood Circulation:** Reconfigure constricted neighborhood streets by considering one-way routing when requested by neighborhood taking into

consideration potential negative impacts such as increased speeds and possible confusion.

- E. **Boulevard Enhancement -- Martin Luther King Jr. Way:** Adding safety improvements and a planted median so Martin Luther King Jr. Way becomes a community resource, a source of pride, and a safer street.
- F. **Arterial Enhancements:** Identify other arterials where added improvements would help mitigate traffic problems, enhance business nodes, and encourage pedestrian and other non-motorized transportation.
- G. **Public Transportation Within the Central Area:** Improve access for Central Area residents by public transportation to area businesses, services, and institutions and thus encourage patronage of area businesses and reduce the need for automobiles.
- H. **Public Transportation to Destinations Outside the Central Area:** Improve access to employment centers for Central Area residents using public transportation.
- I. **Transit Facilities:** Encourage use of transit by improving METRO bus shelters for patrons.

Goal: Improve the visual image of the Central Area as well as public health and safety by increasing maintenance of both public and private lands.

Objectives:

- A. **Streetscape Maintenance:** Improve the street environment by increasing public and private sector maintenance.
- B. **Maintenance of Public Land:** Improve maintenance of publicly-owned land in the Central Area and consider using vacant lots zoned for single-family residential use for P-Patch where appropriate.
- C. **Environmental Maintenance:** Promote protection and understanding of our urban environment and open space resources.
- D. **Maintenance of Public and Private Buildings and Lots:** Improve enforcement of building and health codes.

Goal: Improve the visual appearance and perception of the Central Area.

Objectives:

- A. **Entry Statements and Signage:** Develop entry statements at major entry points to the Central Area to welcome visitors, identify the community, and promote a positive image.
- B. **Central Area Signage:** Develop a signage system on arterials and at major nodes and develop an interpretive Central Area map to call attention to less well-known community resources. Improve signage throughout the community.
- C. **Design Review:** Develop design review districts and guidelines to protect and enhance Central Area business and residential areas special architectural characteristics.
- D. **Historic Resources:** Create a sense of a community with a past and therefore a future through preservation and awareness of buildings and sites important to the Central Area and its residents and an understanding of the historic roots of the community.
- E. **Public Relations:** Promote Central Area projects and dispel myths about the community.
- F. Prepare report based on street tree inventory of Central Area. Plant trees where needed.

Goal: Develop and promote the empowerment of Central Area youth.

Objectives:

- A. Strengthen the already established Youth Advisory Council to provide meaningful input to the City and community on issues affecting youth.
- B. Design educational support programs that promote positive peer group assistance.
- C. Assist youth to find the strength of their history and the value of people of other generations.

Goal: Expand opportunities for meaningful employment opportunities for Central Area youth.

Objectives:

- A. Develop alliances for employment with all those concerned about youth.

Goal: Stimulate the development of innovative approaches to providing youth services.

Objectives:

- A. Convene an adult volunteer group to pool skills and resources to be available to all participating Central Area youth agencies.
- B. Establish an interagency technical assistance advisory team to develop demonstration program models in youth services and secure permanent funding.
- C. Create and expand programs that serve older school-aged youths. There are few appropriate free or low-cost before- and after-school child care programs for school-aged children ages 9-14. Much of the existing service is tailored to the needs and interests of children 6-8 years old. This is an issue of concern, as recent studies have identified that the grade-school aged child who is regularly left unsupervised after school is most at risk of early drug or alcohol abuse. The lack of before- and after-school supervision for children was cited in a recent survey of elementary school teachers as the key factor in children's declining school performance trends.
- D. Improve access to youth programs through better public information and program expansion.
- E. Develop a Cluster Networking Delivery System (CNDS) to maximize the program options for Central Area youth.

Goal: Develop educational programs to assist children and youth in each CNDS working closely with the Seattle Public School District and the City Schools Levy Program to promote a wider range of non-traditional educational programs and other programs that are no longer offered in the public school with a special emphasis on programs for the disabled and in the arts.

Objectives:

- A. Expand and/or add new Library programs in the Central Area that currently exist but would need additional space and staff support.
- B. Develop programs to teach children about ecological issues and how to live so as to protect the environment.

Goal: Develop an implementation team to provide active, ongoing oversight of the Central Area Action Plan implementation.

Objectives:

- A. Organize a Leadership Team for each area of the Action Plan with community representatives who are committed to collaborating to support and strengthen the success of the Action Plan and the revitalization of the Central Area.

- B. Organize the Central Area Action Plan Oversight Team to coordinate the various implementation team activities.
- C. Coordinate closely with City management teams to facilitate and focus City efforts for implementation.
- D. Explore potential structures into which the implementation team can evolve to institute these valuable advocacy and bridge-building functions within the community.

Goal: Build bridges between the existing organizations that currently serve the Central Area so that their efforts will have the greatest benefit for the Central Area and its businesses and residents.

Objectives:

- A. Identify ongoing programs in the Central Area that would benefit by being linked with complementary activities.
- B. Identify gaps where specific community needs are not being met.

Goal: Build the community's capacity to provide leadership, expand projects, and take on new initiatives to further revitalize the Central Area.

Objectives:

- A. Work to Expand the capabilities of existing organizations.

Goal: Provide ongoing accountability to the community about all aspects of the Central Area Action Plan refinement and implementation.

Objectives:

- A. Provide work plans and status reports to the community on the Plan implementation.
- B. Provide regular opportunities for broad public input into the ongoing implementation efforts.
- C. Update the Action Plan as needed to reflect community input.

Goal: Serve as an advocate for implementation of the Plan and revitalization of the Central Area.

Objectives:

- A. Serve as liaison between the City and community to advocate and problem-solve for the community on issues related to successful implement projects and programs.
- B. Work with local, state, and federal agencies and the private sector to leverage additional resources to ensure successful implementation of the Plan.

City Response

The December 1993 City of Seattle Response to the Central Area Action Plan outlined several proposed goals. Those concerned with business development are as follows:

- Goal: Explore potential for developing City lease contracts in the Central Area so as to stimulate development.**
- Goal: Institute requirement of businesses receiving City assistance to interview low- and moderate-income Central Area residents, and establish targets for all levels within a business.**
- Goal: Develop contracting requirements for long-term contract with a youth nonprofit landscape maintenance business.**
- Goal: Work with local businesses and the community to outline needs for neighborhood specific design guidelines in commercial zones.**
- Goal: Assist in developing a community development corporation by facilitating interaction between community members and City departments.**
- Goal: Dispose of the remaining commercial property in the Yesler/Atlantic Urban Renewal project area using a process that includes community involvement.**
- Goal: Assist to develop a business association in the 23rd Avenue and Union Street area by providing information and guidance about community organizing.**
- Goal: Continue to assist in Promenade 23 Phase II project by developing lease terms for moving the Central neighborhood Service Center there.**
- Goal: Work with the community to identify maintenance problems on City-owned commercial property.**
- Goal: Examine potential and location of boundaries for establishing an economic enterprise zone.**

- Goal:** Compare current zoning and land use requirements with the needs of expanding businesses in the Central Area.
- Goal:** Explore potential for an economic opportunity zone in the Central Area to support business development through flexibility in applying land use regulations.
- Goal:** As part of the Urban Village Planning process, examine zoning in business nodes for incentives or opportunities to encourage local business development. Explore the possibility of allowing zoning variances in cases of undue hardship on developing businesses, such as reduced parking requirements when alternative transportation is available.

SOUTHEAST SEATTLE

A large portion of Southeast Seattle is encompassed within the proposed EDA Special Impact Area. In developing the Special Impact Area application, the Overall Economic Development Committee involved 12 organizations and direct input from over 1,400 homeowners, renters, businesses owners, employees and students from every neighborhood in the Southeast Seattle Special Impact Area. The work of the OEDP committee built on the on-going community-based planning for the area that were reflected in the Southeast Seattle Action Plan of 1991 (with annual updates). This plan also involved extensive community input including the results of 1,400 returned public surveys. The following strategies represent the most recent recommendations from this community:

Goal: Invest in neighborhood capital improvements

Objectives:

- A. Continue to aggressively seek funding for street improvement projects identified in the Southeast Action Plan, and through this update (list attached).
- B. Explore other funding sources and/or mechanisms for providing residential street improvements including resurfacing, curbs, gutters, and sidewalks for streets identified in the Action Plan. New funding sources may include: increased revenues available through the new real-estate excise tax, vehicle registration fees, commercial parking tax, or street utility tax.
- C. Continue targeting infrastructure expenditures to Southeast Seattle, both inside and outside of proposed urban village areas.

Goal: Improve public safety

Objectives:

- A. Increase on-going police presence throughout the Rainier Valley; in residential areas, in commercial areas, and in the parks, and provide appropriate police coverage at community festivals.
 - 1. Increase foot and, especially, bicycle patrols in Rainier Beach, commercial areas near Franklin High School, and at MLK Jr. Way/Othello, and Rainier/Orcas as has recently been done in Columbia/Hillman City and Rainier/Genesee.
 - 2. Further investigate the development of a police/satellite precinct in Columbia City, Hillman City or Genesee, as well as the eventual exclusive use of the existing South Precinct for Southeast Seattle as a long range goal.
- B. Continue to increase resources for on-going community-based police programs and support efforts to build positive relationships with area youth.
- C. Continue to develop and enforce citywide measures to reduce the number of guns in the community and regulate the buying and selling of guns more effectively.
- D. Work with individual Southeast neighborhoods to develop additional neighborhood traffic plans to address specific crime and public safety issues.
- E. Improve security lighting near schools, parks, public facilities, bus stops, parking lots, and in alleys, whether as part of City Light demonstration projects, part of Engineering Department street improvements, or other programs.
- F. Explore new funding sources and/or funding processes to provide paving for enforcement.
- G. Improve safety for pedestrians crossing busy arterials throughout Southeast Seattle to reach schools, parks, businesses, and transit.
- H. Strengthen Metro's "Bus Watch" program and increase security patrols.

Goal: Improve the image and appearance of the Rainier Valley.

Objectives:

- A. Develop and implement a variety of programs to clean up Southeast Seattle on a regular basis.

1. Continue to conduct monthly clean-up campaigns of public property throughout Rainier Valley. Arterials should be maintained and swept monthly, and public parks and facilities should be maintained to high standards.
 2. Conduct pro-active code enforcement for the exterior maintenance of property in Southeast Seattle in addition to complaint-driven enforcement. Survey the area regularly for violations, cite properties, and aggressively pursue compliance with the code. Explore other means of reducing violations.
 3. Work with Metro to regularly clean bus shelters and bus stops.
- B. Increase funding for the "Good Neighbor Fund" which provides matching grants to reimburse owners for materials used in facade improvements in the Rainier Valley business districts.
 - C. Develop guidelines for minimum maintenance standards for historic properties within the Columbia City Landmark District.
 - D. Work with the media to advertise successful Southeast programs and projects within the community and citywide to dispel myths and negative impressions about Southeast Seattle.

Goal: Improve recreation, cultural, health, and educational opportunities and facilities

Objectives:

- A. Inventory and catalogue all space available to the public in Southeast Seattle including schools, churches, libraries, health clinics, arts/cultural venues, and other facilities. Document the types of programs, classes, services, and activities currently available. Use this information to coordinate existing programs and activities, and to develop new recreational, educational, cultural, social services, and entertainment programs and/or opportunities that address the needs of Southeast's diverse population.
- B. Expand subsidies for students and low-income residents for classes and activities at the Mt. Baker Rowing and Sailing Center and at the Tennis Center.
- C. Complete design and development of the new Rainier Recreation Center with two gymnasiums at the new 38th Ave. S. site by summer 1994. Begin construction in fall 1994 so the center can be completed in 1995 with appropriate measures to mitigate adverse impacts on the surrounding neighborhood.

- D. Implement the recommendations of the Parks Department Comp. Plan with the inclusion of a community involvement component during design development for each project. The community supports all recommendations in the Parks Plan, but gives priority to:
- E. Make short-term improvements to Steward Park such as play area improvements to the upper and lower park areas in addition to proceeding with a master plan that includes on-going use of the fish hatchery and development of a naturalist program. Work with the School District to initiate use of the park now for nature walks and biology classes. Continue youth conservation program in the Park.
- F. Work with Seafair to minimize neighborhood and park impacts from the annual hydroplane races, including mitigation of unavoidable adverse impacts.
- G. Conduct a master plan process with broad community participation for Atlantic City Park, including the boat ramp, and for Pritchard Beach, including the nursery.
- H. The City and Seattle School District #1 should enter formal, joint operating agreements to maximize the use and community access to education and recreation facilities. These agreements should include a commitment to maintain the property, including cleaning up litter.
- I. Work with the Seattle School District and PTAs to identify means of providing Franklin and Rainier Beach High Schools with resources for student dances and other events.
- J. Provide support for the development of a variety of venues for visual and performing arts and cultural activities, including support for a Rainier Valley Cultural Center in Columbia City. Assist sponsoring organizations in securing funds to subsidize programs at the center.
- K. Protect and preserve historic buildings and sites within Columbia City and other parts of Southeast Seattle.
- L. Expand services at the Columbia City Library while taking care to preserve the existing building's architectural and historical attributes, as well as the quality of the open space around it. Involve the community in development of a program for expanded services, and in review of schematic design for any renovation or new library.
- M. Extend the hours that Southeast libraries (Columbia, Rainier Beach, and Holly Park) are open and expand library services for non-English speaking residents with collections that reflect the cultural diversity of Southeast Seattle.

- N. Continue support for public art projects in Southeast Seattle in association with both public and private capital improvement projects. Develop 3-5 additional murals or other public art projects on sites identified through the Southeast Beautification Program. King County should continue the support that Metro has given to public arts projects in the Rainier Valley.
- O. Continue support to the Rainier Park Medical Clinic and Columbia Health Clinic, two public facilities that serve the health needs of Southeast Seattle residents, and document the health needs of the Southeast Seattle population to ensure that those needs are addressed through the services provided at those clinics. Specifically, ensure the availability of interpreters for non-English speaking populations.

Goal: Land use and economic development.

Objectives:

- A. Assure that the Capital spending policies developed to implement the City's Comprehensive Plan reflect and support implementation of the community economic development strategy in the Southeast Seattle Action Plan.
- B. Improve public transit access to employment centers, and cultural, educational, and health care facilities throughout the region for Southeast residents. King County/Metro should simulate the existing improved service promised by its Rapid Transit Project System now, using buses.
- C. Build corporate responsibility among Rainier Valley business owners to maintain their property, participate in the civic life of the community and add job opportunities for local residents. Identify incentives and/or requirements to stimulate community reinvestment and to build stronger commercial areas within Southeast Seattle.
- D. Seek special state or federal economic designations for the Southeast Action Plan emphasis area to provide a policy framework that will enable the coordination and focus of private and public sector reinvestment activity.
- E. Assist business associations in obtaining funds to purchase, design, and display flags or banners to advertise business districts.
- F. Modify the City's street vacation guidelines to facilitate redevelopment of commercial areas in appropriate areas of the Rainier Valley.
- G. Continue support of merchants associations and the Rainier Chamber of Commerce. Provide assistance and support to the organization of additional Rainier Valley business communities to stimulate economic development,

improve the appearance of business districts, and improve public safety conditions. Help communities conduct market surveys that will assist in attracting and retaining retail and personal service businesses to existing business districts.

- H. The Mayor and City Council should continue to take a leadership role, working closely with the community, top management of lending institutions, major corporations, and private philanthropic foundations, in developing a set of tools, resources, and dedicated institutional capacities to address documented community development and reinvestment finance needs.
- I. The City, SHA, HUD, and King County must work with the community to assure beneficial redevelopment of both Rainier Vista and Holly Park. Redevelopment of both housing projects should be done within the context of the larger community and include opportunities for mixed-income housing and supporting retail services.
- J. Develop additional programs to increase job opportunities for Southeast youth such as apprenticeships with both local and regional employers; skills development for young entrepreneurs; vocational training programs; and increased partnership with local businesses. Explore the possibility of siting a satellite campus of one the state universities or community colleges providing professional or vocational training in Southeast Seattle.
- K. Support implementation of the South Atlantic Concept Plan recommendations as revised by the South Atlantic Street Community Association in the fall of 1993.

Goal: Housing/human services.

Objectives:

- A. Establish a formal process for community notification and impact evaluation prior to the siting of all social services in Southeast Seattle, whether publicly or privately funded.
- B. Develop an inventory, including a map, of public and private social service facilities, including residential facilities as possible, in Southeast Seattle. The inventory should specify the location of facilities, populations served, and indicate which agencies serve local residents.
- C. Encourage rehabilitation of existing single and multifamily structures with priority for expanded home ownership and/or resident management opportunities for residents of Southeast Seattle.

- D. Expand home ownership opportunities for moderate income and/or single parent families through new development. Facilitate development of HomeSight multi-family projects in the South Atlantic neighborhood.
- E. City assistance for multifamily rehabilitation should require:
 - a formal management plan, including training for building managers;
 - assessment of needed capitol improvements, (e.g. street repair and upgrades, other infrastructure);
 - assessment of needed services to support families in the housing, (e.g. school programs, health services).
- F. Continue funding for the following programs targeted to Southeast Seattle: HomeSight, Southeast Seattle Apartment Management Assistance Program, Housing Development Fund.
- G. Support existing language in the Comprehensive Housing Affordability Strategy to provide acquisition and rehabilitation assistance to multi-family properties in Southeast Seattle when market-rate rents are not high enough to provide the cash flow required for private rehabilitation loans, and to encourage the development of mixed-income multifamily communities. Support the continued prohibition of new construction of assisted housing with the exception of mutual housing, cooperatives, and home ownership programs. Support the continued prohibition of conversion of housing with less than five units from unsubsidized housing uses to publicly assisted rental housing.

BEACON HILL

Strategies have also been identified for North Beacon Hill, in the west portion of the Southeast Area. The North Beacon Hill Council Community Planning Committee published the North Beacon Hill Action Plan in July 1993 after extensive structured interviews, an open house and workshops, focus groups and two surveys of residents. The following goal statements emerged from this community based process:

Goal: Encourage public and private facilities and programs that help promote inter-cultural communication, interaction and understanding of North Beacon Hill

Objectives:

- A. Provide appropriate language instruction, Library facilities, and multi-cultural education opportunities and social services to the neighborhood
- B. Establish one or more focal points for neighborhood events and multi-cultural interaction

- C. Help foster a stable multi-cultural population in our neighborhood, and project a positive, progressive neighborhood image

Goal: Work with the City to maintain and improve North Beacon Hill's appearance

Objectives:

- A. Preserve and enhance the greenbelts and boulevards that beautify the neighborhood
- B. Provide street trees, planter islands and other landscaping where residential areas are adjacent to Rainier Valley commercial areas
- C. Maintain a consistently high-quality appearance in residential and neighborhood business areas

Goal: Help foster a sense of personal safety and security in North Beacon Hill

Objectives:

- A. Work with the police Department to recruit additional Block Watch captains to identify measures the City and neighborhood residents and business can take to reduce crime and the fear of crime
- B. Cooperate with public and private agencies to identify and implement human and social service programs for "at-risk" populations in the neighborhood
- C. Work with the City to identify and prioritize areas that need sidewalks, additional street lights, or traffic controls to assure safer walking conditions

Goal: Coordinate with the City and other public and private agencies to identify and prioritize needed community services and facilities in North Beacon Hill including new and renovated neighborhood parks, a new library and adequate public school facilities and programs; and a new pool and community center improvements

Goal: Work with the City, METRO and other agencies to establish a North Beacon Hill shuttle (loop) transit route.

Objectives:

- A. Link commercial and residential areas and employment centers

- B. Link proposed activity areas
- C. Link existing and proposed regional transit facilities
- D. Incorporate a potential pilot LINC program to improve mobility in the neighborhood

Goal: Play an active role in the public and private planning development decisions that affect North Beacon Hill

Objectives:

- A. ensure implementation of the City's Comprehensive Plan policies in a way that recognizes and respects the goals and priorities of most neighborhood residents and business people as well as City-wide needs
- B. work with the City and Port of Seattle to minimize airplane over-flight noise develop neighborhood design review guidelines for new commercial and multifamily development

Goal: Cooperate with North Beacon Hill's business community and the City

Objectives:

- A. Preserve existing neighborhood business-zoned land for business uses
- B. Develop one or more neighborhood business centers
- C. Assure that the neighborhood is a good place to do business

INTERNATIONAL DISTRICT

The International District Community Development Plan was published in July 1992. For two years, a cross section of the community--residents, developers, business owners, workers, property owners, service agency staff and others met to gather information and discuss critical issues facing the District. These goals and the objectives that follow reflect this community based planning process.

Goal: Keep the International District a livable/viable residential / mixed-used community.

Goal: Encourage and ensure an environment which attracts families to the International District.

Goal: Promote both preservation and revitalization efforts and activities.

- Goal: Retain and enhance the Asian heritage and cultural character of the ID.**
- Goal: Maintain the identity of Chinatown/International District as a focal point of Seattle/King County's Asian American community.**
- Goal: Improve the public perception and image of the International District.**
- Goal: Maintain the integrity of the ID as a distinct neighborhood.**
- Goal: Increase economic opportunities for developers, small businesses, and residents.**
- Goal: Provide a safe environment within the International District for residents, workers, consumers, small businesses, and the general public.**
- Goal: Develop and promote improved working relationships between the different sectors of the community, including merchants, social service agencies, developers, family associations, residents, small businesses, ethnic groups, and community activists.**
- Goal: Preserve and expand the residential base to promote a diversity in ethnicity, type of households, and income levels.**

These goals are embraced by objectives and organized onto the following categories: Community Character, Population, Housing, Business/Economy, Land Use Preservation and Development, Parking, Traffic, Transportation, Public Safety, Open Space, Recreation and Cultural Community Services, Infrastructure.

Goal: Community, character, and population.

Objectives:

- A. Promote the continued viability of the International District as a livable, mixed-use residential and retail community.
- B. Provide a complete community environment where people have the opportunity to live, work, shop and play within the ID.
- C. Encourage & ensure a family-friendly orientation in the ID.
- D. Preserve the International District as a vibrant neighborhood consisting primarily of residential and commercial uses that perpetuate its historical Asian character and heritage.
- E. Create a District environment that attracts a mix of Asian cultures.

- F. Improve the public image and perception of the International District.
- G. Maintain and promote the historic Asian character of the ID as a focal point for Seattle's and King County Asian/Pacific Islander communities.
- H. Promote & preserve the ID as a regional shopping center for the Asian community.
- I. Maintain and encourage a pedestrian oriented neighborhood feel, by maintaining the existing scale of building heights and discouraging the development of high rise towers that alter the scale of the neighborhood.
- J. Develop & promote improved communications and better working relationships between the different ethnic groups and associations (e.g. family associations, civic groups) to promote involvement in community improvement efforts in the ID.
- K. Preserve and expand the residential base to attract more families, younger Asians, and others to live in the International District through the development of a range of housing types that are affordable to low, moderate, and middle income households.
- L. Discourage the development of speculative housing investments, and developments that cater exclusively to a luxury market that is unaffordable to all but the highest income groups and result in gentrification pressures.

Goal: Population and housing.

Objectives:

- A. Maintain the ethnic and income diversity of the ID population.
- B. Encourage the influx of families with children, including younger Asian families, to live in the ID on a long term basis, not only for the short-term until they can move out to other areas.
- C. Maintain the existing elderly and handicap population in the ID by providing the services they require.
- D. Create a District environment that attracts a mix of Asian cultures.
- E. Increase the number and diversity of income range of residents.
- F. Preserve all existing federally subsidized low income housing.
- G. Develop more family oriented housing (2+ bedrooms).

- U. Discourage the demolition of existing low income housing in other parts of downtown, to prevent increased demand on the low income housing stock in the ID, and encourage the preservation and development of new low income housing units in those areas.
- V. Support the provision of services and housing for the many elderly and handicapped in the community through provision of community based services, and the development of long term care (assisted living) for frail elderly at the 8th/Dearborn site.
- W. Provide greater housing opportunities for all income groups throughout downtown and reduce the increase the demand on the existing low income housing stock in the ID.

Goal: Business/Economy.

Objectives:

- A. Encourage the various merchant/business organizations (Seattle Chinese/Chinatown Chamber of Commerce, ID Economic Association, and the Asian American Chamber of Commerce) to work together to strengthen the local economy and participate in community revitalization activities.
- B. Encourage long established merchants to work with new immigrant merchants and related business organizations.
- C. Encourage outreach to involvement with the family associations to reinvolve their membership in community improvement efforts.
- D. Support the improved effectiveness of the various community business organizations perhaps through the joint funding of a part-time paid staff position(s).
- E. Encourage the continued development and preservation of family and small ethnic retail businesses that support and provide the necessary services and goods that cater to the residents of the ID and the larger Asian population and enhance the ethnic character of the ID.
- F. Encourage the general public to patronize and support local businesses.
- G. Improve communication and cooperative efforts to work on issues of mutual concern between the merchants in the core of the ID and the 12th/Jackson area which is the eastward expansion of the ID.

- H. Encourage and promote efforts to establish new businesses and services to maintain, attract and support residents of the ID.
- I. Attract other minority business owners and businesses that add to the diversity of businesses and help support the cultural character of the ID.
- J. Encourage the hiring of residents.
- K. Recognize the importance of and support service oriented businesses and agencies, as providing significant employment opportunities within the minority community, as well as providing needed community services.
- L. Encourage other Asians & non-Asians to visit the District.
- M. Encourage business owners to work actively with other community efforts to improve public safety in the ID.
- N. Encourage establishment of a coordinated garbage pick-up program in the ID, especially the dumpsters in the alleyways.
- O. Encourage business & property owners to maintain their sidewalks; perhaps institute "adopt a street/block" program.
- P. Promote local economic development efforts that provide jobs and economic opportunities for low income minority persons.
- Q. Encourage the development of services and amenities to attract and retain the ID workforce, such as childcare, after school programs, etc.
- R. Encourage Asian investments in ways that support the ID community revitalization activities.

Goal: Land use/Preservation and development.

Objectives:

- A. maintain the residential, business and cultural character of the International District community that is reflected in its build physical environment.
- B. Continue to discourage demolition within the ID historic district, particularly when there is reuse potential.
- C. Encourage redevelopment projects by responsible developers/owners responsive to community concerns and having a demonstrated commitment to the International District community, including the ID PDA, other community-

- D. Promote improved communication and cooperation between various agencies who operate in the ID - Metro, SPD, Seattle Parks, US. Postal Service, US Immigration, etc.
- E. Encourage use of parks by more active use by residents.
- F. Discourage use of parks by transients through provision of adequate housing and shelter throughout the city.
- G. Improve the physical environment to develop a climate where residents and visitors feel safe.
- H. Develop safe, functional, clean, and attractive alleyways for pedestrian use.
- I. Provide community education and organizing to improve reporting crime, using 911, fire safety training, etc.
- J. Provide preventative community education on drugs, AIDS, etc.
- K. Encourage victims of crimes to report them.
- L. Prevent organized Asian and non-Asian gangs from operating and establishing influence over local businesses and community.
- M. Encourage reporting of criminal activities.
- N. Encourage businesses who are subjects of such activities to organize and work with other groups working on public safety issues.
- O. Discourage the selling for fortified wine in the ID and work with the store/tavern owners who sell it to find other products to replace lost revenues.
- P. Prevent racially motivated vandalism/harassment/violence, etc. against the Asian community.
- Q. Support culturally appropriate services to women who may be victims of domestic violence or abuse.
- R. Support existing community agencies to work with various cultural groups to prevent domestic violence.
- S. Support a city-wide response capability to provide detox services and alcoholism programs for transient alcoholics.

Goal: Open space/Recreation/Cultural.

Objectives:

- A. Enhance the residential neighborhood ambiance and retail commercial activity by improving pedestrian circulation through the business core.
- B. Preserve and protect and improve existing open spaces in the ID, including Kobe Park, Danny Wood/International District Community Garden, ID Children's Park, Hing Hay Park.
- C. Improve the International Children's Park or some other park facility (nearby) making it more "child oriented" & more play structures.
- D. Protect the Danny Woo/International District Community Garden and Kobe Terrace Park from adverse development impacts, including from shadow and view blockages under the SEPA Ordinance, and especially in the case of the garden, preserve as an horticultural and cultural asset to the community.
- E. Develop secure open spaces for children's recreational activities.
- F. Encourage new developments to incorporate open space accessible to the public into the design.
- G. Improve public safety in all ID open spaces, (see Public Safety section).
- H. Establish a range of programs for school age children, young adults, and the elderly such as active sports, cultural activities, passive recreational activities, after school programs, etc..
- I. Maintain and support strong community based cultural institutions, such as the Wing Luke Asian Museum, Northwest Asian American Theater, community newspapers such as the International Examiner and the Chinese Post, and others.
- J. Provide more information to the general public on the history and cultural heritage of the ID.
- K. Support development of community cultural centers for the Asian community.

Goal: Community services/Community infrastructure.

Objectives:

- A. Continue to support the viability of community based service agencies that provide services to the ID community, and the larger Asian/Pacific Island communities.

- B. Support the development of additional culturally appropriate and multi-lingual services by community-based agencies to address unmet community needs.
- C. Provide improved services for the elderly in order to allow them to remain in the ID, with a particular focus on the many non-English speaking frail elderly who live in the senior buildings and SRO hotels and who are unable to access mainstream service systems.
- D. Support the development of agency facilities for community-based agencies to retain them in the ID.
- E. Improve the access for the Asian elderly and the disabled to needed transportation services, not only in the ID, but for the larger Asian community.
- F. Oppose the dislocation of social service agencies serving low income downtown populations from downtown neighborhoods.
- G. Establish funding support from all governmental departments, institutions, etc. that have to provide outreach and affirmative access to all populations, particularly underserved populations, to inform these groups of existing programs, policies, etc.
- H. Advocate the need for the public and private sector to institutionalize and pay for costs of outreach efforts to provide access to services and programs to non-English speaking populations.
- I. Develop & promote improved communications and better working relationships between the different ethnic groups and associations (e.g. family associations, civic groups) in the ID.
- J. Encourage outreach to and involvement with the family associations and fraternal organizations, and other ethnic organizations to re-involve their membership in ID community improvement efforts.
- K. Maintain a level of public utility and other municipal services that can support the economic development of the International District.

PIONEER SQUARE

By Ordinance #98852, the Pioneer Square Historic District was established in 1970. The Pioneer Square Historic District Plan was prepared in 1974 and addressed the need for regulations and programs to ensure development and restoration actions consistent with the historic character of the District. An update was completed in 1990. This up-date

identifies capital improvement projects and provides housing and social policy directives. The following goals and objectives reflect the 1990 up-date.

Goal: Social diversity .

The following objectives are intended to increase social diversity in the District on a 24-hour basis.

Objectives:

- A. Encourage a more economically diverse residential population in Pioneer Square.
- B. Ensure that health and human services in the entire downtown area are adequate to meet the demand. These services should be coordinated to avoid the over-concentration of human services in any one downtown neighborhood. New health and human services locating in Pioneer Square should be targeted to groups that now call Pioneer Square home.
- C. Encourage the development of programs to protect the life and safety of all members of the Pioneer Square community.
- D. Encourage the establishment of amenities (e.g. comfort stations, grocery stores, playgrounds, schools) that are needed for all residents, especially families with children.
- E. Encourage the provision of a broad range of recreational opportunities for Pioneer Square residents, including active recreational facilities (ball courts, exercise rooms) and program activities (table games, crafts, etc.).
- F. Encourage the development of a new hotel to serve the needs of tourists, businesses and the Kingdome facility.

Goal: Housing .

A housing target area designation is recommended in order to increase housing opportunities in the District for a broad spectrum of income groups.

Objectives:

- A. Develop strategies to market Pioneer Square as a housing district to housing developers and residents alike.
- B. Establish goals for housing production, particularly low- and middle-income, within the District.
- C. Develop strategies to fund and expand a stable housing supply for all income groups. Low-income housing opportunities should include the elderly, the disabled, and the populations currently served by the missions.

- D. Protect the supply of live/work opportunities for artists in the District and develop strategies to expand these opportunities.
- E. Continue existing Transfer of Development Rights (TDR) and height bonus programs to encourage the provision of housing. These provisions should be reviewed to determine their adequacy to encourage housing and should be revised if necessary.

Goal: Transportation and traffic.

Recommendations from the Action Plan take advantage of major transportation projects, planned or underway, close to the District.

Objectives:

- A. Improve roadway, sidewalk, and signalization conditions to enhance traffic operations.
- B. Re-evaluate the street classification system in the area. Improve roadways and sidewalks on major pedestrian streets.
- C. Extend decorative Pioneer Square light standards to all the Historic District. Upgrade deteriorated fixtures.
- D. Provide access to new development on the King Street Station site directly from Fourth Avenue South.
- E. Identify potential locations for new parking structures.
- F. Require new uses to satisfy parking demand on-site or contribute to the construction of a public parking garage.
- G. Analyze the potential of transit solutions, such as extending the free-ride zone to Royal Brougham Way, to assist in solving parking needs.

Goal: Areaways.

There are three Board-approved treatments for the rehabilitation of areaways.

Objectives:

- A. Repair-in-kind option preserves and restores all architectural features such as curved walls, vaulted ceilings and prism lights. This treatment is recommended for the older, more historic areaways.
- B. The repair-to-code treatment involves structural rehabilitation only.

- C. The option-to-fill treatment is recommended in limited areas where structural failure is imminent. Option-to-fill repairs must also meet structural safety standards.
- D. Specific uses such as stairwells, light wells, and comfort stations are recommended for location in areaways, provided such uses complement the use in the adjacent building.

Goal: Urban design.

A variety of tools is recommended to implement urban design objectives. The following urban design guidelines and the improvement objectives address image building, open space, the six gateways, and the retail character of the Pioneer Square Historic District.

Objectives:

- A. **Image Building Guidelines:** The Image Building Guidelines propose standardized streetscape elements such as street furniture, light standards, bollards, special intersection treatment, paving, etc. for the District. A proposal to redesign signage in the District includes the design of graphics for street signs, District and event signs and guidelines for how and where signs are attached to light standards and buildings within the Historic District.

Finally, the image-making guidelines propose a District-wide series of design elements called "the Legend of Pioneer Square" consisting of plaques, artworks, and other historic features to highlight people, places, and events in the history of Pioneer Square. An accompanying brochure will be developed to allow visitors to take self-guided tours through the District.

- B. **Open Space Guidelines:** The Open Space Guidelines emphasize the retention and increased maintenance of existing parks, and recommend redesign for two existing parks -- City Hall Park and Fortson Square. The expansion of existing street parks, such as Occidental mall and the First Avenue streetscape, is the major source of new open space. The development of underutilized rights-of-way such as street triangles as mini-parks and pedestrian resting places is also proposed.

- C. **Gateways Guidelines:** Six gateways to Pioneer Square are identified:
 1. The Southern Portal/North Kingdome Entry
 2. The Transit Entrances - Prefontaine Place and James Street
 3. The Waterfront Boundary
 4. The International District Connection and Union Station
 5. The first Avenue/Columbia Street Intersection
 6. The Second Avenue/Cherry Street Intersection

The treatment of gateways includes the use of strategies discussed in the open space and image building guidelines. Depending on the gateway, additional

elements such as archways, banners, special paving, intersection designs, hanging baskets, public art and/or architectural ornamentation also are recommended.

- D. **Retail Character Guidelines:** These guidelines identify design elements that reinforce the character of storefronts within the retail area. The intent is to increase predictability for applicants seeking approval from the Pioneer Square Preservation Board for storefront renovation. All permits for such renovation and new construction will continue to be reviewed by the Board. The area where retail uses are required at street level is also proposed to be expanded.

DELRIDGE/HIGH POINT

The Delridge Neighborhood Action Plan took nearly four years to prepare. It was a cooperative effort of the Delridge Community Association and the Seattle DCD. Originally a comprehensive neighborhood planning process was envisioned. However, the Delridge Community Association felt a top-to-bottom neighborhood planning process was of less priority in Delridge than developing a program of actions that would address specific needs, already well understood in the community. To this end, the following goals and objectives were established:

Goal: Address drainage and water quality issues as a highest priority.

Drainage is a problem in Delridge and is the highest priority need within the community. The City is now working with the Delridge community on a major flood control project along Longfellow Creek, south of SW Jeneau Street. This project is the utility's first major capital improvement to be constructed since the adoption of the Comprehensive Drainage Plan.

Objectives:

- A. Work closely with Delridge community representatives during implementation of the City's Comprehensive Drainage Plan.
- B. Work with the community to develop a watershed action plan for Longfellow Creek.
- C. Develop a drainage inspection program for the Delridge neighborhood.
- D. Work with the community to identify areas of environmental sensitivity not currently included on the City's environmentally sensitive areas designation maps.
- E. Continue to develop water quality and fisheries resource improvements for Longfellow Creek.

Goal: Support sustainable growth rates.

Delridge community leaders are very concerned about rapid residential growth, lack of commercial services, and proposed changes to school facilities. Delridge is supportive of growth that will contribute to the neighborhood's vitality and stability. The City can help the neighborhood to better articulate its preferences for new development, work to attract commercial services and help to shape school facility decisions that will address community needs.

Objectives:

- A. Assist the community in establishing advisory neighborhood planning and development guidelines as an aid to developers and to the City during review of development proposals.
- B. Evaluate alternatives for developing a process that would require, rather than recommend, discussions between developers and the community.
- C. Prepare a marketing strategy for business attraction and expansion in Delridge.
- D. Evaluate existing short plat requirements and develop legislative or administrative recommendations to address the community's need for adequate off-site improvements.
- E. Assist the Seattle School District and the community with school facilities issues.
- F. Pursue business assistance program resources to rehabilitate existing commercial structures.
- G. Assist with educating a neighborhood-based development review committee.
- H. Conduct the community process required for the University of Washington's disposition of their Delridge property.

Goal: Improve the area housing stock.

The greatest immediate need in the Delridge neighborhood is an evaluation of the types of housing assistance needed to address deteriorating housing problems. The community has asked the City to assist with housing rehabilitation and to discourage the overconcentration of government assisted housing in Delridge.

Objectives:

- A. Work with the community to review and target appropriate assistance through the City's Housing Assistance Plan.
- B. Work with the community to identify specific neighborhood areas where housing assistance could be targeted.

- C. Develop a public information program to inform the community of housing assistance opportunities.
- D. Develop the next phase of assistance to remaining housing projects which have quality control and infrastructure problems.
- E. Work with the community to review the results of monitoring recent Delridge Way SW improvements and evaluate remaining needs, particularly along the north portion of Delridge Way SW.
- F. Assist the community to identify low-cost neighborhood circulation improvements and inform the community about available programs.
- G. Work with the community during SED's second phase of improvements to the West Seattle Bridge and the Washington State Department of Transportation's planning for the First Avenue Bridge.

Goal: Support and strengthen community organization.

Continued assistance is needed in Delridge to strengthen community contact and to undertake more aggressive community organizing activities.

Objectives:

- A. Continue City support of the Delridge Community Association.
- B. Work with DCA to establish a self-sufficient umbrella community organization.

Goal: Support neighborhood beautification projects.

Of greatest immediate need in Delridge are neighborhood beautification improvements that can upgrade the neighborhood's appearance and instill pride in the community.

Objectives:

- A. Plan small-scale neighborhood beautification improvements.
- B. Prepare an open-space plan for Longfellow Creek.
- C. Work with the community to review public and private development along Longfellow Creek and make recommendations to improve public access and recreational opportunities.

**ORGANIZATIONS AND TECHNICAL SUPPORT AVAILABLE TO
IMPLEMENT THE REINVESTMENT STRATEGY**

Many community based organizations and organizations providing specialized services exist to help implement the Neighborhood Reinvestment Area strategy. While this is a representative list, it does not include many of the City, State and Federal agencies that have an on-going presence in the community.

Organization	Brief Description
African-American Heritage Foundation	A non-profit organization created to assist the African-American community. It is a funder of the CAvea Community Development Initiative with LISC.
Asian Counseling and Referral Service (ARCS)	Programs for seniors, employment assistance and case management with Asian focus
Asian Plaza Youth Foundation	Youth services
Black Dollar Days Task Force Inner City Entrepreneurial Training Program	In-depth entrepreneurial training, seed capital and follow-up to assist very low income people become self employed. Operates in the Central Area.
Black Dollars Day Task Force	Mission is to decrease social service dependency through community revitalization with its focus on the African-American community. They developed the African-American business directory and sponsor a restaurant development program, community research, employment discrimination committee, consumer buying group and entrepreneurial training.
Center for Career Alternatives	Provides education, job training, career development and employment services to economically disadvantaged adults and youth in King and Snohomish counties.
Central Area Contractors Association	An advocacy organization for minority contractors.
Central Area Motivation Program (CAMP)	Social services primarily to low income residents of the Central and Rainier Valley areas. CAMP also provides employment and career development programs.
Central Area Steering Committee	A City-appointed committee to develop an oversight and coordination process for City Responses to the Central Area Action Plan.
Central Area Youth Association	A community non-profit focused on area youth development with sports programs, mentoring and tutoring assistance.
Central Areas Business Development Center	A for-profit business incubator.

Organization	Brief Description
Chambers of Commerce and business organizations	Business organizations serve small business throughout the Neighborhood Reinvestment Area including Beacon Hill Chamber of Commerce, Central Area Chamber of Commerce, Columbia/Hillman City Business Association, Korean Chamber of Commerce, Madison Park Business Association, Mayors Small Business Task Force, Pioneer Square Business Improvement Association, Pioneer Square Community Council, Rainier Chamber of Commerce, Seattle Chinese/Chinatown Chamber of Commerce, Genesee Merchants Association, and International District Economic Association. Membership in many exceeds 100 businesses.
Chinese Information & Service Center	Services to the elderly, employment, youth and case management services primarily to Chinese ethnic populations
Delridge Community Association	Provides neighborhood input into city policies regarding land use, housing, physical development issues and social problems
Delridge Recreation Council	A citizen's advisory organization for the Delridge Community Center
Denise Louie Education Center	Youth services
Duwamish Peninsula Community Commission	An organization representing the resident population of the Duwamish industrial area.
El Centro De La Raza	Advocacy and community, housing and economic development programs for Chicano/Latino community in King County and any low income residents in Beacon Hill, South Park and Georgetown
Employment Opportunities Center	Employment services, English as a Second Language, refugee programs, and entrepreneurial training
Evergreen Community Development Association	An originator of SBA "504" financing and packager of SBA "7a" loans for small business start-up and expansion
Export Assistance Center	Financial counseling for small businesses who wish to export
Greater Harbor 2000	This umbrella community organization coordinates government agency work on the West Seattle waterfront
High Point Garden Community	High Point residents organization
HomeSight	Homesight corporation buys, rehabs and resells homes in the Central, I-90 and Southeast Areas
IMPACT Business Development Center	Assistance to minority owned firms with business profiles, business plans, bid preparation, contractor registration, loan packaging, MBE certification, market research and tax solution for minority-owned businesses

Organization	Brief Description
International District Community Health Center	Health services primarily to Asian ethnic groups
Indo-Chinese Refugee Association of WA	Referral, translation and youth services
International District Drop-In Center	Services to the elderly
International District Emergency Center (IDEC)	Crisis Intervention
International District Housing Alliance (IDHA)	Assists clients to find permanent housing, tenants rights and relocation assistance services
Merchant Parking Association (Transia)	Elderly transportation assistance
Minority and Women Business Development	Technical assistance to women and minorities to access existing business assistance services
Northwest Asian American Theater	One of five Asian American theater companies in the US
Numerous family association, tongs, and social clubs in the International District	Provide sense of continuity and stability for immigrants, mutual aid and security, support of educational, arts and charitable endeavors, and social events
People of Color Against AIDS Network (POCAAN)	Health education
Programs of the Washington State Energy Office including Bioenergy Technical Information, Industrial Program, Commercial Education and District Heating and Cooling	Technical assistance and training to improve energy related decisions and practices
Salvation Army	Operates a 100 bed emergency shelter for men and 43 units of transitional housing for men
SBA Business Information Center	A small-business technical library sponsored by the Small Business Administration that teams with SCORE counselors to provide business planning assistance
Seattle Chinatown Internal District PDA	Manages 189 low income housing units
Seattle Indian Center (SIC)	Operates employment assistance, youth and case management services with its focus on Native American Indians
Seattle Indian Health Board	Health services primarily for Native American Indians

Organization	Brief Description
Seattle Urban League	A national organization which provides advocacy and services to residents of the minority community in Seattle
Seattle Vocational Institute	An educational institution, now part of the community college systems, that offers a wide range of vocational training programs.
Seattle Worker Center (SWC)	Assists dislocated, unemployed and under-employed workers with reemployment, access to retraining and support services.
South Seattle Community College	A brand of the Seattle Community College system located in the Duwamish and Delridge area. SSCC is lead agency in the administration of the SSBLA program and administers a Small Business Development Center.
South East Effective Development (SEED)	A citizens planning and development organization serving Southeast Seattle since 1975. SEED takes a lead role in the creation and implementation of plans, policies and programs in the areas of economic and industrial development, community development, housing, arts and human resource development.
Union Gospel Mission	Emergency shelter and support services for homeless families
Urban League of Metropolitan Seattle	Social, educational, advocacy, community outreach and employment programs aimed at eliminating conditions that promote poverty. Target populations include the homeless, unemployed and underemployed.
Washington Small Business Development Center	Technical assistance and research provide free of charge to small business firms. Primary delivery in the Neighborhood Reinvestment Area is through South Seattle Community College
Wing Luke Asian Museum	Showcase for Asian and Asian American artists
World Relief	Case management services both Asian focused and based

IDENTIFIED AND POTENTIAL FUNDING SOURCES

Many funding mechanisms from federal, state, local, non profit and private sources are needed to finance the community, human and economic development needs of the Neighborhood Reinvestment Area. The funding strategies and sources described below are those that have been identified as most likely to fund projects needed to carry out the Neighborhood Reinvestment Area's strategies. Excluded are on-going educational, income support, medical, and utility funding sources.

LOCAL PROGRAMS

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
CCLF	Community Centers Levy Fund	A tax reserve to complete renovations/replacements of 5 community centers	Used to replace the Garfield, Rainier and Delridge community centers. These centers will also provide space for area childcare and family support centers.
CDBG	Community Development Block Grant Funds	A federal source from the Department of Housing and Urban Development of which Seattle's entitlement share in 1994 is \$	Infrastructure, housing and economic development (limited public services) to benefit primarily low and moderate income households
CENTRAL/I-90	Central Area/I-90 Fund	Funds rental housing, new construction, marketing and development	Assistance to very low income renters and owners
CENTRAL/SE	Central Southeast Fund	Part of the 1989 Multiyear funds appropriate for use in the city's Central and Southeast Areas	Housing
CFB	Capital Facility Bonds	Limited tax general obligation bonds of \$35 million sold in 1992 to be retired by Real Estate Excise Transfer Tax proceeds	Up to \$25 million for housing with remainder dedicated to parks, open space and health clinics

LOCAL PROGRAMS (Continued)

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
CFRIF	City Facilities Renovation and Improvement Fund	A 1984 voted bond issue that will eventually fund a total of \$12.7 million in fire station renovations and \$6 million in renovation of other municipal buildings	Fire station renovations and renovation in Department of Administrative Services facilities.
CRF	Cumulative Reserve Fund	This fund is created primarily through Real Estate Excise Transfer (REET) tax	This is a major funding source for public facilities maintenance/renovation and development including libraries, police and fire facilities.
ECR	Emergency Code Repair	City initiated program using CDBG	Funds low-income homeowners for emergency repairs.
GRHF	Growth-Related Housing Fund	An annual appropriations of City property tax revenues for rehabilitation of low income housing primarily in downtown area	Rehabilitation and/or new construction of low income housing; primarily downtown.
LEVY	Low Income Housing Levy	A \$49,975,000 levy passed in 1986	Creation of 1,000 units of low income housing over eight years
Library	Library Fund	This fund is created through the City's Master Lease Program	Debt service on the library's new Public Access Catalog and will fund a Beacon Hill Branch study in the Neighborhood Reinvestment Area
LIGHT	LIEP Homeowners and Renters Programs	Weatherization program within City Light Area	Insulation, weatherization, conservation and energy audits for low and moderate income
LIWAP	Low Income Weatherization Program	A partnership City, local utility and federal program	Funds installation of weatherization measures in units occupied by low-income households
MCR	Multifamily Code Repair	Assistance to owners of multifamily low-income buildings	Repair of multifamily buildings to code standards

LOCAL PROGRAMS (Continued)

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
<input type="checkbox"/> NMF	Neighborhood Matching Funds	A fund established with City General Funds and CDBG funds to match community-based neighborhood improvement projects. To date \$6 million in City funds have been matched with more than \$7 million in donated cash, material and labor.	Neighborhood planning, improvements, school partnerships and environmental projects.
PS Bonds	Public Safety Facilities and Equipment Bond Fund	Fund established in 1990 from limited tax general obligation bonds to finance specific police and municipal court improvements	Projects include renovations of the Police East Precinct servicing the portions of the Neighborhood Reinvestment Area
REET	Real Estate Excise Tax	In connection with adoption of the 1992 budget, the City Council indicated intent to allocate \$2.5 million of the Real estate Excise Tax for 1992 to low income housing projects	Low income housing projects
SSA	Small and simple Awards	A subset of the City's Neighborhood Matching Fund	Provides small grants to neighborhood associations
TF	Transportation Fund (with Arterial City Street Subfund, City Street Subfund, Street Utility Subfund, Transportation Improvement Subfund, Vehicle Registration Fee Subfund)	Supported by receipts from the State gasoline tax this is the City's most discretionary resource for capital improvements to the transportation system	Various transportation improvements
W&S	Weed and Seed Program	Funding from the National Institute of Justice	Coordinates the delivery of public safety and human/social services to revitalize neighborhoods

STATE PROGRAMS

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
DLF	Washington State Development Loan Fund	The state will provide funding for job creating business projects and projects that expand businesses owned by minorities and women. Several projects have been funded in the Neighborhood Reinvestment Area.	Loans and loan repayments are used to fund projects in distressed areas that will benefit low and moderate income people and the development and expansion of minority and women owned enterprises.
HTF/WSHFC	State housing programs through the Washington State Housing Finance Commission and Housing Trust Fund.	Bond, grant and tax credit programs for rehabilitation, downpayment assistance, and production of rental units for low income households	Used for a variety of housing programs in the Neighborhood Reinvestment Area
ICOR	Interagency Commission on Outdoor Recreation	Transportation (bike and pedestrian) and open space projects	
PWTF	Public Works Trust Fund	Financing for infrastructure that fails to meet current demand levels based on State criteria and competitive awards	
TIA	Transportation Improvement Account	Established by the State Legislature in 1988 to fund transportation projects meeting specific criteria	Projects to relieve traffic congestion caused by economic development, encouragement of multi-model projects and projects involving multiple jurisdictions
WSDOT	Washington State Department of Transportation		Projects on State rights-of-way

PRIVATE PROGRAMS

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
BDDTF	Black Dollar Days Task Force Inner City Entrepreneurial Training Program	Entrepreneurial development programs for very low income that include seed capital funding	In-depth entrepreneurial training, seed capital and follow-up to assist very low income people become self employed. Operates in the Central Area.
CASCADIA	Cascadia Revolving Loan Fund	Non traditional small business credit	Supports entrepreneurs and technical assistance needs of businesses in the Neighborhood Reinvestment Area.
FHLB	Federal Home Loan Bank	Below market rate loans	Acquisition/rehabilitation of low-income housing
JOHNSON	Robert Wood Johnson Foundation	Foundation funds	Rental assistance for the homeless
LISC	Local Initiatives Support Coalition	Private and foundation funding	Technical assistance and pre development costs
MRHN	Marathon Mitigation	Funds provided by developers	Creation of affordable housing to replace units destroyed by development
SSBLA	Seattle Small Business Lenders Association	A consortium of private lending institutions providing non traditional credit in part of the Neighborhood Reinvestment Area	Provides working capital and for small businesses

NATIONWIDE PROGRAMS

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
HOME	Home Investment Partnership Act	Replaces Section 312 and Rental Rehabilitation.	Rental rehabilitation subject to general criteria with 15% allocated to non-profit organizations
HOPE	Home Ownership and Opportunities For People Everywhere	Grants	Assistance to low income home buyers
ISTEA	Intermodal Surface Transportation Efficiency Act	Replaces Federal Aid to Urban Systems program. Funds are administered by WSDOT and the City must compete for funds with other jurisdictions in the region	Street rehabilitation, traffic safety and transit related improvements
LITC	Low Income Tax Credits	Federal and local tax benefits	Creation of low income housing
SBA	US Small Business Administration	A variety of loan, loan and bond guarantee, contractor certification and technical assistance programs aimed at expanding small business	SBA loan and loan guarantees are critical tools in meeting business credit needs and involving private lenders in the reinvestment strategy
USAEP	US. Asian Environmental Partnership	Matching grants to US business to undertake projects aimed directly at stimulating business activity in Asia in the environmental and energy efficiency fields	

NATIONWIDE PROGRAMS (Continued)

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
USDOC	US Department of Commerce	Technical assistance, planning grants, revolving loan funds and infrastructure funding primarily to designated areas of high unemployment; grant funding to colleges and universities for technical assistance provided in the development of distressed communities; and trade adjustment assistance	The City received a planning grant to provide project level technical assistance to organizations in the Central Area
EDA	Economic Development Administration	This is an agency within the Dept. of Commerce	The City expects an EDA grant to fund the South Boeing Access Road

In addition to current and anticipated funding sources, there are other sources of revenue and support for the Neighborhood Reinvestment Area that could become available but are currently not being used by the city. These sources and their constraints are identified below.

POTENTIAL FUNDING SOURCES

Future Revenue Sources	Description	Constraints
CDLF Community Development Loan Fund	Being established by the Washington Association for Community Economic Development and LISC this fund will assist non-profit developers with start-up development costs and technical support.	Still in development and funding stages
CERB Community Economic Revitalization Board	Financing of needed infrastructure improvements that will result in job creation and private sector investment.	Loan interest rate (state bond rate) provides limited incentives for participation by City of Seattle.
CRF Community Redevelopment Financing	A pledge of projected property tax increases that may result from redevelopment to retire the costs of development	Constitutional questions have precluded use to date, but seen as a potentially important revenue source
EZ Empowerment Zones and Enterprise Communities	Areas with high poverty rates can be nominated for federal designation that will carry incentives for economic development	A portion of the Neighborhood Reinvestment Area may qualify as an Enterprise Community, opening up many benefits including removal of regulatory barriers, coordinated delivery of federal programs, substantial grant and tax credit benefits at the federal level, and an allocation of state bond capacity.

POTENTIAL FUNDING SOURCES (Continued)

Code	Revenue Source	Description	Primary uses in Neighborhood Reinvestment Area
IF	Impact Fees	Fees assessed on the building of new homes and other buildings to help pay for parks, schools and roads associated with the new developer	Legal and practical constraints have precluded use to date but will be investigated as part of the Comprehensive Planning process
LID	Local Improvement Districts	Special assessments imposed on properties in a specified area that will benefit by the capital improvement financed that repay the project costs over 10 years.	Not used to date in Seattle, but could be used in situations where a majority of property owners in an area approve
SU	Street Utility	Established in 1993, the Street Utility is expected to raise net annual revenue of \$12 to 14 million that will be used entirely for the maintenance of its street and transportation systems	The bulk of funding is now being used for seismic upgrades of major capital facilities. Engineering is developing a program for funding community projects
VARETT	Voter Approved Real Estate Excise Transfer Taxes	Additional taxation authority for planning and open space acquisition	Denied by voters in King County in 1990

INVESTMENT COMMITMENTS

Millions of dollars are required annually to meet the physical, human, educational, housing, public safety and economic needs of the residents of the Neighborhood Reinvestment Area. These commitments are on-going and are not detailed in this plan. The scope of many on-going services can be understood by reviewing the documents listed in the Index. There are also more project oriented, sometimes time limited efforts that will also enhance the Neighborhood Reinvestment Area and help ensure the success of the Neighborhood Reinvestment Area strategy. The following list is representative, not inclusive, of these projects.

Project	Estimated Cost
Americans with Disabilities Act Facility Compliance project was begun in 1992 when all City-owned buildings were surveyed for accessibility barriers. This project is expected to bring all Department of Administrative Services owned building into compliance with the Americans with Disabilities Act.	\$822,000 allocated to date
A study is underway to determine space and site requirements for a new library for the Beacon Hill community to replace the current facility	
The Washington State Department of Transportation is developing a new park of 28 acres or more on the lid over the Interstate 90 Freeway, between 23rd Avenue South and Yakima Avenue South. The City is paying the costs of park elements including tennis courts, play area, pathway lights and park amenities. The park will come "on line" in 1994.	\$865,000
Sponsorship of a memorial sculpture to Rev. Dr. Martin Luther King, Jr and development of a tilling landscape setting at the park on Martin Luther King, Jr. Way South and South Walker Street.	\$333,000
Program to replace five community centers, including Delridge, Garfield and Rainier. Garfield and Rainier will also include Family Support Centers.	Total for five centers of \$24 million
Development of a cultural plaza and renovated playfield at the site of the existing Rainier Community Center.	\$602,000
Provision of a functional connection between the new Garfield Community Center and Medgar Evers Pool	\$330,000
Addition of a 6,000 square foot gymnasium to the new Rainier Community Center	\$1.1 million
Seed moneys to begin implementation of the Central Area Action Plan was granted by HUD	\$525,000
Public Works Trust Fund loan is providing additional street and pedestrian lights, signals, reconstruction of sidewalks and new lane markings on E. Madison and 23rd Avenue E.	\$1.2 million

Project	Estimated Cost
Preliminary engineering is being undertaken for the construction of a new bridge and rehabilitation of the existing bridge at First Avenue South over the Duwamish.	N/A
Weed and Seed commitments for substance training, drug and alcohol counseling, law related education, job readiness, youth employmentability programs and foreign language translation services for the Seattle Police Department.	\$494,687
Completion of a continuous recreational trail along the west side of the Duwamish River known as the Duwamish Bikeway	N/A
El Centro de la Raza is acquiring a 14 unit apartment building for construction of seven units for very low income tenants. Primary funding from Low Income Tax Credits and the City Matching Fund	N/A
The Northern Pacific Hotel Building, owned by Interim Community Development Association is a six-story, 63 unit mixed use building in the International District. This project will be affordable to very low income tenants	N/A
The Rex Hotel in the International District will provide 30 units of low income housing	N/A
The Washington Community Development Academy is involved in training community leaders in real estate, business and organizational development. Participants pursue specific projects. Projects being undertaken by leaders from the Neighborhood Reinvestment Area include development of a music academy for inner city youth, street and facade improvements as part of the Jackson Street Revitalization Plan, leadership training for African American men, development of a community center as part of Mount Zion Baptist Church's community programs, the Mid-Town Commons project, completion of a strategic plan for Interim, Bush Hotel revitalization, development of a Black Women's Business Network, development of a Community Development Financial Institution, conversion of the Horace Mann School into a neighborhood commercial complex, organization of the Central Area Community Development Association, organizational development of the Central Area Motivation Program (CAMP) to expand housing services, organizational development of Employment Opportunities Center to guide its participation in the Little Saigon project, feasibility assessment of acquisition of a 12 unit rental housing development by United Community Development Association, strategic planning for the Mid Town Commons Redevelopment project, and acquisition and rehabilitation of multi-unit housing by the Brighton/Dunlop Community Council	\$153,000

Project

Estimated Cost

Matching Fund Projects including **Central Area:** enhancement of Madrona Beach Playground, restoration of Harrison Ridge Greenbelt, development of a youth entrepreneur training program at Garfield High School, a Intergenerational Innovations program involving seniors in the education of youth, first phase renovation of the African American Heritage Museum, **Delridge:** community planning process for the development of Roxhill Park, **Greater Duwamish:** development Concord Clearing into a natural area for the community, substance abuse prevention and recreational activities involving inter-generational Cambodians, renovation of the foundry as a community metal arts facility, **Southeast:** Filipino youth and family needs assessment, playground improvements at Brighton Elementary School, computer and leadership training of at-risk youth, purchase and renovation of the Christina Science Church as an arts center, meeting space and historic museum, removal and disposition of unsafe equipment at Dunlap Playground, comprehensive study of homeowners insurance in the Rainier Valley, playground improvements at Graham Hill Elementary

Approximately \$1.5 million

Small and Simple Awards in **Central:** planting of 30 street trees and 30 trees in the Jackson Place neighborhood, supervised summer basketball program, Jazz Festival in Pratt Park, development of murals at the African American Heritage Museum, installation of neighborhood signs in Leschi, preparation of a site plan in connection with the Harrison Ridge Greenbelt Restoration project, **Delridge:** development of a 150 foot mural bordering the Highland Park school's grounds, **International District/Pioneer Square:** organization of four association and communities that are a part of Lao Highland Association, a needs assessment to determine long term care needs of Korean-American elderly, illumination of a neighborhood landmark wall mural, development of funding to sponsor a room at Union Hotel, **Greater Duwamish:** relocation of Holly Park P-Patch, new playground equipment at Wing Luke Playground, design work at site clean-up at the new Concord Park, promotion of proper hazardous waste practices among South Park businesses, **Southeast:** immunization education campaign, an Asian/Pacific Islander role model poster program, production of Rainier Valley Heritage Festival Tours by high school students, Samoan Youth All-Day conference, copying and archiving of historic photos of Rainier Valley, development of oral histories and displaying, creation of three murals for bus shelters in the Rainier Valley, support of the Lao Communities' Center's services to Seattle residents from the Laos

Approximately \$200,000 of the Matching Fund total

Create a design interpretation program "Legend of Pioneer Square"

\$20,000

Expand South Jackson to King Street for the Occidental Mall

\$500,000 - 2,000,000

Coordinate and replace signage in Pioneer Square

\$200,000

Renovate an abandoned 21,660 sq. ft. single story building for a youth training and entrepreneurial program

\$1,689,800

Up-grade community centers at High Point (top priority), Langston Hughes, Southwest Miller, Rainier, Van Asselt and Yesler and development new community centers in the ID, Pioneer Square and/or in the Denny Regrade area.

Approximately \$16.8 million

Project	Estimated Cost
Develop a new swimming pool to serve North Beacon Hill-Rainier Valley	\$3.5 - 6.0 million
Renovate and upgrade sportsfields at Bobby Morris, Delridge, Genesee, Van Asselt Elementary School, Boren School, Rainier Beach High School and Hiawatha playfields	\$3.5 million
Upgrade/add tracks, basketball courts, picnic facilities and add destination play areas at Rainier Beach High School, Langston Hughes Cultural Arts Center, Judkins Park, Puget Boulevard, Sealth Fields and Track	\$2.8 million
Numerous traffic signaling, curb ramp, asphalt resurfacing, boulevard improvements and identification of bicycle travel routes through the Reinvestment Area Up grade existing buildings at Camp Long	\$2.0 - 2.5 million
Improve shoreline access to the Duwamish Waterway and improve trail connections from the upper portions of the Central area to the Lakeshore	N/A
Various open space issues including preservation and reclamation of Longfellow Creek in Delridge	N/A
Park improvements throughout the Neighborhood Reinvestment Area (see Seattle's Park and Recreation COMPLAN)	\$10.4 million
Park related improvements to boulevards and trails on the Alki Avenue Park/Trail, Chief Sealth Trail, Cheasty Blvd., Delridge Way Southwest and Martin Luther King Jr. Way	N/A
Seattle Team for Youth (STFY) identifies "at risk" youth and diverts them into socially acceptable, productive and enjoyable activities through school tutoring, mentoring, job skills training, drug and alcohol treatment, sports competition, music and video production, area and cultural programs and summer employment. 700 referrals in past three years with estimated 50% "success" rate.	\$1 million to date
Youth-Police Community Forums and partnership program between the Seattle Police Department of the Seattle School District to develop a youth program of civility, self respect and nonviolent conflict resolution.	N/A
Development and maintenance of Drug Free Zones around all public and private schools	N/A
Provide high risk maternity Care at Central Area clinic	\$50,000 - 75,000
Train and Employ 4 peer educators and 5 health outreach workers for health services in low-income and minority communities	\$25,000 - 50,000 Phase I
Establish "infant corners" in five food banks located in Center and south Seattle	\$25,000 - 50,000 Phase I

Project	Estimated Cost
Expand Head Start/ECEAP education and support services to an additional 350 low-income 3 and 4 year olds	\$100,000
Provide training at 100 child care centers with special emphasis on cultural relevancy of child care for African American children at 10 centers	\$25,000
Develop Teen Health Centers at high schools	\$50,000 each
Locate family support services at Parks and Recreation sites including Garfield and Rainier and assist the Southwest Youth and Families Services to relocate its programs and family support center to the Delridge Community Center	\$1.5 million
Open a new teen center at the old Garfield Community Center, develop a Southeast Seattle consortium of community-based organization to collaborate on providing services to at-risk youth	\$75,000
Increase participation of Asian youth by 50 per year in the Seattle Team for Youth program	\$100,000
First time homeownership project of HomeSight	\$86,207 (1993)
SEED apartment improvement program	\$25,950 (1993)
Seattle Chinatown housing preservation and development program	\$89,956 (1993)
CAMP minor home repair program	\$130,374
Eviction prevention program of the ID Housing Alliance	\$27,467
Homeless assistance through CAMP, Catholic Community Services, DESC, El Centro De La Raza, Salvation Army, and YWCA	\$1.0 million (1993)
Elderly nutrition programs and other meals programs for senior Filipinos, Central Area elderly, Seattle Chinatown, emergency meals, funded from CDBG	\$159,970
Emergency food services by Beacon Avenue Food Bank, CAMP, El Centro De La Raza, Operational Emergency Center, and Georgetown Service Center	\$300,000
Specialized information and assistance to elderly and linguistically isolated	\$100,000
Youth employment, education and cultural/recreational services for youth provided by CAYA, Chinese Info & Service Center, El Centro De La Raza, Mt. Virgin Refugee Project, Samoan National Chiefs, and Washington Literacy with CDBG funds	\$100,000
Youth counseling and case management provided by the Atlantic Street Center, Central Youth & Family Service, Refugee Federation, Southeast Youth & Family Service	\$375,000
Homeless Teen Parent Housing by CAYA	\$33,643

Project	Estimated Cost
8th and Dearborn Project by Seattle Chinatown IDPDA	\$100,000
Cotton Club Renovation by CAYA	\$250,000
Seattle Small Business Lenders Association and CDBG business loan programs	\$250,000
Business community based technical assistance by Black Dollar Days Task Force, Employment Opportunities Center and Seattle Vocational Institute	\$120,000
Funding for organizational capacity to SEED and Interim	\$500,000
Southwest Harbor Cleanup & Redevelopment Project that will correct contamination problems, triple the Port of Seattle's container capacity and extend the shoreline access area.	\$150 million
Inner City Employment Programs by CAMP, Chinese Info & Service Center, Office of Economic Development (City), E, Centro De La Raza, and Employment Opportunity Center	\$230,000
Spokane Street/Harbor Avenue Bridge Reconstruction	\$60 million

**Neighborhood Reinvestment Area
INDEX OF SOURCE DOCUMENTS**

INDEX

<u>Document Number</u>	<u>Source</u>
1	Credit Needs and Market Opportunities in the Central Area of Seattle. Donald E. Comstock. April 1990.
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DEVELOPMENT LENDING

COMPANY.....to provide access to credit to targeted markets

Access to multiple lending products for those that do not qualify for traditional credit opportunities.

Obtain certification as an SBA non-bank lender with the ability to do SBA guaranteed loans. Examined by the Department of Financial Institutions.

Work cooperatively with other lenders to problem solve, structure and participate in transactions.

Help build and expand institutional lending capacity to small businesses in the area by growing the fund and developing additional lending tools.

Use excess revenues to support fund growth and business resource center activities over time.

Outreach and marketing

Work with community organizations, lenders and others to identify prospective customers

Primary target markets to include small businesses in the Central, Southeast and International District or other low-income areas of Seattle; women & minority owned businesses that are certified by the state; and small Seattle-based manufacturers and other select markets that may be negotiated in the business plan development process.

Business plan review and loan underwriting

Assess plan eligibility and feasibility

Work with the borrower and technical assistance providers, as applicable

Work with the borrower/other lender(s) to structure transactions, as applicable

Loan monitoring and servicing

Monitor for compliance with HUD rules

Work with the business to monitor results, identify challenges

Provide technical assistance support as needed

Track and collect loan payments

Develop work-out plan if necessary

Fund management

Plan for and manage internal cashflow

Develop revenue generating lending tools as feasible

BUSINESS RESOURCE CENTER....to support the development and success of viable small businesses

Provide access to business assistance and financial services by establishing working relationships with banks, other nonbank lenders and technical assistance via appropriate referrals and/or through the co-location of various service providers and lenders at a centralized location (in Central of Southeast Seattle).

Develop and agree on quality standards.

Encourage partnerships and evolve as needs change or opportunities arise.

Common intake, assessment, and monitoring

Determine needs

Develop a plan

Identify who could best provide the service(s) or product(s) needed

Monitor for quality of service provided

Pre-and-post loan business assistance services

One-to-one counseling

Group and classroom training

Mentorship

Student interns

Business readiness checks

On site and at the business

Business resource center

Business plan information & prep

Entrepreneurial guides

Computer access

Internet connections

Specialized services, as available

Connected to the SBA's Enterprise Center

Loan packaging assistance and referrals

Knowledge of lenders loan criteria

Joint case review and problem solving

Help with financing proposals

Referral to lenders as appropriate

PROPOSAL FOR ESTABLISHING A DEVELOPMENT LENDING COMPANY AND BUSINESS RESOURCE CENTER IN SEATTLE

Background:

During the past several months, the City of Seattle's Office of Economic Development has been reviewing its small business lending program and talking with SSBLA (Seattle Small Business Lenders Association) representatives, community development corporations, development lending entities, the Federal Home Loan Bank, and other service providers. The purpose of these discussions was to determine how the City could best use its assets to continue to provide development finance products plus support the establishment of a coordinated approach to the delivery of quality pre-and-post loan business assistance services to targeted markets. In the process of this review we also talked with and read about a number of development lending and business assistance programs around the country. In addition, evaluations on revolving loan funds, micro-lending, and other types of development finance programs have been reviewed.

As the result of this review and dialogue it is clear that successful business development programs have several common elements. These include but are not limited to the following:

- Lending and technical assistance must be linked if development lending is to be successful.
- Whether a lending and/or T.A. program is successful is dependent on the capacity of the people who are running the program.
- Management takes a long-term view. The goal is not to "run a program" but to create an institution that will have a structural impact on the credit-providing and delivery system within the targeted area.
- Most successful programs have several lending tools and diversity within their portfolios.
- Most successful programs have strong links with regulated financial institutions and other service providers in their target market.
- Long-term, the capital pool must be able to reach scale to support basic overhead and, if possible, help fund business assistance services (although management understands that business assistance services are expensive and therefore have a plan for subsidizing these operations).
- The program is run like a business. It has customers or clients, not beneficiaries.
- Programs understand they can not create entrepreneurs. Self-selection "tests" are used to help a person determine if they want to be self-employed and have the capabilities and tenacity to be successful.
- Clear outcomes and performance goals are established and monitored.
- Loans are structured to minimize risk using a variety of techniques and applying the same fundamental process of deal analysis as do other lenders.

- With the advent of more "one-stop" shops starting up around the country experience is being gained on how to successfully provide coordinated and collaborative services. Keys include having a clear management and accountability structure as well as agreed upon performance standards for all participating entities.

With the context of the aforementioned "elements of success", the City's existing efforts were reviewed. While the City's loan programs have demonstrated some tangible results during the past several years it is perceived that a number of benefits could be achieved if the program was restructured to support the development of a community based development lending company and the creation of a centralized business resource center.

Development Lending and Business Resource Center Concept:

The City of Seattle's Office of Economic Development is proposing to restructure its small business lending program and support the collaborative development of a business resource center that would be located in the Central or Southeast area of the City beginning in 1997. This would be accomplished by:

1. Making the City's small business loan assets (approximately five million dollars in existing loans and/or cash available to lend) available to capitalize a non-bank development lending company that would have multi-faceted lending capacity. Funds would be made available to an existing or new not-for-profit entity that would be responsible for managing all aspects of the City's existing small business portfolio plus have the capacity for doing SBA guaranteed loans as a means of generating other income and providing portfolio liquidity when needed. As a "non-bank" lender this entity would need to be approved by and periodically examined by the state's Department of Financial Institutions. In addition, discussions are continuing regarding the possibility of having this entity manage some of the City's housing finance funds on a pilot basis to determine if this type of a structure could create some administrative efficiencies and/or result in more strategic and connected investment decisions in targeted neighborhoods.
2. Committing to invest a portion of the funds needed to establish a separate but connected and collaboratively supported business resource center that would provide a continuum of pre-and-post loan business assistance services at a centralized location. Invite other service providers and lenders to invest and participate in this center while having a clear management structure to ensure consistency and quality of products and services offered. In addition to providing direct products and services, this entity would coordinate referrals to and from lenders and other community-based organizations and service providers. This entity would have the same executive director as the lending entity to ensure appropriate organizational connectiveness and be cost effective. "Investors" in the center would be encouraged to participate in policy and program development. OED is budgeting \$100,000 towards this effort for a minimum of two years.

The above scenario allows for the continuing need for development finance resources to be addressed via the privatization of the City's assets plus the pooling of dollars to support enhanced quality business assistance services (both pre-and-post) that have been identified by many as a big gap in the collective ability to successfully support small business development efforts.

Estimated budget:

Preliminary budget estimates have been made that include the following assumptions:

- That two tandem not-for-profit entities would be administer these connected efforts and that a number of expenses such as occupancy, start-up, and general expenses would be split between the two entities. It is also assumed that some staffing would be "shared", in particular the executive director, administrative and receptionist salaries.
- The staffing needs assume the business resource center would be open a lot including some evenings and weekends and that there would be expectations that staff would be reaching out to targeted businesses and providing services on site in many instances.
- A 4,000 square foot space would be needed for both enterprises.
- Approximately 3.3 to 3.6 million of existing loans would be "transferred" to this new entity. In addition, approximately 2.0 million in cash available to lend or committed would also be made to this entity.
- Salaries are set at a level that would be able to attract highly qualified people as management and technical capacity will be keys to success.

Non-bank lending entity:

	First Year	Second Year
<u>Uses of funds:</u>		
Personnel	287,595	301,975
Other expenses	<u>115,100</u>	<u>121,970</u>
	402,695	423,945
 Start-up costs/capital expenditures:	 86,750	 5,000
 <u>Proposed sources of funds:</u>		
City CDBG	175,000**	0
Interest & fee income	250,000	325,000
Available loan fund cash or other resources	65,000	105,000

**This City contribution of \$175,000 will be combined with an additional \$100,000 commitment for the business resource center that is shown below for a total contribution from the City the first year of \$275,000.

Business Resource Center:

	First Year	Second Year
<u>Uses of funds:</u>		
Personnel	249,795	262,285
Other expenses	<u>99,800</u>	<u>98,070</u>
	349,595	360,355
Start-up costs/capital expenditures:	96,750	5,000
<u>Proposed sources of funds:</u>		
City CDBG	100,000	100,000
Other grants or contributions	350,000	265,000

To assure the long-term stability of these operations multi-year funding commitments are proposed.

Management and Accountability:

In thinking about the restructuring of the City's loan programs the following must be able to be achieved:

- The selected "team" has the capacity to "pull this off".
- The City can fulfill all of its legal and compliance obligations to its funding sources.
- Financial and program accountability is clear.
- The City has a continuing policy role.
- Other "investors" in the business resource center have an ability to participate in the setting of program direction and policies.
- Expected outcomes are clear.
- Delivery of technical assistance services is better coordinated and provides access to multiple lending tools for qualifying applicants.
- There is enough flexibility built into the "model" so that the selected entity can take advantage of opportunities that arise.

Work plan and timeframes:

If there is a decision to proceed with this plan work would begin quickly to determine other "investors" interest in funding the resource center. A request for qualifications and business plan development process would be initiated in June. It is anticipated this would be a very interactive and negotiated process. The goal would be to have both the loan functions transitioned and the resource center opened by January, 1997.



DUWAMISH COALITION

THE DUWAMISH COALITION

The Duwamish Coalition was convened in April 1994, to bring a more unified approach to the economic and environmental issues confronting businesses and residents of the Duwamish industrial corridor. The Coalition includes representatives from business, labor, environmental and community groups, local government, and state and federal government.

MISSION STATEMENT

The mission of the Duwamish Coalition is to preserve and reclaim industrial land for the purpose of expanding the manufacturing and industrial job base, and protecting and enhancing the natural environment. The Coalition will further address regulatory, infrastructure and institutional barriers to economic growth and environmental protection in the corridor. The mission will be accomplished through private and multi-jurisdictional public private partnerships.

The coalition is also pursuing these related objectives:

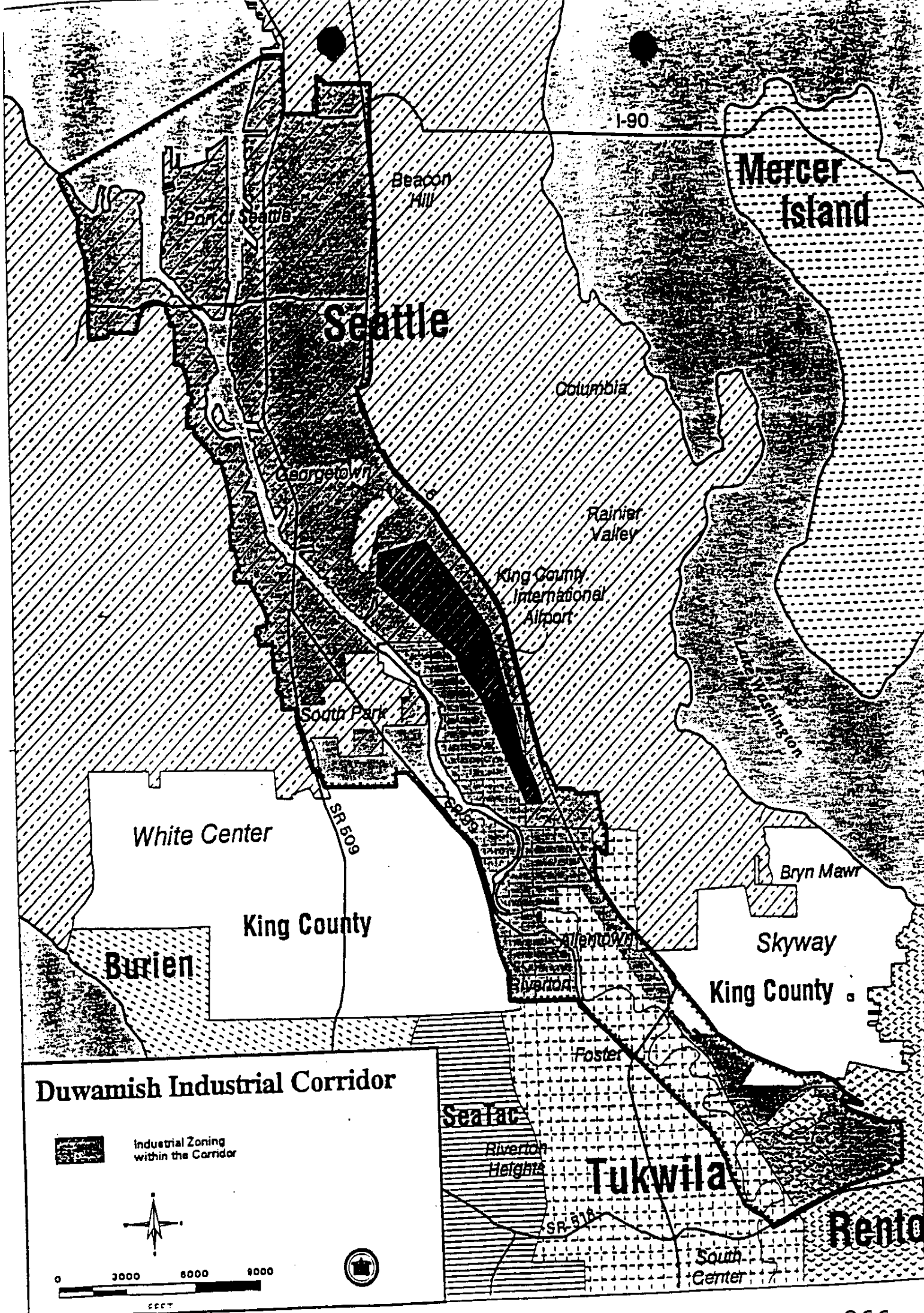
1. Ensure that minorities, women and economically disadvantaged individuals have access to the jobs which may be created through the Coalition's efforts. This includes access to appropriate training to qualify for jobs.
2. Ensure that the needs and well-being of neighborhoods within and adjoining the Duwamish industrial area are understood, protected and balanced with economic development goals.

FOR MORE INFORMATION, CALL 727-4008 OR WRITE:

DUWAMISH COALITION
3600-136th Place SE, 4th Floor
Bellevue, WA 98006-1400

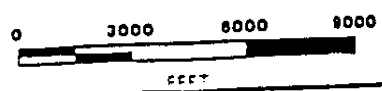
THE DUWAMISH COALITION IS AN ALLIANCE OF PUBLIC AND PRIVATE ORGANIZATIONS ADDRESSING ECONOMIC AND ENVIRONMENTAL ISSUES IN THE DUWAMISH INDUSTRIAL CORRIDOR.

... and much more can now be found on the Duwamish Coalition home



Duwamish Industrial Corridor

 Industrial Zoning within the Corridor



SUMMARY OF MAJOR PROJECTS -- BY LEAD SUBCOMMITTEE

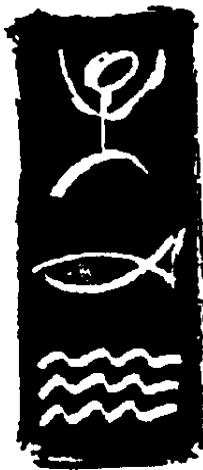
- I. Preserve and Reclaim Industrial Lands Subcommittee
 1. Complete Area Survey of Known Contamination Problems
 2. Area-Wide Scientific Study, Plan, Presumptive Remedies -- Watershed Management Approach
 3. Develop New Ecology Guidance Doc. for Petroleum-Impacted Sites (TPH)
 4. Tech. Assistance, Info. Transfer, and Facilitation
 - A. Environmental Extension Service -- Soils/GW Cleanup and P2 Tech.
 - B. Development of GIS application (e.g., Push Button Mapper)
 - C. Dedicated Ecology Staff Positions for Permit Reviews
 5. Site Specific Industrial Redevelopment (e.g., "Hat and Boots" site)

- II. Regulatory Issues Subcommittee
 1. Survey Permit Assistance "Best Management Practices" in Other States
 2. Review Potential of and Obstacles to Programmatic EIS
 3. Track, Review, Comment, Propose Legislative Changes
 4. Regulatory Assistance Center (coord./co-locate with Envir Extension Service)

- III. Infrastructure Subcommittee
 1. Provide Info.- Upcoming Projects & Unique Infrastructure Qualities of the Duwamish
 2. Freight and Commuter Movement - Identify Priority Projects and Review Complexity of Funding Required
 3. Review Potential for a Sewage Effluent Project

- IV. Water Quality and Habitat Subcommittee
 1. Turning Basin Project (habitat, sediment, etc.)
 2. Technical Assistance for businesses and public information
 - A. Inventories -- Pollution Prevention Resources Available and Current Water Quality, Habitat, and Sediments Projects/Programs
 - B. On-site Assistance/Info. to Businesses - Stormwater and Waste Source Control (coordinate with Environmental Extension Service)
 3. Database and GIS Mapping Development
 - A. Inventory Current Projects
 - B. Identify and Map Potential Habitat Restoration Sites
 4. Coordinate Habitat Restoration with Development and Infrastructure Projects
 5. Begin Multi-Agency Habitat Restoration Planning

- V. Job Creation Initiatives Subcommittee
 1. Develop Apprentice Linkages and Other Workforce Programs (e.g., Envir.Tech.)
 - A. Review Current List of Training Programs
 - B. Market Analysis of Employer Needs
 - C. Recommend New Programs or Program Changes
 - D. Develop Linkages
 2. Strategic Analysis of Potential New Business Linkages
 3. Strategic Analysis of Existing and Emerging Industries



DUWAMISH COALITION

Duwamish industrial corridor employment: 87,000 jobs

- 1 in 10 jobs in the county are found in the Duwamish;
- Average annual wages paid are above countywide average of \$29,869;
- Trucking Equipment industries employ 25,000 people, or 28% share of industry jobs
- Wholesale trade industries employ 15,391 people, or 46% share of industry jobs.

Source: Washington State Employment Security Dept, 1992 data base

Top 22 Employers

Port of Seattle ¹	11,141
The Boeing Company	79,500
King County Airport Boeing Field ²	3,538
US Government ³	2,860
Todd Shipyards	1,000
Ball-Incon Packing	600
Langendorf Baking	425
Starbucks	350
Delta Marine Industries	300
NW Environmental Services	300
Rainier Brewing	300
Salmon Bay Steel	300
Thaw Manufacturing	250
Alaska Copper & Brass	250
Cascade Designs	200
Long Painting	200
Pioneer Industries	200
The Home Depot	200
Pony Express	160
Buffalo Industries	150
Puget Power & Light	150
West Coast Paper Products	150

Total 32,524

72,524

Source: Inside Prospects of Washington, 1994; King County EDO in consultation with employers.

Notes:

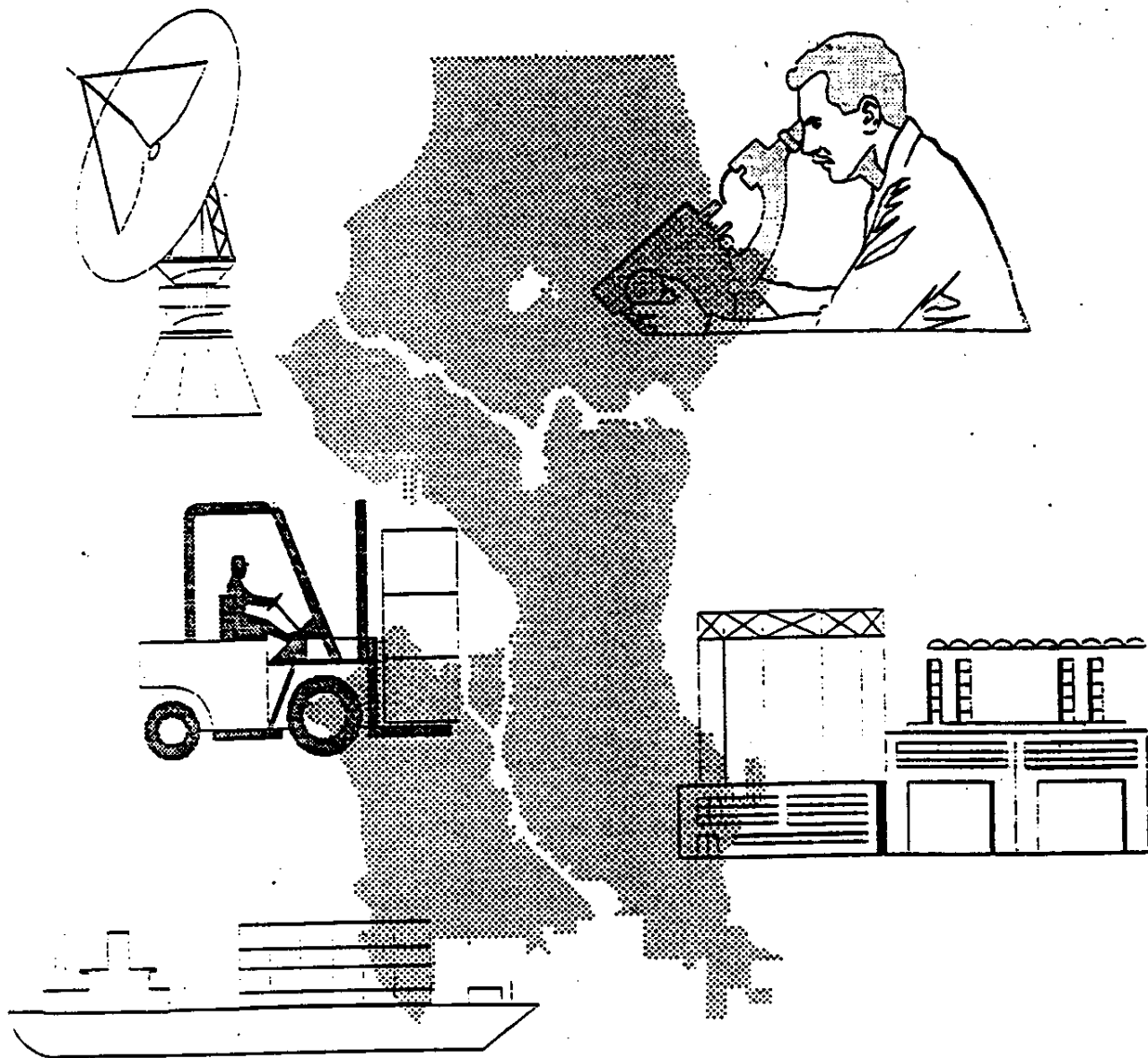
/1 Figure represents direct jobs at marine facilities, some of which are outside the Duwamish Coalition boundaries.

/2 Figure includes 38 King County Airport jobs and 3,500 on-airport jobs.

/3 Figure includes the US Post Office and US Army Corps of Engineers

Seattle Industrial Development Corporation
INDUSTRIAL LAND BASE STUDY

FINAL REPORT
September 1993



BERK & ASSOCIATES, INC.

Apogee Research, Inc.

Gambrell Urban, Inc.

Terry Jill Lassar

Paul Sommers

City of Seattle

Executive Department—Office of Economic Development

Carol Dickinson, Director
Norman B. Rice, Mayor



FOREWORD

We are very pleased to offer you the Final Report of the 1993 Seattle Industrial Land Base Study. This study was commissioned by the Seattle Industrial Development Corporation (IDC) on March 11, 1993, and conducted with the assistance of the City of Seattle, Port of Seattle, and King County governments.

This study was commissioned by the Seattle IDC in order to help better inform public debate concerning industrial development strategies and industrial land use policies. This document will also be able to serve as a background document to the City of Seattle's Comprehensive Plan.

Part of what we learned in this study is that Seattle should not take its industrial land and industrial businesses for granted. This is because there are obstacles to the expansion or relocation of existing industry within Seattle or to large-scale new job growth, despite theoretically sufficient land and development capacity.

Another lesson is that the Seattle Draft Comprehensive Plan contains a planning target of 14,660 new industrial and industrially-compatible jobs to occur in Seattle's industrial zoned land over the next 20 years. This would be a net increase to the more than 72,000 jobs already located in the Duwamish area alone. However, we have not yet defined what is meant by an "industrially-compatible job" (or "industrially-compatible land uses"). We also need to discuss what level of private and public investments are going to be needed to achieve the planned job growth, and whether zoning for industrial land should be more restrictive.

Most importantly, we learned that Seattle and the Puget Sound Region need to formulate a comprehensive industrial development strategy. Most other cities across the U.S. and Canada, as well as cities in developed nations around the world, have an industrial development strategy and programs in place. Although we are engaged in this industrial land study and regional groups are earnestly formulating economic development goals and policies, we do not presently have an industrial development strategy and programs except in piecemeal forms.

Seattle and the Puget Sound Region have been fortunate. Boeing has provided us with regional industrial strength for decades. We have also benefited from the foresight of the Port of Seattle in concentrating on containerized cargo transport, research and spin-offs from institutions like the University of Washington, low public power costs, and some amount of blind luck. We cannot sit by passively and assume that our industrial growth will continue. In today's national and global economic environments, we must actively engage in strategies that will ensure the diversity and competitiveness of the region's economy and the value of our industrial land base.

The primary intention of the study was to gather data, and the consultants were not asked to make specific policy recommendations. During discussions with citizens and

business leaders. however, we were often asked to identify the likely implications and "next steps" for city government. What follows are a few more thoughts on the public policy implications of this study along with related research and strategic planning efforts.

BACKGROUND

The pace and mix of growth in Seattle and the region in recent years raises many concerns. Many fear that this growth will lead to a general decline in the quality of life. There are many positive impacts of our recent growth, such as increased investment activity, more recreational facilities, and downtown development (e.g., Westlake Center). However, there are negative impacts, too. The most obvious ones are traffic congestion and more expensive homes. There are also debates about the fiscal impacts of growth on local government finances and whether there will be enough family-wage jobs to go around.

Several important elements in these debates are questions regarding the changing shape of industry and related businesses (including producer services) in Seattle's economy, the importance of Seattle's industrial land base to the city and regional economy, and the viability of industrial retention and expansion strategies. In these debates, the term "industrial" does not simply refer to manufacturing. It includes warehousing, construction, transportation, utilities, mining-related businesses and fishing. It also includes businesses that have traditionally been classified in the "service" category, such as biotechnology and computer software development.

Industry is a very important part of our city and regional economic strength. (The reasons why are enumerated on page 8 of this foreword.) However, there is a general concern among industrial firms about the growing number of office and retail businesses locating in industrial areas and the expansion of residential development in the areas buffering industrial land. Over time, this may contribute to a general erosion of Seattle's industrial base if these land uses are incompatible with industry. Residential development, bike trails, and automobile-based retail are often in conflict with industry because of noise, traffic congestion, and safety issues.

Growth management will establish urban growth boundaries and wetland restrictions. This will intensify the pressures between competing land uses. Some will look to locate residential, commercial, and government facilities (e.g., waste management facilities, prisons) in industrial areas. This is because industrial areas are perceived to be the primary source of lower-cost, developable land.

We will also see the regional market for industrial land change toward a renewed focus on Seattle's industrial zoned land. In part, this is because growth management encourages denser residential and job location in urban centers as part of a new "vision" for the region. There is also a scarcity of built industrial capacity in the suburbs. Third, Seattle's industrial land has a special role within the region due to its proximity to banking and legal services as well as its port access.

The location of the high-paying, semi-skilled and higher-skilled jobs that industry provides is important to everyone in the region. The number and location of these jobs is a regional issue, not simply an issue for Seattle. However, Seattle's industrial lands will clearly gain importance within the scope of *regional* economic development as a result of regional growth and the impacts of growth management planning.

CENTRAL STUDY QUESTIONS

The dimensions of the industrial land supply and job growth issues are complex. They involve questions about zoning, real estate market economics, locational preferences, and the capacity for growth. Another thing to consider is that Seattle is not unique, and we can turn to the lessons learned in other cities.

Specifically, the purposes of the Seattle Industrial Land Base Study were to:

- o Evaluate the existing conditions of manufacturing in the Seattle area and the importance of manufacturing. This could include employment, income, output, or other measures of economic impact.
- o Evaluate the reasons why industry locates in one particular place or another in Seattle and the region, including labor costs and skills, transportation access, land costs, strategic linkages to customers and suppliers, taxes and regulatory considerations.
- o Assess existing conditions of industrial land use in Seattle. What do we have? Is it adequate for the future? Is it located in the right places? Are other uses encroaching on industrial zoned land? When does the price for land and new infrastructure become too high for industry?
- o Learn about a few other "successful" models of City-sponsored industrial base retention and manufacturing competitiveness strategies, and how those models apply to Seattle. Tie them to the state of "competitiveness" of Seattle's manufacturing businesses. What are their strengths and prospects? What are their perceived needs (e.g., land, labor, capital, transportation access, regulatory changes)? How might an industrial strategy be based around an understanding of the strategic profile of the industrial base?

The consultant team's first objective was to provide a description and analysis of industrial land use in Seattle. The team examined trends in industrial land use, the characteristics of Seattle's industrial land market, and the effectiveness of existing zoning in preserving industrial uses.

The consultant team then reviewed industrial retention programs that have been implemented in other cities and assessed their effectiveness and applicability to Seattle. This last step provides a basis for developing alternative scenarios for the future use of Seattle's industrial areas, and for examining the implications of each scenario for Seattle's economic strength, fiscal health, or other impacts. This will also help us explore the potential costs and benefits of industrial retention/development strategies, from the perspective of the importance of manufacturing and other industrial uses within Seattle to the area's economy.

FINDINGS AND POLICY IMPLICATIONS

Where are the jobs going?

Spatial analysis of national trends shows that industry in general and manufacturing in particular has migrated from central cities to suburbs and into non-urban areas. This trend has largely been driven by the demand for low-cost land and changes in technology. Modern manufacturing has preferred horizontal, land-extensive

development. The growth in productivity and capital-intensive nature of new industry is perhaps contributing to this. Land outside of traditional urban centers has been available at low cost. Public investments in transportation networks and utilities at the urban fringe have increased the land price differences and contributed to regional sprawl. The cost of environmental cleanup is another serious factor contributing to the cost of land in urban areas. Seattle shows some signs of this trend as well. However, there has also been strong, stable base of businesses historically located here in Seattle.

What jobs and industry locate within urban centers?

The types of industries that still commonly locate in urban centers include printing and publishing, electronics, transportation equipment, instruments, warehousing and distribution or inventory supply. The sectors that prefer a Seattle location are transportation, bio-technology, and marine-related businesses, while some other sectors like warehousing are very sensitive to land price differences (see pages 71-72). Meanwhile, printing and publishing, high technology, and light manufacturing are sensitive to land prices and the suitability of land and buildings plus a broad range of other factors; these are described as "swing" sectors.

The similar characteristics of businesses that prefer urban centers include:

- o high value-added processes.
- o the need for central location for shipping and marketing.
- o the need for multi-modal (i.e., rail, truck, marine, air) and multi-route shipping activities access.
- o larger capital investments in both plant and equipment.
- o consumption of large amounts of capital, therefore need access to financiers (and vice versa, the financiers need ready access to company for management oversight and audit).
- o employment of a generally more educated and highly skilled workforce, the type of workers attracted to locations primarily because of urban amenities including entertainment, parks, and schools.
- o other important factors, including access to legal and financial services, proximity to suppliers and customers, and the role of hospitals and higher education in new economic growth.

These needs fit the characteristics of most urban centers, and the presence of industry stabilizes the economic base and is consistent with spatially efficient infrastructure and utility investments. However, there are conflicts that arise. For example, South Lake Union is an area that is centrally located for warehousing and distribution with good access to the Eastside and North Seattle, but these businesses are highly sensitive to land price changes.

National research (Nelson) also indicates that higher taxes in urban centers are not really much of an issue, nor are most public financial incentives. It is important to look at the net "cost of doing business" within or among regions. However, the usual preoccupation with differential tax structures is not warranted. In the case of Seattle,

one difference is that local firms are charged Business and Occupation (B&O) taxes that are not charged in areas like Bothell and Redmond, but there are often different charges in those areas. For example, Redmond charges a "per employee" business license fee. Still, the B&O tax in this state needs redesigned, because it inhibits growth of small start-up companies. According to David Harrison (Washington CEO, 9/93), a tax on gross revenues instead of profits can choke off small businesses when they most need cash to expand their operations.

Is Seattle's industrial economy healthy?

The typical example of an industrial business that might leave Seattle is one that starts small and grows to need twice that amount of space. Unable to find an appropriate larger parcel, the firm considers moving to the suburbs. Other examples include warehousing and distribution operations that move to suburban locations south of Seattle because of land prices and proximity to customers, highways, and the SeaTac Airport. Yet Seattle is not experiencing an abandonment of industrial areas like some older cities. New businesses are moving in, vacancies are low, and many businesses are well-established in their Seattle location. In other words, the existing industrial areas seem to be marketable for industrial uses.

Overall, Seattle's industrial economy is healthy. For example, Seattle's share of industrial space in larger buildings has increased somewhat within the region, despite growth in areas like the Kent Valley. Also, development activity in Seattle and other measures of demand rank favorably compared to other cities like Portland, Sacramento, and San Francisco-Oakland (see pages 12-14). Another measure is the growth in employment. Manufacturing employment increased by 62% between 1970 and 1990 and WCTU by 92% (see page 5). Retail grew at a faster rate, but the employment base was different, and manufacturing employment changes also reflect changes in the rate of productivity per employee.

Finally, it is important to recognize the role of the Port of Seattle in preserving and expanding the productive use of industrial land, as well as in developing transportation and shipping infrastructure that is so important to the city and regional economies. The Port owns approximately 20% of industrial land (see page 72). This will increase to as much as 25% over the next 20 years, but most of this land is in productive use (i.e., leased to private enterprise).

On the other hand, there are underlying forces in the economy that could be obstacles to new industrial expansion and new job growth. These include questions about soil contamination, fragmented parcel ownership, and possible mismatches between supply and demand for different types of land and buildings. Also, growth management will increase the competition for land, especially lower-cost industrial land.

Has industry been crowded out by non-industrial types of land use?

According to this study, industrial land uses have not been crowded out by non-industrial uses, except for 400 acres already rezoned out of industrial use in 1987 (see page 18). Therefore, any significant conversion since 1970 was already captured in prior zoning changes. However, the study also reports that retail and similar land uses made their biggest gains in those areas bordering downtown (see pages 19, 71). Also, the conflicts occurring on the fringe/buffers between residential and industrial uses have increased, because of the density of new residential development that has occurred

along the buffers . The implication is that urban villages will intensify that pressure for conversion on the borders of industrial land. Therefore, it is appropriate to examine and possibly strengthen current industrial zoning, including buffers, to ensure that the zoning is consistent, predictable, and supports compatible uses.

Is there enough land in Seattle's industrial zones?

As mentioned earlier, part of what we learned is that Seattle should not take its industrial land and industrial businesses for granted. On the one hand, there is a healthy rate of development activity, industrial businesses are stable and profitable, and Seattle's industrial land has many locational advantages. On the other hand, the vacancy rate is low (6% overall) and the turnover rate is only 2% per year. Also, there are too many uncertainties that affect development capacity, such as drainage problems, insufficient transportation infrastructure and transit systems, soil contamination problems, difficulties with site assembly, and the obsolescence of industrial buildings. Therefore, there are obstacles to the expansion or relocation of existing industry within Seattle or to large-scale new job growth, despite sufficient theoretical land and development capacity.

In addition, development capacity is not just a matter of densities and Floor to Area Ratios. The amount of business an area can accommodate is also limited by the volume of traffic capacity through the area and onto major transportation corridors. If trucks cannot easily move through the area, business cannot grow and operate profitably. Also, additional land might be needed for the expansion of rail, streets, etc. that is not currently planned. Conflicts such as these that can drive up the cost of business also artificially limit development capacity.

A third point is that PSRC forecasts are perhaps not the most reliable basis for projecting future job growth. For example, the PSRC forecasts only 4,900 new industrial jobs in the City of Seattle over the next 20 years, whereas the Port of Seattle estimates up to 5,400 new industrial jobs to be created from increased container handling in Seattle harbor alone (see page 61). The planning target for industrial areas job growth in the Seattle Draft Comprehensive Plan is an increase of 14,660 over the next 20 years, and this number is probably a better estimate.

How do you address the capacity issues and competitive differences between Seattle and non-Seattle locations?

Two of the primary locational determinants in the Seattle area are the price and availability of land compared to suburban industrial areas. In older industrial areas, the costs of soil contamination cleanup and other environmental mitigation measures adds to the costs of land and business operations.

Regional growth management planning changes this cost equation somewhat. The urban growth boundary and development (e.g., wetlands) restrictions will create an upward pressure on the price of land in suburban areas. As greenfield sites become no longer available and as wetlands restrictions take hold, industrial users will look back toward urban areas for developable sites, and there should be a narrowing of land price differences between Seattle and non-Seattle industrial areas over time. The primary focus then will change to other locational determinants, such as transportation and port access, the availability of skilled labor, or proximity to customers and suppliers. However, inadequate drainage, transportation infrastructure, or difficulties with site assembly can also be problems that limit the expansion of industry and new job growth.

Competition for land from non-industrial uses (such as larger-scale destination retail), which could further intensify under growth management, will also impact the price and availability of land. Finally, national and global economic forces -- from NAFTA, to the availability of metal from South Africa, to consolidation in the corporate operations of General Electric -- impact local industry in significant ways.

Land-based solutions tend to fall into one of several categories, such as: (1) controlling the supply of land through restrictive zoning; (2) urban redevelopment through site assembly, environmental cleanup, and remarketing; (3) area-wide investments in infrastructure improvements, and (4) innovative design solutions to reduce land-related costs. Other types of solutions more directly address the profitability of industry through productivity improvement programs via modernization, labor force development, or regulatory improvements.

Two of these categories, zoning and innovative design solutions, require some additional discussion:

Zoning: Allowing conversion of industrial lands to non-industrial uses can be short-sighted. The old belief was that industrial uses are inferior land uses. To the extent that non-industrial land uses wanted to use the industrial land, that was okay, because it built up the tax base more quickly, and it was politically popular under the notion of "highest and best use" for landowners seeking to maximize their profits. Therefore, cities employed Euclidean zoning (named for a Supreme Court case involving Euclid, Maryland), which allows use conflicts.

Today, commercial and residential uses can usually generate high cash flow more quickly, whereas industrial uses are longer-term investments. Also, banks are less likely to finance industrial redevelopment at favorable interest rates because of environmental liability issues. As a result commercial and/or residential uses will consistently out-bid industrial users for the land. In other words, industrial users often cannot afford the price of land when it is threatened by conversion to non-industrial uses. This can lead to pockets of underutilized or idle land.

The notion of "highest and best use" has itself evolved over the past 20 years. The "highest and best use" today is not the same as the "highest and best use" in the future. Under the new theory, it is rational to pre-empt some decisions in today's land markets, in order to preserve future value, the option of developing. This protects the long-term social or economic benefits realized through a diversified economic base (i.e., high value added manufacturing, more high-paying jobs). This is the same type of thing that is done in preserving rural farmland close to urbanized areas, protecting open space, promoting greenery as a part of the urban landscape, protecting environmentally sensitive areas, or pollution control.

One alternative is to create reserves of land zoned for exclusive industrial uses within or near urban centers, and this has been tried by some cities. The purpose is to protect these lands from use conflicts and intermediate uses that pre-empt high value-added industry. Some non-industrial uses would be permitted even within non-Euclidean zoning, but overall uses would be limited to internally consistent, economically related non-industrial uses together with industry. (At the same time, other cities have also broadened their definition of industry to include such sectors as data processing, fashion, broadcasting, design, and photograph, in addition to manufacturing.) This type of zoning has been most effective in cities similar to Seattle, where the industrial areas are already economically healthy but experiencing use conflicts or conversion pressures.

Another (and probably better) alternative is to follow what Seattle has proposed in the Draft Comprehensive Plan. Seattle already has in place some use restrictions and separate zoning for industrial, commercial, and residential land uses. However, some additional changes (or "fine-tuning") of the zoning code might be needed to fully implement Industrial/Manufacturing Centers designated in the Draft Comprehensive Plan.

Design Innovation: The study mentions that vertical industrial development (Multistory Industrial Buildings or MIBs) is making a come-back in some cities across the U.S. The attractions of MIBs are several: (1) evidence of successful strategies subdividing and marketing upper floor space; (2) advancements in construction technology and design improvements making vertical development more economically feasible; (3) lower square footage costs than horizontal development in the same areas; and (4) proximity of space to customers, suppliers, transportation networks, labor force, banks and services.

The trend toward vertical development has been studied and documented by such groups as the Commercial Real Estate Group, Inc., the National Trust for Historic Preservation, the Northeast/Midwest Institute, and the Urban Land Institute. In the Midwest and Northeast, rehabbers are recycling old brick factories and warehouses. On the West Coast, MIBs are usually new construction. The initial reluctance of industrial tenants to take upper-floor spaces is partly a matter of marketing and familiarity. For example, the prevalence of Asian businesses in downtown Los Angeles, where many owners are accustomed to using multistory space, has been one of the major factors driving multistory growth in that city.

Industrial development conditions in Seattle — dense population, high land prices, geographic constraints and growth management, congested suburbs, lengthening commutes, and the prevalence of immigrants and Asian businesses — make it appropriate to explore the feasibility of denser industrial development like MIBs.

What would be gained from a better industrial development strategy?

As mentioned earlier, industry is a very important part of our city and regional economic strength. There are four reasons why. First, industrial areas remain major employment centers, with more than 72,000 jobs located in Seattle's industrial areas alone. Second, industrial jobs are generally higher-wage jobs. For instance, the 1990 average gross wage for King County was \$26,111 per year. Manufacturers were above that level with employees averaging \$28,581 per year. Construction and wholesale trade averaged \$27,032 per year and \$31,089 per year respectively. Meanwhile, retail and retail services averaged only \$15,024 per year and \$22,071 per year respectively. Third, industry has a higher economic multiplier (the impact of respending), creating as many as three or four additional jobs for each primary job. By contrast, retail businesses have a secondary impact of less than one additional job for each primary job. Fourth, a strong and diverse industrial base makes it easier for our economy to weather economic recessions, because different types of businesses respond differently to economic cycles. In turn, this helps keep wages and the City's tax base stable. Also, better jobs mean stronger communities.

The fiscal impact to the City of Seattle is itself significant. Industrial trade represents nearly 40% of the taxable retail sales base in Seattle (1992 City of Seattle figures). The components of this are wholesaling = 16%, contracting = 14%, manufacturing = 4%, and transportation/communication/utilities = 6% of the total 1992 taxable retail

sales base of \$8,563,526,000. Industry also represents approximately 36% of a 1992 Business and Occupation total tax obligation of more than \$66 million. Additional revenues are derived from property taxes, utility rates, purchases of legal and other services, and the retail trade impact of 72,000 jobs at above average wages. The Seattle Draft Comprehensive Plan sets a planning target that is a 20% increase in new industrial areas job growth over 20 years. The fiscal impact of industry tends to grow at a rate that exceeds the growth in number of jobs.

RELATED RESEARCH AND STRATEGIC PLANNING

The following studies are some of the other research that is informing the policy making process:

P.R.I.E., Rutgers University

Dr. Ann Markusen is Professor of Urban Planning and Policy and Director of the Project on Regional and Industrial Economics (P.R.I.E.) at Rutgers University. P.R.I.E.'s research has focused on the changing nature of regional economies and on industrial restructuring. Current research is on the impacts of military spending and economic conversion on American industry and regions (including the Central Puget Sound Region), as well as the role of industrial districts in economic development strategies. P.R.I.E. recommends that Puget Sound develop an industrial strategy that consists of (1) improving the business climate, (2) anchoring existing industry in place, and (3) targeting new growth based on regional strengths.

Arthur C. Nelson, Georgia Institute of Technology

Dr. Nelson is a professor of economics, planning, and public policy at the Georgia Institute of Technology. In "Analysis of Urban Manufacturing Employment Trends" (1993), Dr. Arthur C. Nelson completed a spatial analysis of industrial location decisions throughout the United States since 1960. His research consisted of identifying businesses and analyzing the migration of jobs using location quotients and survey instruments. His work established a baseline for modern industrial location behavior. He also identified strategic opportunities for cities and the type of land use policies needed to support urban industrial development. His other works include The Regulated Landscape: Lessons on State Land Use Planning from Oregon (Lincoln Institute of Land Policy, 1992).

The Puget Sound Regional Economic Strategy Project

A group of economists, planning managers, and other regional leaders has been convened by the Puget Sound Regional Council to conduct an analysis of the existing regional economy, in order to identify economic sectoral profiles, emerging industries, critical development issues, and institutional constraints to economic growth. The economic background report will be published in October 1993. This report provides useful information regarding industrial outlook and the types of industry likely to locate in our industrial areas. Additional work to evaluate institutional capabilities, identify strategic opportunities, and formulate an action plan is scheduled for late 1993 and 1994.

SUMMARY OF

POTENTIAL NEW INDUSTRIAL POLICIES AND PROGRAMS

1. Zoning Changes: "fine-tuning" existing zoning for industrial land, particularly IG-2 zones and industrial buffers. Also, reduce policy conflicts that interfere with industry (i.e., bike paths sometimes reduce shoreline access for marine-dependent businesses).
2. Environmental Remediation: Government assistance with industrial area site assembly and soil contamination studies/cleanup.
3. Infrastructure: Increase/prioritize infrastructure investments in industrial areas, including drainage systems, communications infrastructure, and transportation system improvements.
4. Innovative design solutions: In partnership with the private sector, government could help to sponsor a design charrette. This would bring together industrialists, architects, and engineers to examine design alternatives from cube and sandwich structures to Multistory Industrial Buildings.
5. Programmatic Environmental Impact Statements: Area-wide EISs may be used to reduce the front-end costs of developers, if allowable under SEPA.
6. Tax and Regulatory Simplification: Review the tax and regulatory controls to simplify reporting and compliance processes, or reduce layers of regulatory control. Explore B&O tax reform to reduce the negative impacts on small business growth. Utility rate structures should also continue to be reviewed periodically for fairness.
7. Customer Service Oriented Organization: General customer service improvements, including strengthening and expanding the general ombudsman functions in city government. Also, related government services, such as public safety and neighborhood services, should continue to be well-coordinated with industrial area needs.
8. Outreach: Better contact between government and business.
9. New partnerships: (A) Overlapping government jurisdictions – Seattle, King County, and Port of Seattle; (B) adjacent government jurisdictions – consistency of regulations and taxation in the industrial corridor from Seattle to SeaTac; and (C) partnerships between government, business leaders, research institutions, and labor.
10. Capital Availability: Explore the use of financial programs and tools used in other cities, including venture capital funds for industrial development.
11. Education and Skill-Building: Generally, industry will require a more highly skilled workforce in the future. Efforts to improve education and training opportunities should include education for the future workforce, skill enhancement for those already in the labor force, and retraining for dislocated workers.

12. Other Economic Development: (A) Support innovation-driven sectors and the connection of research institutions to industrial growth; (B) support technology networking and flexible manufacturing networks (collaborative networks); (C) encourage import substitution; and (D) support industry clusters, such as biotechnology, high-technology, software, marine transportation-related businesses, and medical research sectors.

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Through a competitive process, the Seattle IDC selected the firm of Berk & Associates, Inc. as the lead consultant on this project. Other firms and individuals selected as members of the consultant team were Gambrell Urban, Inc., Apogee Research, Inc., Terry Jill Lassar, and Paul Sommers. This team provided the Seattle IDC with the broad combination of skills, experience, and national awareness that a complex and important study like this required. The consultant team conducted this study over a six month period, with outstanding results. We would like to thank them for their diligence and the quality of their efforts.

The Seattle IDC is an instrumentality of the City of Seattle created according to Chapter 39.84 Revised Code of Washington. The mission of the Seattle IDC is to promote economic development and oversee the issuance of industrial development revenue bonds. The IDC is not funded through any tax dollars. Staff assistance and management from the City of Seattle Office of Economic Development are purchased from the City by the Seattle IDC.

We hope you find this study to be enjoyable and informative reading!



Thomas E. Boydell
Economic Development Coordinator
Office of Economic Development, City of Seattle

September 3, 1993

EXECUTIVE SUMMARY

The City of Seattle Industrial Development Corporation (IDC) commissioned this study in early 1993 to learn about trends occurring in the City's industrial areas and to better understand the role that industrial land plays in the vitality of the City's economy and overall quality of life. The study looks at two broad areas:

- **What is happening to industrial lands in Seattle.** This report describes the results of research conducted on recent land use trends in the City's industrial areas; it discusses the characteristics of industrial land and industrial location factors for a variety of businesses in Seattle's industrial areas; and finally, it provides a discussion of future supply and demand for industrial land with an assessment of the adequacy of supply to meet the City's needs over the next 20 years.

The industrial areas, as defined in this study, are those parts of the City that have industrial zoning classifications. They are to be found in the North and South Duwamish, Ballard, Interbay and Lake Union. Map 1 shows the locations of the City's industrial areas.

- **Public policies that affect industrial retention and development.** The other broad area of research reports on industrial policies here and around the country: there is a review of the City's industrial zoning policies and their effectiveness; and the report provides an assessment of techniques in use elsewhere around the country (and in Canada) to promote industrial development. Model development and retention programs and industrial zoning and land use policies in 11 cities are described and their applicability to Seattle is analyzed.

The findings of this study are intended to inform decisions around several essential policy questions that the City must address as part of local and regional planning currently underway. These questions include: What should the City's role be in promoting industrial health, both in Seattle and in the region? How should an industrial policy fit in with the emerging regional vision for denser land uses in urban areas and with the City's own urban villages concept? What should industrial zoning policies be to meet these goals? What investment and economic development strategies should the City pursue to meet these goals? This report builds an information base to support the policy discussions that are now taking place.

Part 1 What is Happening to Industry - And Is It Likely to Continue?

The industrial enterprise of the late 20th century is very different from the steel, automobile and chemical manufacturing giants we still associate in our minds with American industrial greatness. Global trends have brought about shifts that reverberate through every aspect of American life. Many of these trends have been well documented in recent years: decentralized corporate structures, ever increasing production efficiency, aggressive pursuit of

lower cost labor, increasing competition for ever more specialized markets and ever more value-conscious consumers.

National and global shifts in the composition of the economy have brought about significant changes in the types of businesses which are considered to be "manufacturing" or "industrial," the types of jobs available in those businesses, and the types of buildings and uses of land made by those businesses. Increasingly, industrial land uses do not look like they did when heavy industry and mass production were in their heyday in America.

High technology businesses in particular, which have been one of the fastest growing segments of industry, are often troublesome to define, with some classified as manufacturing and many others as services. Also, even traditional manufacturing businesses have increasing components of so-called "value-added" activities in enhanced engineering, design, marketing or service to the customer, all of which have tended to increase the non-manufacturing portion of manufacturing enterprises. These trends have led to larger parts of the industrial base being housed in non-industrial structures, adding to the complexity of the scene that is under investigation in this report.

Puget Sound Employment Trends. Employment in the Puget Sound region has seen dramatic growth in the last 20 years. In 1970 the 4-county Puget Sound region had about 303,000 jobs. By 1990 the total employment had grown to 1.54 million, an increase of 92%. Of special interest is the fact that this growth included significant structural and locational shifts. New job growth occurred in greater proportions in the suburbs than in the urban centers; existing jobs relocated within the region to suburban locations. Structural shifting occurred from manufacturing into the service sectors. These trends are forecast by the PSRC to continue.

Employment Composition. Manufacturing employment in the region grew 62% between 1970 and 1990. During the same period the wholesale trade, transportation, communication and utilities sector (WTCU) grew 92%. The service sectors, however, grew much more rapidly, for example, health services employment grew 179% and finance, insurance and real estate (FIRE) grew 114% over the 20-year period.

In 1970, manufacturing represented 20% of all employment in the region, however, by 1990 that had dropped to 16.8%. The non-manufacturing sectors as a whole had increased from 51% to 65% of all jobs. In Seattle, the shift from manufacturing to non-manufacturing has been even more dramatic as existing manufacturing jobs have moved out of the urban area to the suburbs, to be replaced in the City by non-manufacturing jobs in such sectors as transportation, wholesale and business support.

Manufacturing Wage Levels. In 1990, the average income per industrial job in the Puget Sound region, in 1982 dollars, was \$29,828, compared to \$18,786 for non-manufacturing employment. Over the next 20 years, as the total number of manufacturing jobs declines, the income per manufacturing job is expected to increase significantly, to almost \$37,000 in the year 2010. An even more striking trend is that the gap between manufacturing and non-

manufacturing income is expected to widen. In 1990, manufacturing income was 144% of non-manufacturing income. By the year 2010, it is projected to be 170%.

Seattle Share of Employment. Seattle's share of all jobs in the region was 39% in 1970 and 33% by 1990. Of particular note, in 1970, Seattle accounted for 30% of the manufacturing jobs in the region. By 1990 Seattle's share of the manufacturing sector had declined to 20%, and the Puget Sound Regional Council is forecasting it to decline further to 16% by 2020. These forecasts, it should be noted, are based on broad economic trends and do not take into consideration such local factors as the impacts of growth management (urban growth boundaries) and the lessening of available substitute locations due to critical area designation.

Characteristics of Industrial Land

Industrial land is very diverse in the types of industries it serves, the nature of the businesses located in industrial areas and the types of structures and uses that can be found associated with one another in industrial areas. In Seattle's Duwamish industrial area, for example, sand and gravel operations, highly mechanized container terminals, warehouse retail stores such as Costco, a major postal service center, and a variety of small and medium sized wholesale, warehouse, and business support operations are found within a few blocks of one another.

From a national perspective, the Seattle regional industrial market is regarded well because of its past growth and current strength. Strong absorption and low vacancy rates cause the Seattle market to rank 4th in the nation for all market segments in a 1993 Ernst & Young ranking. In the industrial real estate sector, the Seattle regional market ranks 5th nationally. Another national real estate ranking (the Landauer Momentum Index) ranked the Seattle region no. 1 in warehousing and distribution and no. 2 in the research and development sector for 1993. But these rankings refer to the central Puget Sound market as a whole. Seattle's industrial areas have benefited from the strong regional economy but they have also experienced the general post-war trend to suburbanization and the structural shifts to more office-like settings for industrial uses. While many industrial businesses choose a Seattle location for proximity to customers and suppliers and for the good access to freeway, rail, water and air transportation, lower land prices, greater land availability, newer buildings and amenities have caused many industrial users to seek the suburban industrial parks as their preferred location.

The typical case of a business that leaves Seattle is one that started small (less than 10,000 square feet) and grew to need twice that amount of space. Unable to find an appropriate larger parcel, the firm moves to the suburbs. On the other hand, a typical firm that decides to stay has been in its location for a long time, has roots in the area and is owned by a person or family whose residence is in Seattle.

According to members of the industrial community and industrial real estate brokers and appraisers, Seattle's industrial land market is fairly stable. It is characterized by low vacancy rates and the overall mix of businesses does not change very much from year to year, even though some businesses move out, others take their place. The Duwamish industrial area (about 80% of the City's industrial land) is occupied to a significant extent by owner/users and

thus has a large, stable base. The presence of the Port of Seattle and its cluster of transportation related businesses; the presence of Boeing and its cluster of machine shops, fabricators and parts suppliers; the fishing and boat building sectors in Ballard; and strong wholesale and business support sectors characterize Seattle's industrial land base.

The Seattle industrial land market is characterized by fairly small parcels (current vacant parcels are one-half acre on average) and a good number of functionally obsolete buildings. The parcels tend to be small due to the City's grid street system and to the history of many small ownerships within city blocks. The buildings are older and many are in need of upgrading. Since each industrial sector requires quite different space, many buildings cannot be readily converted to use by a new tenant. Further, according to industrial appraisers at the King County Department of Assessments, up to 100% of the City's industrial land may be contaminated to one degree or another. An industrial user seeking to locate in Seattle is likely to need to assemble several parcels, clean up the contaminated soil and make significant investments in building rehabilitation.

Characteristics of Seattle's Industrial Areas

North Seattle (Ballard and Interbay). This area is characterized by smaller lots and buildings supporting owner/users and start-up businesses; a cluster of marine-related businesses such as fishing and boat repair; immediate access to a range in quality of residential areas; and strong neighborhood traditions with an active industrial association. Disadvantages of the area include relatively high land prices and difficult access to the regional highway system.

South Seattle (Duwamish). The Duwamish is characterized by the proximity of Boeing and the Port of Seattle; by excellent access to highway, rail, air, and marine transportation; by good access to the Seattle CBD and south King County distribution centers; and by land prices affordable to a wide range of industrial businesses. However, land prices are higher than competing south county industrial parks; many of the buildings are functionally obsolescent; and much of the soil is contaminated.

Lake Union. The industrial and industrial/commercial areas of Lake Union are in transition to higher value uses. Advantages of this area include its central location with good access to the freeway system, the Eastside and the north end; ample parking; buildings suitable to light industry; proximity to the CBD, the University of Washington and First Hill medical centers; closeness to desirable close-in residential neighborhoods and amenities associated with the Lake, the waterfront and the Seattle Center. Factors discouraging industrial use in this area include rising land prices and traffic congestion.

Trends in Industrial Land Use In Seattle

In general, the news about recent trends in Seattle's industrial lands is good. Seattle's industrial land market appears to be healthy and to be experiencing active turnover in response to the marketplace. Out of approximately 6,700 acres of industrial land, 500 acres saw changes in use in the past 7 to 9 years. Since as much as one-third of the industrial acreage

may not be available to the marketplace, this represents an average turnover in use of about 2% per year.

According to the Urban Land Institute and local real estate sources, the vacancy rate for industrial space has recently been around 6% (measured as the percent of square feet available for lease divided by the total square feet of industrial space). Compared to the retail and office markets, the vacancy rates in the industrial sector are low. The health of the industrial land market can be attributed to the strength of the Puget Sound economy in recent years. Nevertheless, such underlying conditions as soil contamination, fragmented parcel ownership and aging buildings are indicators for the longer term that should not be ignored.

- Overall, between 1984 and 1993, the industrial areas saw a net decline in traditional industrial uses (manufacturing, wholesale and warehousing) and a net increase in higher value-added uses (communications, transportation, utilities and business support). Overall, this represents a small net loss of some 9 acres. These changes indicate a slow but steady shifting of uses that corresponds to the national and international restructuring of industry that has been underway for the past several decades. While 400 acres were zoned out of industrial use in 1987, the remaining industrially zoned land is about 80% in industrial uses.
- Retail sales and service, office and residential uses have all been viewed in the past as "incursion" on industrially zoned land. The 1993 survey found that residential uses have declined by 9 acres in industrial areas, and retail and office uses have increased moderately since 1984 (increases of 14 and 5 acres, respectively).

The largest net gains in use have been in business sales and services (an increase of 37 acres) and transportation (20 acres gained). The largest loss in a single use has been in manufacturing (56 acres lost). Vacant land has diminished by about 28 acres, while land with vacant buildings has increased by about the same amount.

One likely explanation for the loss in manufacturing is not anything specific to Seattle, but rather that the City is continuing to be affected by the national and global trends that have caused structural shifts in the manufacturing sector. Similarly, the increases in business support and transportation can be interpreted as responses to economic forces and to a competitive marketplace which increasingly requires high "value-added" elements of industry. There is evidence that Seattle's economy appears to be both influenced by and responsive to larger forces outside the immediate local environment.

There are a few trends that may have local causes. The strength of the transportation sector is related to the Port's activities which influence businesses to locate in Seattle. The increase in vacant industrial buildings may be attributable to the changing needs of industrial businesses (older buildings may not be suited for newer industrial enterprises), however, it may also be attributable in part to the regulatory complexity associated with the City's permitting processes. Discussions with representatives of the industrial community yielded a strong sense

of frustration and the belief that lack of responsiveness by government contributes to out-migration (or reduced in-migration) of businesses in Seattle.

Location Factors for Various Industrial Sectors

Interviews with industrial real estate sources in Seattle provide a picture of locational preferences for the business sectors that are forecast to grow over the next 20 years. One sector that is likely to migrate naturally to Seattle is the bio-medical group of businesses. In fact, this trend is already apparent in the South Lake Union and possibly in the Interbay areas. Real estate professionals believe that the location near the University of Washington and First Hill medical centers and the emerging agglomeration or clustering of such facilities are the location factors driving this market. This generally well-capitalized group of firms is also able to be accommodated in multistory buildings and more easily absorbs higher land costs.

The transportation sector also is likely to experience some natural attraction to Seattle due to the presence of the Port of Seattle's terminals and container transfer areas, due to centrally located rail, freeway and air access, and due to the presence of a cluster of trucking and shipping companies. This sector saw increases in the 1993 land use survey, and this trend is predicted to continue in the coming years.

The warehouse and distribution sector, on the other hand, is decreasing in Seattle, as evidenced by the land use survey. Seattle land prices and rents are too high for many of these businesses. This sector is highly price sensitive and requires large tracts of land for storage and truck loading and staging. These businesses have tended to locate or relocate to South King County more than to stay in Seattle's industrial areas.

The remaining growth sectors generally represent business types that could locate in Seattle if they wished, and it is likely that some will choose locations in Seattle but others will prefer the lower prices and greater land availability outside the City. The non-electrical machinery manufacturing sector, since it is already well represented in the City, is probably a good candidate for targeted retention and location efforts. The electrical/electronics manufacturing sector, high technology manufacturing and printing and publishing are sectors which could be induced to locate in Seattle, at least in part. Many of these businesses are flexible with respect to choice of location and smaller firms in each group, with smaller space requirements, are already located in the City. Targeting efforts at nurturing and retaining these businesses as they grow could be a successful strategy if well applied.

Availability of Industrial Land

The City and the industrial community wonder whether Seattle's industrial lands will provide sufficient space over the coming years to accommodate the projected growth in employment. While development capacity appears theoretically to be sufficient, there may be mismatches between demand and supply, and the adequacy of available land should not be taken for granted.

The City Draft Comprehensive Plan's target for growth in industrially compatible jobs is 14,660 jobs in the City's industrial areas. The Puget Sound Regional Council's forecast is 4,900 industrial jobs over the next 20 years city wide; however, in the industrial areas a net loss of 26 industrial jobs is forecast.

According to the King County Department of Assessments, there are currently 313 acres of vacant land in the industrially zoned areas in Seattle. The development potential of this land is 18 million to a maximum of 34 million square feet. The 14,660 jobs assumed as the City's planning target represent 78% and 20%, respectively, of this available capacity. Using this theoretical analysis of capacity, there appears to be an adequate supply of land to meet demand over the next 20 years. The assumptions, however, are subject to a broad range of uncertainties for both the demand projections (jobs) and the supply estimates (land).

The low PSRC forecast for industrial jobs and the higher City planning targets for industrially compatible jobs show the broad range of possible demand. The PSRC projections are based on a regional allocation model and may not be detailed enough for forecasting sub-area employment growth. Additionally, the PSRC may understate demand when specific sub-sectors of the industrial market are analyzed: some growing sub-sectors such as printing and publishing and bio-medical technology may have a greater than average likelihood to seek Seattle's industrial areas as their preferred location. Other independent forecasts of job growth also indicate that the PSRC forecast is too low.

The supply estimates also contain uncertainties in several significant respects. Two that may have the effect of reducing the availability of the land supply are: the costs and risks of remediating contamination on much of Seattle's industrial land; and the reduced availability of alternative locations in King County as urban growth boundaries are drawn and as many suburban industrial locations are determined to contain wetlands. Anecdotal evidence also suggests that there is not a sufficient supply of appropriately sized parcels.

Part 2 How Public Policy Affects Industry and Industrial Land

The Effectiveness of Seattle's Zoning Policies

Seattle's current land use and zoning policies for industrial land date to 1987, the most recent revision of the code. The changes adopted in 1987 had four primary goals: (1) to update the zoning classifications to acknowledge the increasingly heterogeneous nature of industry; (2) to provide buffers and transitions to reduce the impacts of industrial uses; (3) to protect industrial areas from incursion by non-industrial uses; and (4) to promote manufacturing business location, especially in high technology.

Compared to other cities, Seattle industrial zoning is progressive. It already uses many of the most current ideas in land use thinking. Nevertheless, the effectiveness of these policies has been mixed. The industrial zoning appears to be effective in separating industrial from non-

industrial uses and providing buffers and transitions between them. The code also appears to be successful in having created flexible new zoning categories (such as Industrial Commercial - IC) that recognize the increasingly diverse nature of industrial uses.

No conclusions can be drawn about whether the policies have contributed to protecting industrial areas from incursion. This is partly because the 6 years since the new code took effect have not been long enough to provide much direct evidence (especially since some projects in the permitting pipeline were grandfathered in under the old code). The booming real estate market of the late 1980s and the current very slow market also make it difficult to isolate the effects that the zoning policies may have had.

Land use policies do not appear to have by themselves succeeded in reversing the decline in manufacturing. Nor is there clear evidence that they have been effective in inducing or attracting technology businesses. While the City has retained or attracted a number of new software and bio-medical firms to South Lake Union, only one appears to have located in the IC zones designed for them. Available land in the adjacent commercially zoned area and market factors such as proximity to the University of Washington are likely to have been instrumental in the location decisions.

An assessment of zoning effectiveness should be based on modest assumptions of what zoning can realistically accomplish. The trends of recent years suggest that zoning and land use policies seldom are able to cause particular land uses to occur (for example, manufacturing), although zoning may contribute to preventing or restricting uses in a particular area. Zoning may be able to make land available, but it cannot provide the other essential ingredients for making locations economically advantageous. The availability of appropriately priced and sized parcels of land and a hospitable business climate are also essential. Zoning is most likely to be effective within a comprehensive economic development strategy, and measures of its effectiveness must take economic cycles into consideration.

Industrial Land Use and Zoning in Other Cities

A survey of 11 cities' industrial policies reveals only a few mechanisms that Seattle has not already tried. The primary one of these is the exclusive industrial district, in which non-industrial uses are prohibited. At the same time that cities have created these exclusive industrial districts, they have broadened their definitions of "industrial" - sectors such as data processing, fashion, broadcasting, design and photography have been allowed in these zones.

The survey also identified what may be an emerging phenomenon - new vertical development and adaptive reuse of older multistory industrial buildings, known as MIBs. As industry continues to change and the mixing of uses becomes more feasible, and as land costs escalate under the pressures of population growth and physical constraints, denser industrial development may return as an alternative to the low-rise suburban industrial park.

Industrial Development Programs in Other Cities

Eleven other cities were also surveyed to learn about their industrial development and retention programs. Six broad categories of efforts were identified: (1) recruitment and incentives to attract out-of-area businesses to locate in a city; (2) real estate development programs that may involve land assembly, acquisition, cleanup, and construction or rehabilitation of facilities; (3) business services targeted to a specific sector; (4) advocacy for business in negotiating the intricacies of government regulations and permitting; (5) partnerships between the public and private sectors; and (6) workforce initiatives, often focusing on a particular sector.

The survey learned that some older Midwest and East Coast cities in the U.S. have effectively used an industrial development model that involves responding to the crises of blight and heavy contamination by acquisition, cleanup and redevelopment of abandoned properties.

Another, less reactive, model is available in the example of newer West Coast and European cities' successes in economic development. Perhaps the key lessons learned from the work of some of these cities are:

- Focus on strengths and pick a few sectors in which comparative advantage has been identified;
- Reach out aggressively to businesses in those targeted sectors;
- Seek opportunities for collaboration and linkage among firms and jurisdictions; and
- Avoid competition with our neighbors within the Puget Sound region.

Implications for Seattle

A major finding of this study is that Seattle's industrial lands are healthy at present. However, the worldwide restructuring of industry is being felt here, as evidenced directly by the small but continuing decline in land uses devoted to manufacturing. The recent Boeing downsizing, too, is a signal to Seattle that the industrial crises that have already hit so many other parts of the country, may yet come home to our City. A number of underlying problems characterize Seattle's industrial land, including small parcels, aging buildings and contaminated soil. Given this economic and physical context, it is not a good policy to be complacent.

The industrial restructuring is by no means complete, and we do not know precisely where we are in the process nor how industry will look when the restructuring is over. Therefore, we should seek to balance the need for preservation of industrial land with a respect for the dynamism of private market activity. Neither land use policies alone nor piecemeal economic development efforts can preserve and help grow Seattle's industry. The analysis of other cities' strategies provides Seattle with many interesting models for how policy and public investment can be used successfully to affect the health of industry. But instead of picking and choosing from the menu at random, we should take care to select carefully those policies and actions that will work together as a comprehensive economic development strategy.

Finally, in our economic development policies we should seek to integrate a consciousness of the need to protect our industrial vitality into all aspects of government action. Various departments of City government must not work at cross-purposes. For example, our permitting processes (and other government-business interactions) should not be an unreasonable barrier to the industries that we want to have locating or expanding in the City. Whatever programs we decide to employ to retain or develop industrial business, we should capitalize on partnerships with the private sector, with the Port of Seattle and with other jurisdictions in our region. Finally, we should determine how best to focus such efforts and programs on the sectors for which we already represent an advantage and that are most likely to want to be in Seattle anyway.

THE GOLDEN RAINBOW FREEDOM FUND

720 Olive Way, Suite 1300
Seattle, WA 98101
Tel. 206-624-5622 Fax 206-625-9218

THE GOLDEN RAINBOW FREEDOM Fund

The GOLDEN RAINBOW FREEDOM Fund, the Fund, hereby applies for Regional Center status pursuant to 8 CFR 204.6(m)(3).

INVESTMENT OBJECTIVES

The Golden Rainbow Freedom Fund (Fund) will develop and operate export oriented cargo, transportation, and warehousing facilities located in rural areas of under 20,000 population or in areas where the unemployment rate exceeds 1.5 times the national average.

The Fund hopes to increase employment opportunities in economically depressed areas by creating facilities for manufacturing and export oriented businesses. Such facilities include air and ocean cargo facilities, foreign free trade zone manufacturing facilities, and transfer facilities. The Fund will actively manage the facilities assuring maximum benefits to export oriented users. The Fund will begin its activities in the States of Washington and Oregon.

The Fund intends to work with local and state economic development agencies as well as the private real estate brokerage industry to identify companies moving into the area who might be users. For example, both the States of Washington and Oregon maintain Economic Development Agencies that actively solicits and/or assists companies moving into the region. Both states maintain offices in Taipei and Tokyo, as well as other countries. The Fund will also utilize Colliers Macaulay Nicolls, an internationally known brokerage firm, to locate appropriate users. See Colliers Brochure, letter of support from King County Economic Development Council.

THE FIRST PROJECT

The First Project The Fund is now working on the development of an air cargo/manufacturing facilities in Jackson County, Oregon.

Jackson County, stricken by large scale unemployment due to a downturn in the timber industry, recently obtained approval for a foreign trade zone at the airport. The airport is a US Customs and

Immigration Port of Entry. See "Rogue Valley" from Oregon Business Magazine, US Department of Commerce Financial Assistance Award for development of Foreign Trade Zone, Master Plan Design Standards for Foreign Trade Zone, letter of support from Jackson County Airport, and Pacific Corridor Enterprise Council letter of support.

Ore-Cal Trade Corp., instrumental in obtaining foreign trade zone status for the Jackson County Airport, owns land with airport access and leases additional land from the County. The County and Ore-Cal wish to develop their property with the infrastructure, such as air cargo and related warehouse/transfer facilities, required to serve the new international airport.

(b)(4)

EMPLOYMENT CREATION

(b)(4)



Jackson County projects a job multiplier between direct and indirect jobs of approximately 15:1. See Rogue Valley Article. Additionally, Jackson County projects a 10:1 ratio of direct to induced jobs. Induced jobs refer to positions created by industries and businesses that don't serve the air cargo facility but benefit from the facility.

(b)(4)



The job creation statistics are equally impressive in Washington State. International Trade is big business in the Puget Sound Region. According to the Economic Development Council of King County, international trade accounts for some 55,000 direct jobs and \$27 Billion in revenue. The King County EDC projects a 14% increase in international trade related jobs by 1998. The Fund facilitates and even accelerates this growth in jobs by providing affordable, conveniently located, industrial/warehouse space.

The Port of Seattle uses a 5:1 job multiplier ratio. The King County Economic Development Council uses a 2.5:1 job multiplier. The King County Labor Council uses a 3:1 job multiplier ratio. See International Trade an excerpt from the King County Economic Development Council Economic Survey, "Port Workers Generate Jobs for a Strong Economy" published by the King County Labor Council and Regional Economic Survey published by the Central Puget Sound Economic Development District. In any event, the job multiplier ratio for export facilities in King County (Seattle area) is at least 3:1 if not higher.

REGIONAL BENEFITS PROVIDED BY THE FUND

Developers often avoid urban high unemployment areas and rural areas because of higher crime rates and/or restricted access to

financing.

(b)(4)

The Fund plays an important part in spurring employment creation in rural and depressed areas.

The Fund plays an important role in the Puget Sound Economy. The Puget Sound region suffers from a shortage of industrial and warehouse space. Attached, please find a recent market survey concerning one of the more popular industrial areas in the region, Kent Valley. Vacancy rates of 2.5% are well below those of any other major city in the country. The Central District and Rainier Valley and the Central District of Seattle, typical of the types of high unemployment areas targeted by the Fund, provides the only readily available source of industrial locations. The Central District of Seattle is located only minutes away from the Port of Seattle.

Because the Fund does not depend on conventional financing, and because the Fund assumes the risk of ownership in less desirable areas, we believe that manufacturers may be enticed to relocate to the Central District, Rainier Valley, and similar areas in other cities. Thus, the Fund plays a large and important part in revitalizing distressed areas as well as in spurring export oriented employment creation in general.

The Fund plays an even more important role in rural areas, such as Jackson County, Oregon. Rural areas generally don't have the financial or administrative resources to build and manage structures such as an air cargo facility. By obtaining foreign free trade zone status, Jackson County did their job. Now its up to the private sector to carry the ball. This is where the Fund plays an essential role.

EMPLOYMENT VERIFICATION

Several organizations monitor job multiplier statistics. In addition to the organizations mentioned above, The Trade Development Alliance of Greater Seattle, a partnership between the Port of Seattle, City of Seattle, county governments, unions and the Seattle Chamber of Commerce, The State of Washington, The State of Oregon, Jackson County Oregon Airport Authority, and private economic research companies such as Conway Pedersen Economics, Inc. all monitor export employment statistics.

ORGANIZATIONAL STRUCTURE

The Fund will operate as a Washington Limited Partnership, The

General Partners, American Retirement Inc., will manage the properties, identify properties for acquisition, negotiate leases and manage property development. The managing general partner is American Retirement, Inc.

(b)(4)

Each limited partnership unit costs [redacted]. Investors will receive an allocation of all partnership income less compensation allowed the General Partner until they receive repayment of their capital. Thereafter, profits shall be shared [redacted] between the Limited partners and the General Partners. Limited Partners will be required to commit their investment for five years. After the five year period, Partners may sell their partnership unit subject to the General Partners' first right of refusal.

The Fund will be sold in successive offerings, each open to ten investors. At the closing of each offering, an investor's Funds will be irrevocably committed for three years. Each investor must prove they are accredited as defined by the Securities Laws of the United States. The General Partners, in their sole discretion, may divide the Fund into multiple partnerships concentrating on raising capital from different markets, such as Japan, Taiwan and China.

THE GENERAL PARTNERS

Mr. Liebman is the Managing Partner of Coe, Nordwall & Liebman, LLP, based in Seattle, Washington. The firm maintains offices in Tokyo, Taipei, Los Angeles, and Vancouver BC. The firm maintains affiliated offices in Hong Kong and Helsingborg, Sweden.

Mr. Liebman manages several commercial/warehouse properties located in the Seattle, Washington area, on behalf of other general and limited partnerships. Mr. Liebman was also instrumental in organizing the ASPI Group, Moses Lake Washington, Regional Center project. The most important properties managed by Mr. Liebman are described below:

7th Ave and Everett Mall Way,
Everett, Washington - 40,000 square foot shopping center

7th Ave and Everett Mall Way,
Everett, Washington - 77,000 square foot warehouse property

3rd Ave and Pike St.,
Seattle Washington - 22,000 square foot office, warehouse, retail building located in downtown Seattle.

2410-20 1st Ave So.,
Seattle Washington - 54,000 square foot warehouse located near the Kingdome, in downtown Seattle.

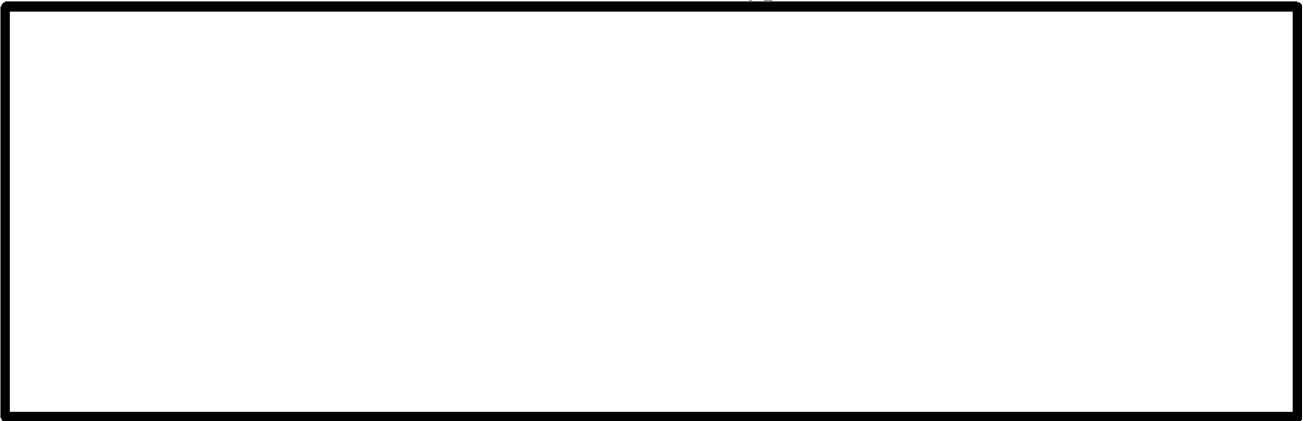
JAPAN MARKET

(b)(6)



TAIWAN MARKET

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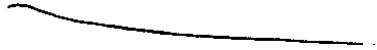


Thank you for your attention to this matter. Please contact the undersigned if you require further information.

Sincerely,

COE, NORDWALL & LIEBMAN, LLP

By


Henry Liebman

HGL:kp

Regional Center Amendment

GOLDEN RAINBOW FREEDOM FUND

Purpose: Specifically including Gateway Freedom Fund in the approval letter; and adding an additional investment project.

1. Original Golden Rainbow Freedom Fund (GRFF) submission letter, last page highlighted

City of Seattle Project

2. Seattle Neighborhood Investment Area application
3. Approval letter from the State of Washington.
4. Community Empowerment Zone (CEZ) Map and Letter from Chuck Lepew
5. UnEmployment statistics with accompany letter from Dwight Prevo, City of Seattle, and Tim Norris, State of Washington
6. City of Seattle Neighborhood Reinvestment Strategy - Describes each component of the CEZ; most of our investment will be in the Duwamish area.
7. Development Lending Bank Proposal
8. Duwamish Coalition/Example of the community organizations with whom we are working.
9. Industrial Land Base Study/Another study describing the problems in the Duwamish industrial area.
10. GRFF Loan Criteria Letter/Describing general loan terms for benefit of the City of Seattle.
11. Confirming letter from Mary Jean Ryan, City of Seattle Office of Economic Development confirming GRFF involvement with the Community Development Bank
12. Summary of Major Changes, Tax Deferrals for Projects in Distressed Areas/Summary of employment creation tax deferrals for CEZ investors.

Port of Seattle Project

13. David Dean Letter and notes describing Port of Seattle and Fund cooperation on the SeaTac and Harbor Island projects
14. List of Harbor Island businesses
15. Port of Seattle Employment Creation Report

16. Conway Employment Creation Report

General/Marketing

17. ASPI Seattle Post-Intelligencer article of
18. Medford Building Permit
19. Minutes of Regarding Investment in Medford-Jackson Free Trade Zone
20. Economic Development Council of King County support letter of August 23, 1996, from Deborah Knutson, Vice President,
21. Sample marketing materials

City of Seattle

Executive Department—Office of Economic Development

Mary Jean Ryan, Director
Norman B. Rice, Mayor



September 5, 1996

Michael Straus
Adjudications / Pilot Program
Immigration and Naturalization Service
425 I Street N.W.
Washington D.C. 20536

Dear Mr. Staus,

I am writing you in support of the Regional Center project proposed by the Golden Rainbow Freedom Fund and the Gateway Freedom Fund. I am the Director of the City of Seattle Office of Economic Development. My office is charged with overseeing the operation of the City's economic development finance programs, as well as economic revitalization of the Enterprise Community (EC), a federally designated distressed community encompassing many areas of Seattle's Central Area, Southeast Area, Duwamish and Deldridge Areas. There is also a State designated Empowerment Zone (EZ) which encompasses much of the same area as the EC (see maps).

The Duwamish area is home to thousands of small manufacturers. Each diversified manufacturing job in the region creates or sustains an average of more than 2 other jobs in the regional economy. Each dollar of output from the diversified manufacturing industry generates approximately \$0.70 in output from the rest of the economy. Seattle is an international port city which also houses many exporting companies in the Duwamish area.

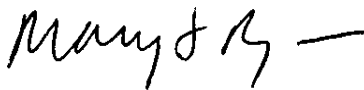
The City of Seattle welcomes the opportunity to work with the Golden Rainbow Freedom Fund and Gateway Funds as additional sources of capital for small business. The City has been using various federal funding resources to help finance small businesses that do not qualify for traditional bank financing or need a more flexible financing structure to make a project financially feasible for a number of years.

We are currently privatizing our business financing program and using our federal funds to capitalize a Development Lending Company (DLC) which will operate as an independent not-for-profit corporation with its own board of directors. There will be a contractual relationship between the City and the DLC that will specify expected outcomes and target market including: creating / sustaining a minimum of 200 small businesses annually; placing a minimum of 50 financing transactions annually with the DLC, banks or equity investors; create / retain a minimum of 500 jobs for low and moderate income people by the third year of operation.

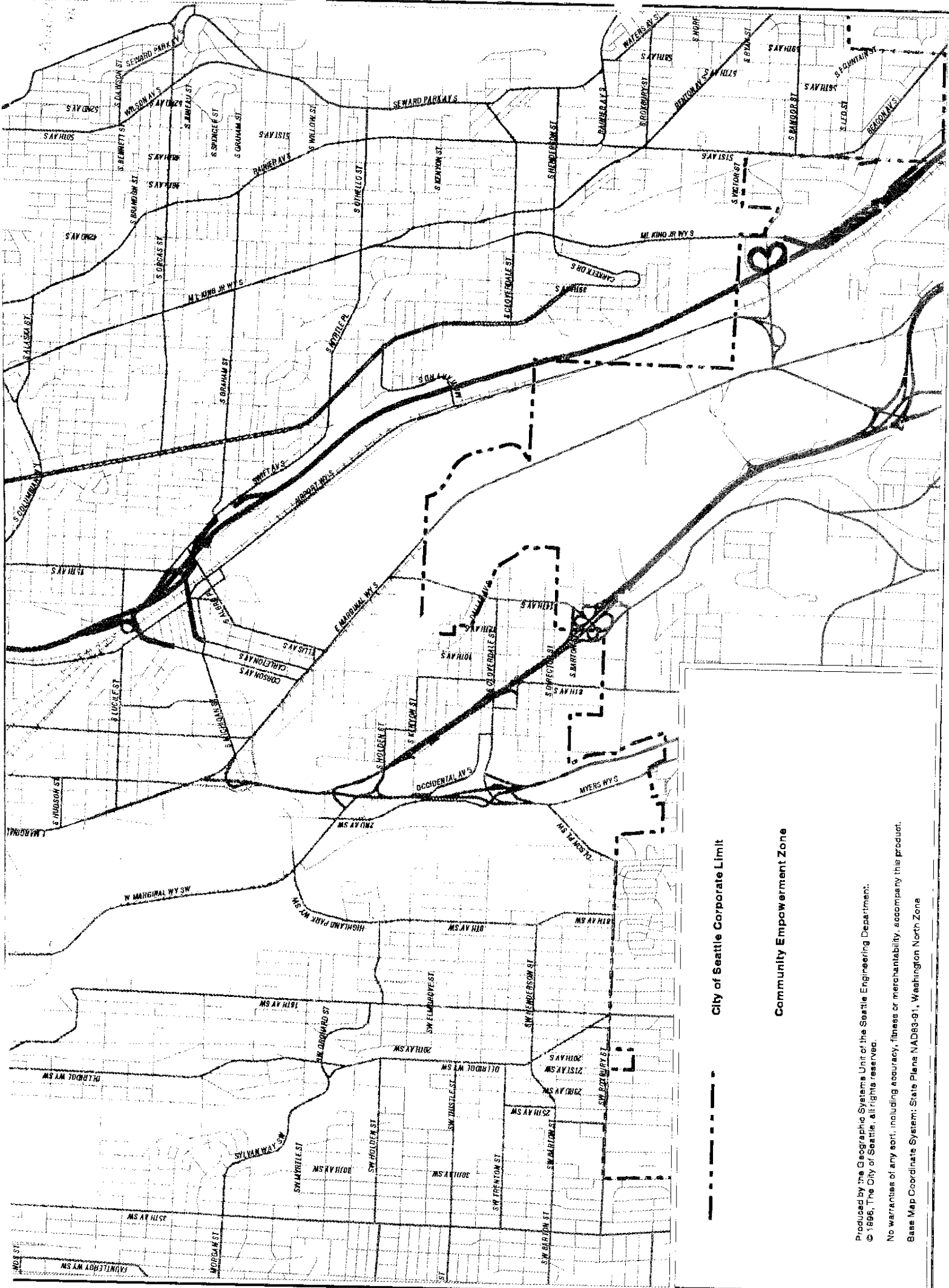
The Funds will have to negotiate specific lending criteria and reimbursement arrangements with the CEO of the DLC. However, we expect mutually agreeable arrangements can be solidified. The Funds present the opportunity for the DLC to have an additional lending tool with a good interest rate incentive and is targeted to already identified priority target markets.

The City historically has had a policy of supporting growth and expansion of export related businesses and therefore is interested in the opportunity for the DLC to work with these funds that are targeted to export companies in the EC/EZ areas. We are excited about the prospect of working with these two funds. We view the funds as a novel source of financing and investment capital that assist us with our goal of revitalizing the EC/EZ areas.

Sincerely,

A handwritten signature in cursive script that reads "Mary Jean Ryan" followed by a horizontal line.

Mary Jean Ryan



City of Seattle Corporate Limit

Community Empowerment Zone

Produced by the Geographic Systems Unit of the Seattle Engineering Department.
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 No warranties of any sort, including accuracy, fitness or merchantability, accompany this product.
 Base Map Coordinate System: State Plane NAD83-81, Washington North Zone

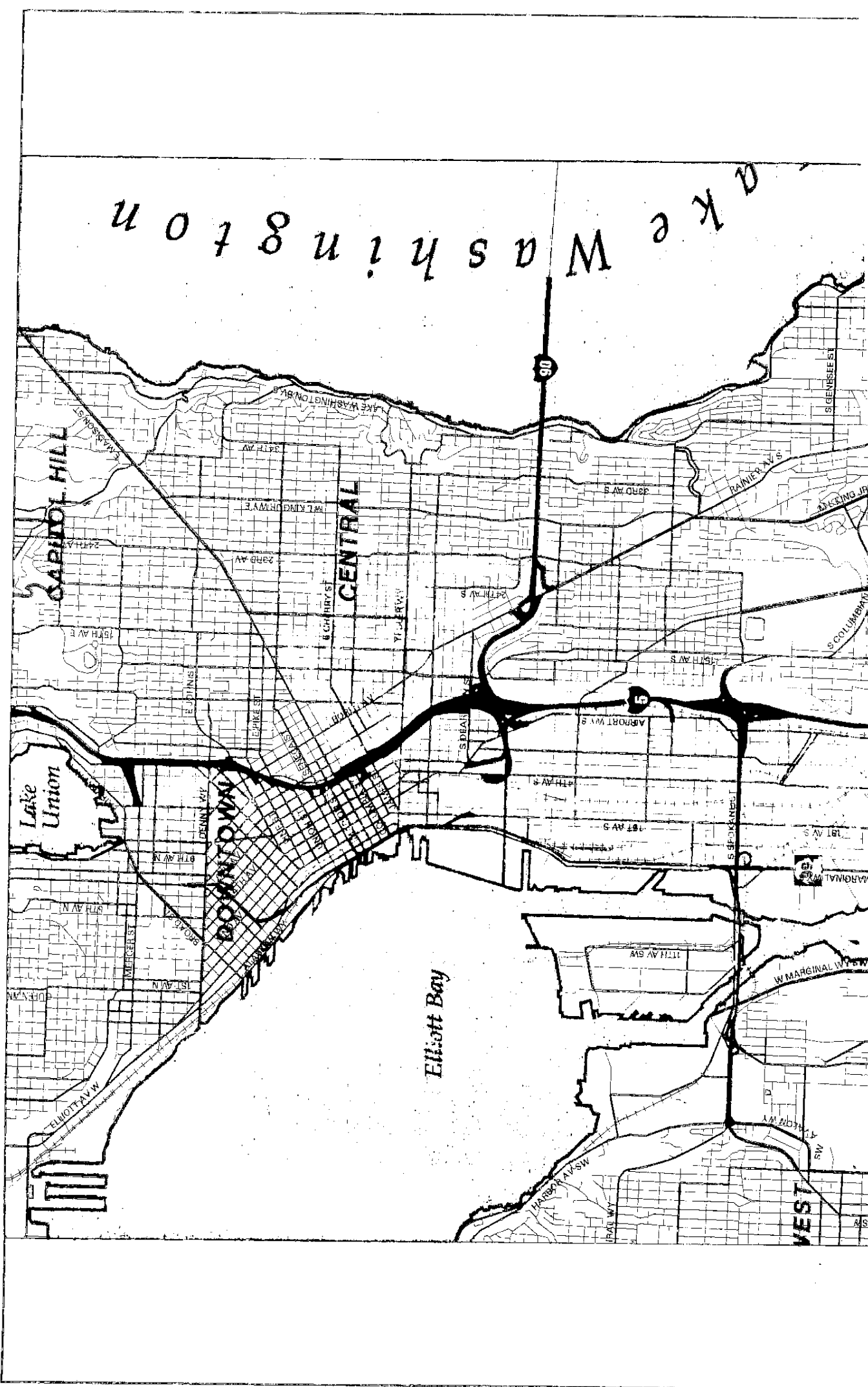
State of Washington Community Empowerment Zone

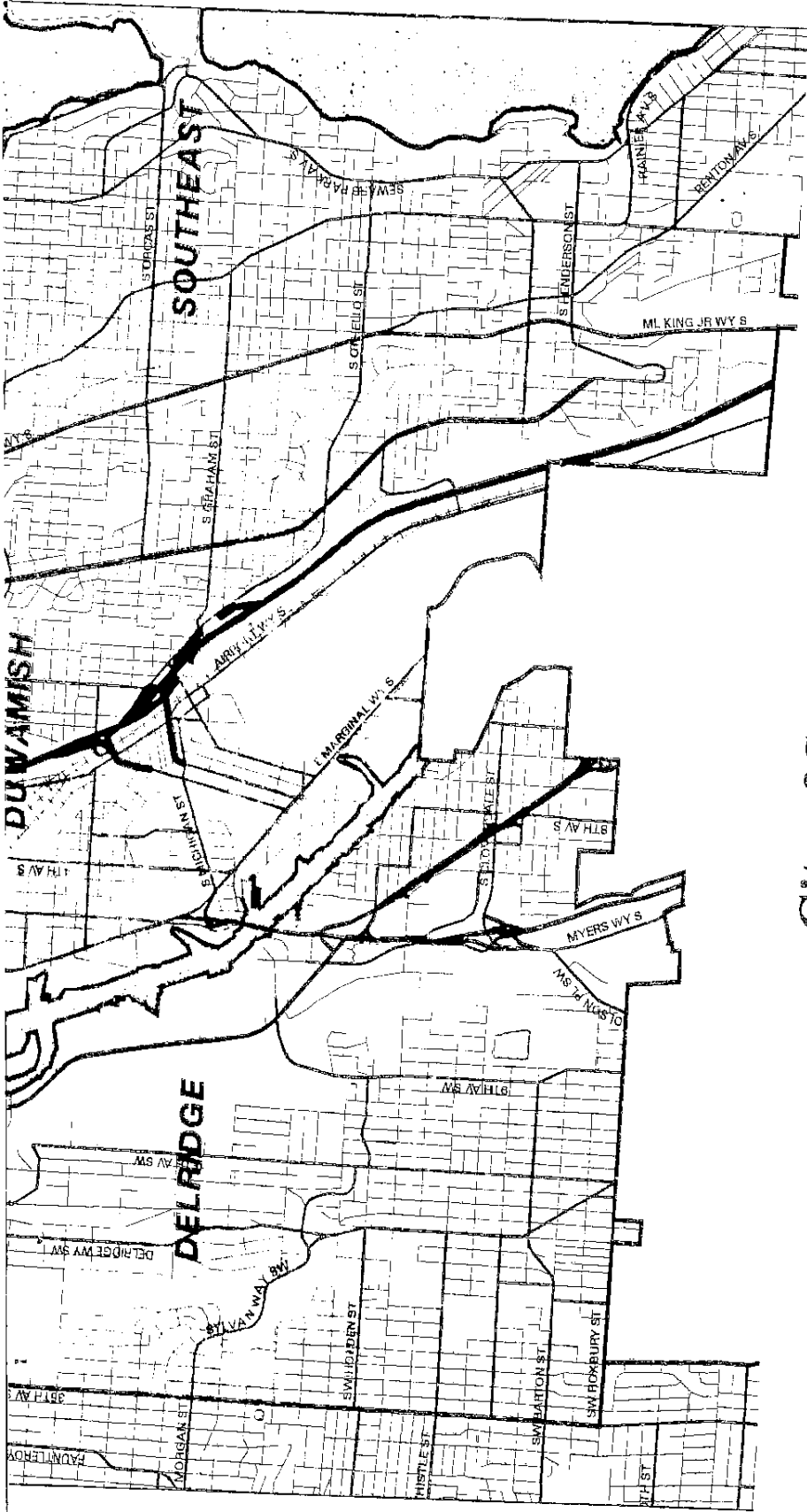


Scale in Feet
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City of Seattle FEDERAL ENTERPRISE COMMUNITY BOUNDARIES

Enterprise Community  Neighborhood Boundaries



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No warranties of any sort, including
accuracy, fitness or merchantability,
accompany this product.

Produced by the Seattle Engineering Department,
Geographic Systems on November 13, 1995



Data Sources: 1990 U.S. Census of Population and Housing Summary Tape File 3a and King County Assessor's Office
[/custom/mapprod/theme/dhhs/ec_maps.aml](http://custom/mapprod/theme/dhhs/ec_maps.aml)

THE LOCAL AND REGIONAL ECONOMIC IMPACTS OF THE PORT OF SEATTLE

**PREPARED FOR:
THE PORT OF SEATTLE
MAY 31, 1994**

**MARTIN O'CONNELL ASSOCIATES
2938 COLUMBIA AVE., SUITE 602
LANCASTER, PA 17603 (717) 295-2428**

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KEY FINDINGS

The Port of Seattle retained Martin O'Connell Associates to measure the economic impacts of the Port of Seattle in 1993, and to develop a set of economic impact models that can be used by the Port to evaluate the ongoing economic impacts of Port of Seattle investments in marine and aviation facilities on the local and regional economies. This study is an update of a similar study conducted by Martin O'Connell Associates for the Port of Seattle in 1989, which measured impacts generated by the Port in 1987.

The study is based on interviews with nearly 600 firms providing services to the Port of Seattle marine terminals and Sea-Tac International Airport. These 600 firms represent more than 95 percent of the firms in the Seattle seaport and airport community. Because the study is based on detailed, firm-specific interviews, the impacts can be traced back to the individual firms. No employment multipliers have been used and, as a result, the approach is conservative by design. In addition to the firm interviews, a survey of more than 3,500 passengers at Sea-Tac International Airport was conducted to evaluate the impact of the airport on the regional visitor's industry. The key findings of the study are:

THE PORT OF SEATTLE IMPACTS 275,000 JOBS

In 1993, the Port of Seattle impacted in some way more than 275,000 jobs in the regional economy.

90,000 JOBS ARE DIRECTLY SUPPORTED BY THE PORT OF SEATTLE

Of the 275,000 jobs, nearly 90,000 jobs were directly supported by marine and airport activity at the Port of Seattle's marine terminals and Sea-Tac International Airport. Of these nearly 90,000 direct jobs, more than 64,000 direct jobs were supported in the local visitors industry as the result of visitors to the area arriving via Sea-Tac. Excluding the 64,000 direct visitor industry jobs, nearly 26,000 jobs are generated directly by marine and aviation activity at the Port of Seattle's marine terminals and at Sea-Tac. Because of local purchases by these nearly 90,000 directly generated jobs and the firms in which these individuals are employed, 27,000 induced and indirect jobs are supported in the local economy. The remaining 158,000 jobs are with local and regional companies using the marine facilities for export and import activity and with local air cargo shippers using Sea-Tac.

THE PORT OF SEATTLE GENERATES JOBS THAT EARN 20 PERCENT MORE THAN THE AVERAGE EARNINGS RECEIVED BY KING COUNTY RESIDENTS

Excluding the 64,000 direct jobs in the regional visitor's industry that are supported by the spending of the 3.9 million air visitors to the Puget Sound region, the remaining 26,000 direct jobs generated by marine and aviation activity at the Port of Seattle's marine terminals and at Sea-Tac received an average annual salary of \$37,800. This is more than 20 percent greater than the \$31,000 average earnings per employee for King County residents.

THE PORT OF SEATTLE IS A KEY ECONOMIC GENERATOR IN THE PUGET SOUND REGION

The nearly 26,000 direct jobs generated by the Port of Seattle's marine terminals and Sea-Tac can be compared to other major employers in the region, such as the 100,000 employees of Boeing, the 15,000 employees of the University of Washington and the 7,500 employees of Microsoft.

THE PORT OF SEATTLE GENERATES \$7.5 BILLION FOR LOCAL BUSINESSES

Local businesses received \$7.5 billion of sales revenue as the result of activity at the Port of Seattle's marine terminals and Sea-Tac International Airport.

THE PORT CREATES MORE THAN \$475 MILLION OF STATE AND LOCAL TAXES

State and local governments received more than \$475 million in tax revenue from Port of Seattle marine terminal activity and passenger and air cargo activity at Sea-Tac International Airport.

INCREASED INTERMODALISM AND HIGHER LABOR PRODUCTIVITY BOTH RESULTED IN FEWER MARINE JOBS THAN IN 1987

Key structural changes have occurred at the seaport between 1993 and 1987, when the last impact study was conducted. The proportion of containerized cargo exported and imported through the Port of Seattle's marine container terminals that moves intermodally via rail has increased, the percent of less-than-container load (LCL) cargo has decreased and the productivity of handling containerized cargo and chill cargo has increased over the six year period. As a result, the jobs directly generated by marine cargo activity at the Port of Seattle have declined by about 200 jobs. However, the average earnings per job has increased,

from \$29,000 in 1987 to \$40,000 in 1993. As a result of the increase in the value of a direct job generated by Port of Seattle marine terminals, each direct job generated in 1993 supports a greater number of local induced jobs than was the case in 1987.

AIRPORT EMPLOYMENT HAS BEEN FLAT SINCE 1987, AND AVERAGE EARNINGS PER EMPLOYEE HAS DECLINED

Despite a 4.4 million increase in passenger traffic and a 30 percent increase in air cargo at Sea-Tac since 1987, direct employment at the airport has remained nearly flat. However, the composition of the direct jobs generated at Sea-Tac has changed. Employment with airlines has declined, while employment with airport retail concessions has increased. Airline jobs are typically higher paying than jobs with retail concessions, and as a result, the earnings per direct job generated by airport activity has declined from \$37,245 to \$33,885 between 1987 and 1993. However, the \$33,885 average earnings per direct job is still greater than the \$31,000 average earnings received by King County residents.

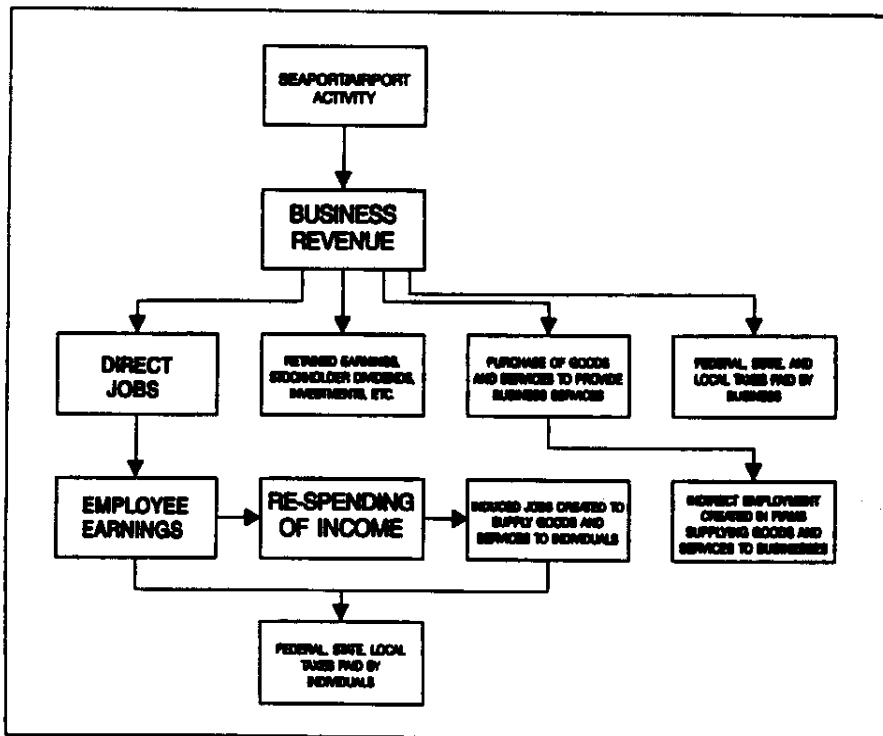
SEA-TAC HAS INCREASED ITS IMPORTANCE TO THE LOCAL VISITOR INDUSTRY

The growth in passenger traffic at Sea-Tac has resulted in an increase of 17,000-direct jobs with the Seattle area's visitor's industry since 1987.

EXECUTIVE SUMMARY

Martin O'Connell Associates was retained by the Port of Seattle to estimate the economic impacts generated by seaport activity (marine cargo activity, waterborne passenger activity and fishing activity at Fishermen's Terminal) and airport activity at Sea-Tac International Airport. In addition to the seaport activity at the Port of Seattle's marine terminals, a separate estimate is made of the impacts generated by marine cargo and waterborne passenger activity at privately-owned terminals in the Seattle seaport, primarily along the Duwamish Ship Channel. The impacts are measured for the year 1993 and models have been developed to provide for annual updates as well as to test the sensitivity of the impacts to changes in such factors as marine cargo tonnage levels, seaport and airport labor productivity and work rules, new marine and airport facilities development, level of air passengers and the number of flights, inland distribution patterns of marine cargo, and the size of the fishing fleet at Fishermen's Terminal (including its composition and the corresponding local expenditures). It is to be emphasized that the measurement of the impacts of the fishing fleet at Fishermen's Terminal does not include the impacts generated by the Washington state fishing fleet using other terminals and moorings throughout the Seattle and Puget Sound areas.

Exhibit-E-1
Flows OF Economic Impacts Through The Economy



E-1

Exhibit E-1 graphically demonstrates how marine and aviation activity impact the local and regional economies. As this exhibit indicates, the marine and aviation activities initially generate business revenue to the firms supplying marine and aviation services. This revenue is used to purchase employment (direct jobs) to provide the services, to pay stockholders and for retained earnings, to purchase goods and services from local firms as well as national and international firms (creating indirect jobs with these firms). Businesses also pay taxes from the business revenue.

The employees hired by the firms receive wages and salaries (personal income), a portion of which is saved, while another portion is used to buy goods and services such as food, housing, clothing, health care, etc. These purchases create a re-spending impact throughout the economy, known as the personal income multiplier. As a result of these local purchases, additional jobs (known as induced jobs) are created in the local economy. Finally, taxes are paid by individuals employed with the firms providing the services to the seaport and airport.

As demonstrated by this chart, four types of impacts are measured:

- . Jobs
- . Employee Earnings
- . Business Revenue
- . State and local taxes

With respect to jobs, four types of job impacts are measured. These are direct, induced, indirect and related jobs. The job impacts are defined as follows:

- . Direct jobs are those jobs with local firms providing support services to the seaport and air activity. These jobs are dependent upon this activity and would suffer immediate dislocation if Seattle seaport or air activity were to cease. Seaport direct jobs include jobs with railroads and trucking companies moving cargo to and from the Seattle marine terminals, members of the International Longshoremen's and Warehousemen's Union, steamship agents, freight forwarders, bankers, lawyers, etc. For the airport, direct jobs include jobs with the airlines, retail concessions located in the Sea-Tac terminals, rental car company employees, taxi cab drivers moving passengers to and from Sea-Tac, etc. Direct jobs created by the fishing fleet based at the Port's Fishermen's Terminal include crew, shipyard employees, lawyers and insurance brokers, chandlers, fishing gear suppliers, etc.

- Induced jobs are jobs created locally and throughout the state of Washington due to purchases of goods and services by those directly employed. These jobs are with grocery stores, the local construction industry, retail stores, health care providers, local transportation services, etc., and would also be discontinued if Seattle seaport or air activity at Sea-Tac were to cease.
- Indirect jobs are those jobs generated in the local economy as the result of local purchases by the firms directly dependant upon seaport and airport activity. These jobs include jobs in local office supply firms, equipment and parts suppliers, maintenance and repair services, etc.
- Related jobs are with regional manufacturing and distribution firms -- such as Weyerhaeuser, Boeing, Microsoft, and Hasbro -- using the Seattle seaport's marine cargo terminals and Sea-Tac. Related jobs are not dependent upon the seaport marine terminals or Sea-Tac to the same extent as are the direct, induced and indirect jobs. For example, these firms tend to select the ocean carrier rather than the seaport for export and import of marine cargo. Often, multiple ports are used by the same firm for export and import, including Portland, Tacoma, and California ports. Similarly, firms shipping air cargo often use a freight forwarder to arrange for the air cargo shipments, or deal directly with an air carrier or courier. Multiple airports can be used by a shipper, including Portland, Vancouver (British Columbia), as well as a general aviation or dedicated freight airport, depending upon levels of service and routes served. These related jobs underscore the importance of seaport and airport facilities in attracting manufacturing and distribution activities to the Puget Sound Region.

The employee earnings consist of wages and salaries and include a re-spending effect (local purchases of goods and services by those directly employed), while business revenue consists of total business receipts by firms providing services in support of the marine activity at the Seattle seaport and airport activity at Sea-Tac. State and local taxes include taxes paid by individuals, as well as firms dependent upon the Seattle seaport and airport. Federal aviation-specific taxes are also measured as part of this study.

The direct and induced jobs, earnings, business revenue and tax impacts in the region generated by the 3.9 million visitors arriving into the region via Sea-Tac are also estimated. These impacts occur in the region's hotels, restaurants, retail stores,

as well as in the recreational and sightseeing industries. The majority of these visitor industry jobs would not exist without the passenger activity at Sea-Tac. The existence of Sea-Tac provides easy access for visitors from all parts of the U.S., as well as internationally, to the tourist and recreational activities of the Pacific Northwest.

The study is based on interviews with nearly 600 firms providing services to the Seattle seaport and Sea-Tac International Airport. These 600 firms represent more than 95 percent of the firms in the Seattle seaport and airport community, underscoring the defensibility of the study. Furthermore, the impacts can be traced back to the individual firm. The data collected from the interviews were then used to develop operational models of the Seattle seaport and Sea-Tac International Airport. In addition to the data collected from the interviews, a passenger survey of more than 3,500 passengers using Sea-Tac was conducted to estimate the impacts of visitors arriving via Sea-Tac.

No input-output models were used in this study to estimate employment multiplier impacts, but instead, re-spending models were developed using actual consumption patterns of Seattle residents. The use of input-output models assumes that the geographical spending patterns of firms throughout the product supply chain (from the retail level to the raw material level) can be determined with certainty, and impacts are estimated at each level of purchases. As a result, the level of defensibility of the input-output approach is reduced, as the size of the region for which impacts are to be estimated becomes smaller. The input-output approach is more defensible for use in measuring national impacts for large, well defined, industries such as the automobile industry or steel industry. Instead of using the input-output method to estimate the impacts at the various levels of purchases by individuals, the approach used in this study only estimates the impacts at the first level (retail) and second level (wholesale) of purchases. For purchases by firms, this study only estimates the indirect impacts associated with the first round of purchases, and these local purchases are based on interview results, not input-output models. As a result, in order to ensure defensibility, the impacts estimated in this report are conservative by design.

In addition to the quantifiable impacts measured in this study, it is to be emphasized that the Seattle seaport and Sea-Tac are vital to the successful operations of many local and regional businesses. For example, the Port of Seattle's marine and airport facilities provide the infrastructure and services to enhance the effective flow of commodities and passengers, contributing to the low cost and efficient economic process of regional businesses. Because the Seattle seaport is a highly developed intermodal center, serving customers throughout the

United States, the Seattle area is served by larger number of ocean carriers, serving a greater number of trade routes, than would be supported by only the local economic activity. Therefore, local businesses benefit from this intermodal development, as these local businesses enjoy a higher degree of vessel service, including frequency of service and trade areas served. Furthermore, because of the strong backhaul domestic freight market (to reposition marine containers) into the Seattle area, local businesses enjoy lower truck rates than would occur in the absence of the highly developed intermodal seaport infrastructure. Finally, because of the relatively large share of intermodal cargo originating or destined in the Midwest and East Coast, the seaport generates a greater impact to the local economy than would be the case if the seaport served only local markets.

Similarly, more than one-third of the passengers at Sea-Tac are connecting to another flight. As a result of this relatively high percentage of connecting flights at Sea-Tac, local businesses enjoy a greater number of flights to a specific market, and a greater number of non-stops than would be justified by the local market. Frequency of service and a large number of destinations served by non-stops are key factors considered in the location of new industry, particularly high-tech industry and corporate headquarters.

The ease of transporting people and cargo directly to a variety of domestic and international destinations is a key consideration for businesses which choose to stay or locate in the Puget Sound Region. The jobs that these businesses sustain, while not completely quantified in this study, are, nonetheless, important to the economic health of the region.

1. COMBINED IMPACTS

The economic impacts of the Port of Seattle-owned marine cargo and passenger terminals (including Shilshole Bay Marina), Fishermen's Terminal and Sea-Tac were estimated separately so that the Port of Seattle can monitor the economic performance of its transportation infrastructure investments over time, and, further, evaluate the incremental impacts of various types of transportation facilities investments in the future. It is to be emphasized that the fishing industry impacts are only for the Port of Seattle's Fishermen's Terminal, and do not include impacts generated by the fishing fleet at other public and private terminals in the Seattle and Puget Sound areas.

The Port of Seattle generated impacts are summarized in Table E-1.

Specifically, the Port of Seattle's marine and airport facilities generated the following impacts:

- . 89,852 direct jobs are generated by Port of Seattle-owned transportation facilities. As the result of local and regional purchases by those 89,852 individuals holding the direct jobs, an additional 25,218 induced jobs are supported in the state of Washington.
- . 2,289 indirect jobs were supported by local purchases by businesses supplying services at the Port-owned facilities.
- . \$1.7 billion of direct wages and salaries were received by those 89,852 directly employed by the Port of Seattle's transportation infrastructure. As the result of re-spending this income, an additional \$1.9 billion of income and consumption expenditures were created.
- . Businesses providing services at the Port-owned marine cargo terminals, Fishermen's Terminal and Sea-Tac International Airport received \$7.5 billion of revenue, excluding the value of cargo shipped through the airport and marine facilities, and the landed value of the fish caught by the fleet using Fishermen's Terminal.
- . \$477 million of state and local taxes were generated by activity at the Port of Seattle marine terminals and Sea-Tac International Airport. In addition, \$199 million of Federal aviation-specific taxes were generated by activity at the Sea-Tac International Airport. The Port of Seattle marine activity and the airport activity at Sea-Tac created \$496.5 million of U.S. Customs revenue.

To demonstrate the magnitude of the direct jobs generated by the Port of Seattle's marine terminals, Fishermen's Terminal, marine passenger activity and Sea-Tac International Airport, it is useful to compare the 25,522 direct jobs with the number of employees of some of the major employers in Puget Sound. For example, Boeing employs about 100,000 individuals, while Microsoft employs about 7,500 employees. The University of Washington's employment is about 15,000. It is recognized that these employment numbers represent actual employees of Boeing, Microsoft, and the University of Washington, and not direct job impacts. However, these comparisons suggest that the Port of Seattle is a major economic engine in the Puget Sound Region.

Table E-1
 Summary Of The Economic Impacts Generated By
 The Port Of Seattle-Owned Seaport and Airport Facilities

	PORT OF SEATTLE MARINE TERMINALS			SEA-TAC		TOTAL
	MARINE CARGO	FISHERMEN'S TERMINAL	PASSENGER/ HARBOR TOURS	AIRPORT GENERATED	VISITOR INDUSTRY	PORT OF SEATTLE
JOB IMPACTS						
DIRECT	6,867	4,007	267	14,381	64,330	89,852
INDUCED	3,353	2,293	90	6,119	13,363	25,218
INDIRECT	792	NA	NA	1,497	NA	2,289
RELATED	<u>51,704</u>	<u>472</u>	<u>NA</u>	<u>106,000</u>	<u>NA</u>	<u>158,176</u>
TOTAL JOBS	<u>62,716</u>	<u>6,772</u>	<u>357</u>	<u>127,997</u>	<u>77,693</u>	<u>275,535</u>
PERSONAL INCOME (MILLIONS)						
DIRECT	\$276	\$195	\$7	\$487	\$765	\$1,730
RE-SPENDING	<u>\$302</u>	<u>\$208</u>	<u>\$6</u>	<u>\$519</u>	<u>\$815</u>	<u>\$1,849</u>
TOTAL	<u>\$578</u>	<u>\$403</u>	<u>\$13</u>	<u>\$1,006</u>	<u>\$1,580</u>	<u>\$3,580</u>
EARNINGS/DIRECT JOB	\$40,225	\$48,690	\$24,955	\$33,885	\$11,892	\$19,257
BUSINESS REVENUE (MILLIONS)	\$981	\$145	\$22	\$2,938	\$3,417	\$7,503
STATE/LOCAL TAXES (MILLIONS)	\$42	\$26	\$2	\$85	\$322	\$477
FEDERAL AVIATION TAXES (MILLIONS)				\$199		\$199
U.S. CUSTOMS (MILLIONS)	\$451			\$45		

2. SEATTLE SEAPORT IMPACTS

In 1993, marine cargo activity at the Port of Seattle's marine terminals, the fishing fleet based at Fishermen's Terminal and waterborne passenger activity at the Port of Seattle's terminals created 11,141 direct jobs, or 44 percent of the direct jobs generated by total Port of Seattle seaport and airport activity (excluding the impacts generated by air passengers in the local visitor industry). The marine cargo activity generated the majority (62 percent) of the direct jobs, followed by jobs generated at Fishermen's Terminal. The importance of the value of the jobs generated by seaport activity is underscored by the fact that the average earnings received by those directly employed by marine cargo is \$40,225, and the Fishermen's Terminal activity generates an annual earnings per direct full-time employee of \$48,690. Total Port of Seattle seaport activity generates jobs receiving nearly \$43,000 in annual earnings, which is nearly 40 percent higher than the \$31,000 average earnings per employee in King County. As a result, these direct Port of Seattle seaport employees will have a greater economic development impact on the local economy than an "average King County job", since each seaport direct employee will, on average, spend more in the local economy, supporting additional induced jobs, business revenue and state and local taxes.

The following key findings highlight the impacts generated by seaport activity.

- . A total of 11,141 direct jobs were generated by seaport activity for residents of the state of Washington, the majority of which are held by King County residents.
- . Containerized cargo generates the greatest total number of jobs dependent upon the marine cargo portion of the seaport activity, but on a per 1,000 metric ton basis, automobiles create the greatest impact. When land utilization is considered, breakbulk and containerized cargo generate greater direct jobs per acre than bulk cargoes, and automobiles generate the fewest direct jobs per acre.
- . Containerized cargo creates about three-quarters of the revenue impact, but automobiles create the greatest revenue per ton.
- . Bulk cargoes, such as cement, gypsum, grain, and petroleum generate relatively small job and revenue impacts per ton, since such commodities are characterized by lower labor intensive handling requirements than are general cargo commodities.
- . Seaport activity creates relatively higher than average

paying jobs for King County residents, in turn, stimulating greater local economic growth.

Local users of the Seattle seaport tend to view Tacoma and Seattle as a Puget Sound Shipping Center, using both ports simultaneously for cargo shipments and receipts. Therefore, jobs with local and regional distribution and manufacturing firms using the marine cargo terminals in the Seattle seaport should be classified as related to and not dependent upon the Seattle seaport. However, even though these firms use other Puget Sound and West Coast ports, they are located in the Seattle area and, thus, the employment impact is concentrated in the region.

The Fishermen's Terminal generates nearly 7,000 direct and induced jobs, the majority of which are held by fishing fleet crew residing in Seattle, employees of local shipyards, employees of fishing gear and equipment and electronic supply firms, and insurance brokers and law firms.

In addition to serving the transportation needs of the local region, the availability of facilities and competitive services enable the Port to attract and accommodate the cargo destined for the mid-west and eastern regions. In doing so, more jobs and benefits are created for the region.

3. SEA-TAC AIRPORT IMPACTS

In 1993, 18.8 million passengers and 382 thousand tons of air cargo moved through Sea-Tac International Airport. This activity generated 14,381 direct jobs on the airport site and an additional 64,330 direct jobs in the area's hotels, restaurants, retail, entertainment and transportation service industries. The key impacts generated by passenger and air cargo activity at Sea-Tac International Airport are summarized as follows:

- . A total of 14,381 Washington residents held jobs that were directly generated by passenger and air cargo activity at Sea-Tac, the majority of which are held by residents of King County.
- . About 83 percent of the job impacts are concentrated in the Airline/Airport Service Sector, and within that sector, the majority of the jobs are with the airlines.
- . Air cargo activity generated 1,635 direct jobs, while passenger activity supported 12,746 direct jobs.
- . Of the 12,746 passenger dependent jobs, international

passenger activity supported 1,027 direct jobs.

- . The activity at Sea-Tac created \$2.9 billion of revenue to firms providing services at the airport, while individuals received \$487.3 million of direct earnings. With the re-spending affect, the total personal earnings impact is estimated at about \$1.0 billion for Washington residents.
- . Airport activity generated \$85 million of state and local tax receipts and contributed \$199 million in Federal airport-specific tax revenues.

Of the 18.8 million total passengers using Sea-Tac, (both arriving and departing passengers), 3.9 million visitors arrived in the Seattle area via the airport. These visitors create additional impacts for Seattle area residents. The 3.9 million visitors spent \$3.4 billion in the area's hotels, restaurants, retail stores, entertainment establishments, and the local transportation service industry, which supported more than 64,000 direct jobs in the Seattle area.

4. COMPARISON WITH 1987 RESULTS

Martin O'Connell Associates used the same methodology to estimate the 1993 economic impacts and the 1987 economic impacts of the Seattle seaport and Sea-Tac International Airport. The key findings as to changes in seaport and airport impacts and operations are summarized below. In 1987, Martin O'Connell Associates did not estimate the economic impacts of Fishermen's Terminal, and of waterborne passenger activity, and as result, direct comparisons cannot be made for these two seaport activities.

4.1 Comparison Of 1993 And 1987 Seattle Seaport Impacts

Between 1987 and 1993, several structural and operational changes have occurred at the Seattle seaport. First, tonnage has increased by 1.2 million tons at the Port of Seattle marine terminals. This tonnage growth is driven by the increase in containers, grain and breakbulk cargo handled at the Port of Seattle's marine terminals between 1987 and 1993.

While the tonnage growth will have an impact on employment levels, other operational changes at the Seattle seaport will have a more pronounced impact on employment levels. First, the intermodal specialization of the seaport has increased over the six year period, as the share of exports moving by rail has grown from 20 percent in 1987 to 42.5 percent in 1993. Similarly, the intermodal share of imported containerized cargo has increased from 61 percent in 1987 to 73 percent in 1993. This increased growth in intermodalism has resulted in a decline in the number

of direct jobs generated in the trucking industry. This decline in trucking jobs has been met by an increase in direct employment with railroads at Seattle's intermodal rail yards, as well as with the rail crew and support jobs required to handle the increased flow of containers by rail.

Accompanying the growth in intermodal cargo at the Seattle seaport is the reduction in the share of exported containerized cargo that moves to the port in less than container loads (LCL cargo). Similarly, the percent of LCL import cargo moving from the port has also declined from 1987 levels. As the result of the reduction in LCL cargo, the level of employment with area warehouses and container freight stations (CFS) has declined.

Finally, productivity in the vessel loading and discharge of containers has increased by 12 percent, and the loading and discharge productivity of chilled fruit has increased by nearly 20 percent. As a result, jobs losses have occurred with the members of the International Longshoremen's and Warehousemen's Union (ILWU).

4.2 Comparison Of 1993 And 1987 Impacts Generated By Sea-Tac International Airport

Between 1987 and 1993, passenger activity at Sea-Tac increased by 31 percent from 14.4 million to 18.8 million passengers in 1993. Air cargo also increased by 31 percent from 292.7 thousand metric tons to 381.5 thousand metric tons. Also, the proportion of passengers that are visitors to the area increased, as did the average length of stay and expenditures per trip of visitors to the area. The share of business versus domestic travelers remained about the same over the six year period. The number of international passengers increased from 1.3 to 1.4 million passengers over the six year period.

Overall, the number of the direct jobs generated on-site at Sea-Tac increased by 81 jobs. However, the number of jobs with airlines declined over the period -- reflecting specific employment and operational policies of several air carriers -- and jobs increased with retail concessions at the airport. As a result of the change in the mix of direct employment, the average annual earnings per direct employee at Sea-Tac fell between 1987 and 1993, reflecting the substitution of higher paying airlines jobs with lower paying retail concession jobs.

The growth in air passengers, the increased proportion of non-area resident passengers and the increased expenditures per trip per air visitor resulted in a 17,000 direct job increase in the area's visitor industry.

The remainder of the report is organized as follows. Chapter I presents an overview of the analysis, summarizes the methodology, and provides a summary of the impacts. Chapter II describes the economic impacts generated by the Seattle seaport, while the airport impacts are detailed in Chapter III. Chapter IV is a detailed comparison of the economic impacts generated by marine cargo activity and airport activity between 1987 and 1993.

I. OVERVIEW OF THE ANALYSIS

The Port of Seattle retained the services of Martin O'Connell Associates to evaluate the economic impacts generated by waterborne activity in the Seattle seaport and airport activity at the Seattle-Tacoma (Sea-Tac) International Airport.

The measurement of the economic impacts of the Seattle seaport consists of the measurement of the impacts of three distinct types of waterborne activity that occurs in the Seattle seaport. These three types of waterborne activities are:

- . *Marine cargo activity, which includes waterborne cargo moving via the Port of Seattle facilities (i.e., facilities owned and operated by the Port of Seattle, and facilities leased to private operators), as well as private waterside facilities, such as cement terminals.*
- . *Fishing activity at the Port of Seattle's Fishermen's Terminal, which includes the measurement of impacts generated by purchases of supplies, shipyard services, equipment and fishing gear, insurance and legal services by fishing vessels using the Port of Seattle's Fishermen's Terminal. The impact of fishing vessels using other terminals and moorings in the Seattle and Puget Sound areas are not measured as a part of this study.*
- . *Waterborne passenger activity associated with harbor tours, the Washington State Ferry System, Shilshole Bay Marina and passenger cruise services. Not included in this passenger activity impact analysis is the impact of passengers on shore. The impacts of the passenger services are limited to the actual waterborne operations and shore-side operations of the passenger vessel operators.*

Airport activity at Sea-Tac International Airport consists of activity generated on-site at the airport due to passengers and aircraft operations, as well as activity generated by visitors to the Seattle area who arrived via Sea-Tac.

A major emphasis of the study is its defensibility and realistic assessment of the impacts generated by activity at the Seattle seaport and at Sea-Tac. The study is based on interviews with nearly 600 firms providing services to the Seattle seaport and Sea-Tac International Airport. A greater than 95 percent coverage of the firms in the Seattle seaport and airport community has been achieved, underscoring the defensibility of

the study. The impacts can be traced back to the firm level of detail. The data collected from the interviews were then used to develop operational models of the Seattle seaport and Sea-Tac International Airport. No input/output models were used in this study to estimate the multiplier effects, but, instead, re-spending models were developed using actual consumption patterns of Seattle residents. In addition to the data collected from the interviews, a passenger survey of more than 3,500 passengers using Sea-Tac was conducted to assess impacts of visitors arriving in the Seattle area via Sea-Tac.

The results of the analysis include a snapshot of the economic impact of the Seattle seaport and Sea-Tac in 1993, as well as the development of airport- and seaport-specific impact models. These models provide the Port of Seattle with tools to update the economic impacts on an annual basis, as well as to evaluate the sensitivity of the resulting local and regional impacts to changes in underlying factors, and to assess the economic impacts of specific Port of Seattle capital development projects. With respect to the seaport, the impacts of changes in such factors as tonnage levels (by commodity and trade route), vessel call levels, labor productivity, inland modal distribution (rail vs. truck), and inland markets for waterborne cargo can be evaluated. For the Fishermen's Terminal, the impact model can test the sensitivity of the impacts to changes in the number of fishing boats using the Terminal and changes in expenditure profiles by type of boat. For the airport, the airport sensitivity model provides a tool to measure the impacts of changes in such factors as passenger levels, mix of international vs. domestic passengers, flight levels, aircraft mix at peak vs. off-peak hours, labor productivity and work rules and aircraft load factors. Both the seaport and airport models are designed to estimate the impacts of new facilities development or expansion, as well as alternative land uses. For example, the seaport model can be used to estimate the economic impacts of new marine terminal development, such as the construction of the American President Lines Terminal. Appendix A presents how the seaport impact model has been used to estimate the impact of the new American President Lines terminal. Similarly, the airport impact model can be used to estimate the economic impacts of a third runway at Sea-Tac.

The same methodology has been used to estimate the 1993 economic impacts as was used by Martin O'Connell Associates to estimate the 1987 economic impacts of the Port of Seattle seaport and airport activity. Therefore, direct comparisons of economic impacts between 1987 and 1993 can be made. Furthermore, this same impact methodology has been used by Martin O'Connell Associates to estimate the impacts generated by seaport activity at more than 80 seaports in the United States and Canada, and at more than 20 airports in the United States. As a result, direct comparisons of the impacts generated by the Seattle seaport can

be made with the impacts generated by seaports such as Oakland, Portland (Oregon), Houston, Vancouver (BC), and Baltimore. With respect to airports, direct comparisons of the impacts generated by Sea-Tac can be made with the impacts generated by such airports as San Francisco, Portland (Oregon), Oakland, San Jose, Minneapolis, Atlanta, and Washington DC's National and Dulles International Airports.

The remainder of this chapter presents an overview of the impact analysis and a summary of the results.

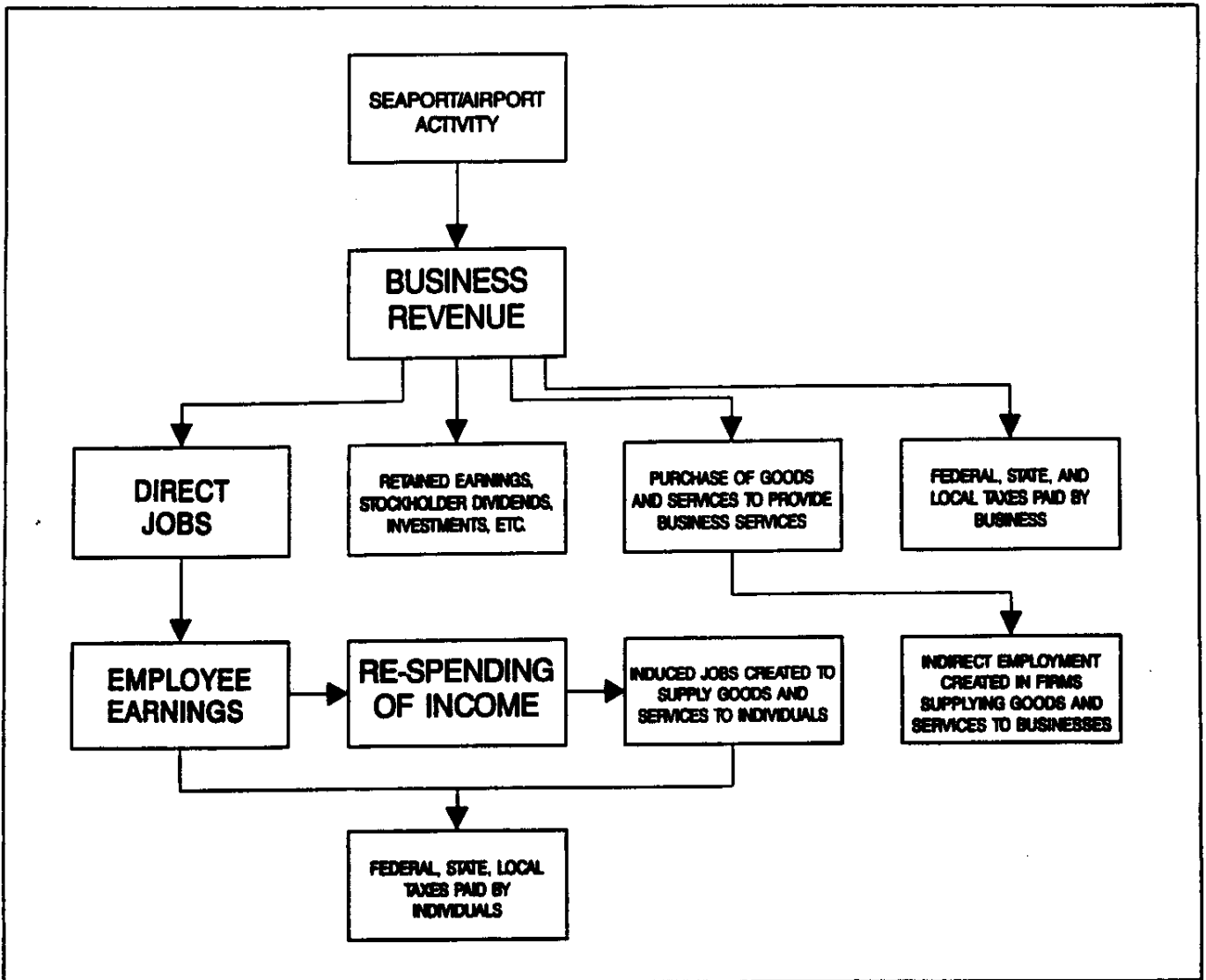
1. FLOW OF IMPACTS

Passenger and air cargo activity at an airport and waterborne activity at a seaport contribute to the local and regional economy by generating business revenue to local and national firms providing air passenger service, freight service and support services to the airport and the airlines, and firms providing vessel and cargo handling services, services to the fishing boats at Fishermen's Terminal and services to passenger/tour boat operators at the seaport. These firms, in turn, provide employment and income to individuals, and pay taxes to state and local governments. Exhibit I-1, on the following page, shows how air traffic activity at Seattle-Tacoma International Airport and the waterborne activity in the Seattle seaport generate impacts throughout the local, state and national economies. As this exhibit indicates, the impact of an airport and seaport on a local, state or national economy cannot be reduced to a single number, but instead, the seaport and airport activities create several impacts. These are the revenue impact, employment impact, personal income impact, and tax impact. These impacts are non-additive. For example, the income impact is a part of the revenue impact, and adding these impacts together would result in double counting. Exhibit I-1 shows graphically how activity at Sea-Tac and the Seattle seaport generate the four impacts.

1.1 Business Revenue Impact

At the outset, activity at the airport and seaport generates business revenue for firms which provide services. This business revenue impact is dispersed throughout the economy in several ways. It is used to hire people to provide the services, to purchase goods and services, to pay for the use of airports and seaports and to make Federal, state and local tax payments. The remainder is used to pay stock-holders, retire debt, make investments, or is held as retained earnings. It is to be emphasized that the only portions of the revenue impact that can be definitely identified as remaining in the state of Washington are those portions paid out in salaries to Washington employees, for local purchases by individuals and businesses directly dependent on the seaport and airport, and in contributions to

**Exhibit I-1
Flow Of Economic Impacts Generated By
Marine And Airport Activity**



state and local taxes. Landing fees and terminal rentals paid by airlines provide for some of the costs of operation of the airport and capital costs of new construction, while terminal leases paid to the Port of Seattle by terminal operators, and wharfage and dockage fees paid by the steamship lines generate revenue to the Port of Seattle.

1.2 Employment Impact

The employment impact of airport and seaport activity consists of five levels of job impacts.

- . Direct employment impact - jobs directly generated by airport and seaport activity. Direct jobs generated by marine cargo include jobs with railroads and trucking companies moving cargo between inland origins and destinations and the marine terminals, longshoremen, steamship agents, freight forwarders, stevedores, etc. Direct jobs generated by the airport include jobs with airlines, catering companies, retail concessions located in the terminals, etc. Direct jobs generated by the fishing fleet using Fishermen's Terminal include crew, shipyard employees, local fishing gear suppliers, insurance brokers and marine attorneys, etc. It is to be emphasized that these are classified as directly generated in the sense that these jobs would experience near term dislocation if the Seattle seaport were to be closed to maritime and fishing activity, as well as waterborne passenger activity, and if air operations at Sea-Tac were discontinued. These jobs are, for the most part, local jobs and are held by residents of King County.
- . Induced employment impact - jobs created throughout the local economy because individuals directly employed due to airport and seaport activity spend their wages locally on goods and services such as food, housing and clothing. These jobs are held by residents located throughout the region and state, since they are estimated based on local and regional statewide purchases.
- . Air visitor industry employment impact - are service jobs in the community (hotel, restaurant, retail employees) resulting from the purchases by 3.9 million visitors to the Seattle area arriving via Sea-Tac International Airport. Without air service, many of these visitors would not reach the area, making the resultant jobs directly associated with, but not entirely dependent, upon air service.
- . Related user employment impact -- jobs with firms using

the seaport or airport to ship and receive cargo and with firms whose employees are regular users of the airport. These jobs are not entirely dependent upon the seaport or airport, but reflect the importance of Sea-Tac and the Seattle seaport to local firms. While the facilities and services provided in the Seattle Seaport and at Sea-Tac are a crucial part of the infrastructure allowing these jobs to exist, they would not necessarily be immediately displaced if marine and air activity were to cease.

Indirect Jobs -- are jobs created in the state of Washington due to purchases of goods and services by firms, not individuals. These jobs are estimated directly from local purchases data supplied to Martin O'Connell Associates by the 590 companies interviewed as part of this study, and include jobs with local office supply firms, maintenance and repair firms, parts and equipment suppliers, etc. It is to be emphasized that special care was taken to avoid double counting, since the current study counts certain jobs as direct, which are often classified as indirect by other approaches, notably the input/output model approach.

1.3 Personal Earnings Impact

The personal earnings impact is the measure of employee wages and salaries (excluding benefits) received by individuals directly employed due to airport or seaport activity. Re-spending of these earnings throughout the state of Washington for purchases of goods and services is also estimated. This, in turn, generates additional jobs -- the induced employment impact. This re-spending throughout the state is estimated using a state personal earnings multiplier, which reflects the percentage of purchases by individuals that are made within a state. The re-spending effect varies by state: a larger re-spending effect occurs in states that produce a relatively large proportion of the goods and services consumed by residents, while lower re-spending effects are associated with states that import a relatively large share of consumer goods and services (since personal earnings "leak out" of the state for these out-of-state purchases). The direct earnings are a measure of the local impact since they are received by those directly employed by airport or seaport activity. The re-spending effect is statewide.

1.4 Tax Impact

Federal, state and local tax impacts are tax payments to the state and local governments by firms and by individuals whose jobs are directly dependent upon and supported (induced jobs) by

activity at Sea-Tac International Airport and the Seattle seaport. Also included in the tax impact is a measure of the leasehold tax, which Port of Seattle tenants pay in lieu of property taxes on Port-owned property.

2. SUMMARY OF METHODOLOGY

A detailed methodology and technical report has been prepared under separate cover. The purpose of this section is to provide a summary of the methodological approach used to estimate the economic impacts of the Port of Seattle.

The methodological approach to this study is designed to provide highly defensible, as well as accurate results. In addition to the Port of Seattle, this same methodology has been used by Martin O'Connell Associates in the last eight years to assess the economic impacts of activity at seaports including:

- . Oakland, California
- . Portland, Oregon
- . Vancouver, British Columbia
- . Houston, Texas
- . Baltimore, Maryland
- . Philadelphia, Pennsylvania
- . Brunswick, Georgia
- . Richmond, Virginia
- . Providence, Rhode Island
- . Montreal, Quebec
- . Quebec City, Quebec
- . Prince Rupert, British Columbia
- . Halifax, Nova Scotia
- . Saint John, New Brunswick
- . 18 U.S. Great Lakes Ports

Similarly, the airport impact methodology has been used in the last eight years by Martin O'Connell Associates to estimate the economic impacts of airport activity for a majority of the major airports in North America, including:

- . Atlanta's Hartsfield International Airport
- . Denver's Stapleton International Airport
- . San Francisco International Airport
- . Minneapolis/St. Paul International Airport
- . Milwaukee's General Mitchell International Airport
- . Toronto's Lester B. Pearson International Airport
- . Washington, D.C.'s National and Dulles Airports
- . Portland (Oregon) International Airport
- . Oakland International Airport
- . San Jose International Airport
- . Harrisburg International Airport

2.1 Data Collection

The cornerstone of the Martin O'Connell Associates approach is the collection of detailed baseline impact data from firms providing services at the airport and harbor. To ensure accuracy and defensibility, the baseline impact data were collected from personal and telephone interviews with 590 firms in the Seattle port and airport community. These firms represent the universe of firms providing services at the Seattle seaport (including Fishermen's Terminal) and Sea-Tac International Airport, as identified by the following sources:

- . The Marine Directory, Fall- 1993
- . "The Journal of Commerce", Transportation Telephone Tickler
- . The Port of Seattle 1991 Facilities Handbook
- . Seattle-Tacoma International Airport Directory
- . Internal Port of Seattle tenant lists and customer files.
- . "Pilothouse Guide and Yellow Pages", Alaska Fishermen's Journal
- . Western Washington Ports Handbook

These 590 firms represent a greater than 95 percent coverage of all firms identified in the seaport and airport community. For the most part, multiple interviews were conducted with several persons in each firm.

The number of responses by direct impact category are provided in Table I-1, on the following page.

In addition to the interviews, a survey of 3,500 passengers using Sea-Tac was also conducted to develop passenger characteristics. These interviews were conducted in the airport terminal over a three week time period in February, 1994.

2.2 Direct Jobs, Income And Revenue Impacts

The results of these interviews were then used to develop the baseline direct job, revenue and income impacts for the seaport and airport, and for the economic sectors and job categories associated with the airport and seaport.

The direct tax impacts are estimated at a state, county and local level based on actual per employee tax burdens at each jurisdictional level.

This baseline survey data was also used to develop operational models which can be used to update the impacts of the Seattle seaport and Sea-Tac International Airport on an annual basis and to evaluate the impacts of changes in:

- . Marine cargo tonnage, by commodity
- . Seaport and airport labor productivity, and work rules
- . Modal distribution of seaport cargo (what percent of the inland transportation of a commodity is truck versus rail), as well as the geographical distribution of each commodity
- . Vessel calls
- . Air passenger volume
- . International versus domestic visitors using Sea-Tac
- . Number of flights
- . Mix of aircraft (wide body aircraft versus commuter aircraft)
- . Number of fishing boats, by type of fishing fleet, using the Port of Seattle's Fishermen's Terminal
- . Local purchases made by fishing boat operators based at Fishermen's Terminal

Also, the operational models can be used to evaluate alternative facilities expansion projects and new construction, including the new American President Lines Terminal and the proposed construction of a third runway at Sea-Tac.

2.3 Induced Impacts

Induced impacts are those generated by the purchases of the individuals employed as a result of seaport and airport activity. For example, a portion of the personal earnings received by those directly employed due to activity at the seaport and airport is used for purchases of goods and services, both in-state, as well as out-of-state. These purchases, in turn, create additional jobs in the state of Washington, which are classified as induced. To estimate these induced jobs, a personal earnings multiplier was developed from data provided by the Bureau of Economic Analysis, Regional Income Division. This income multiplier is used to estimate the total personal earnings generated in the state of Washington. A portion of this total personal earnings impact is next allocated to specific in-state types of purchases (as determined from consumption data for Seattle residents, as developed from the U.S. Bureau of Labor Statistics, Consumer Expenditure Survey, 1992). These purchases are next converted into retail and wholesale induced jobs in the regional economy.

Induced jobs are not estimated at lower levels of purchasing rounds (after the wholesale round) since it is not possible to trace with a sufficient degree of accuracy, geographically, where purchases at the remaining levels occur. However, about 80 percent of the consumption will likely occur at the first two rounds of purchases, which are most likely local retail and wholesale purchases.

Table I-1
Firms Interviewed By Direct Impact Category

	<u>Firms Interviewed</u>
<u>AIRPORT</u>	
Airlines	28
Airfreight/Courier/Handling	23
Ground Transportation	10
Financial Services	9
Fixed Base Operators	8
Car Rentals	8
Terminal Retail Concessionaires	8
Parking	6
Visitor Assistance	5
Security	3
Skycap	2
In-flight Catering	2
General Aviation	1
Other Airport Related Services	23
<i>subtotal</i>	<u>136</u>
<u>SEAPORT</u>	
Steamship Lines/Agents	59
Surveyors	23
Tug/Barge Operators	21
Stevedores	19
Fishing	24
Chandlers	14
Container Leasing/Repair/Storage	12
Shipyards	9
Bunkers	9
Refrigerated Storage	9
Railroads	2
Marine Pilots Association	1
Other Seaport Related Services	10
Cruise/Harbor Tours	14
<i>subtotal</i>	<u>226</u>
JOINT AIRPORT/SEAPORT	
Freight Forwarders/Brokers	70
Government	20
Banking/Insurance	45
<i>subtotal</i>	<u>135</u>
RELATED INDUSTRIES	
Airport Users	30
Seaport Users	63
<i>subtotal</i>	<u>93</u>
TOTAL FIRMS INTVIEWED	<u>590</u>

2.4 Indirect Jobs

Indirect jobs are generated in the local economy as the result of purchases by firms that are directly dependent upon activity at the Seattle seaport and Sea-Tac International Airport. These purchases are for goods such as office supplies and equipment, maintenance and repair services, raw materials, communications and utilities, transportation services and other professional services. To estimate the indirect economic impact, local purchases, by type of purchase, were collected from each of the 590 firms interviewed. These local purchases were then combined with employment to sales ratios in local supplying industries, developed from U.S. Bureau of the Census data for the Seattle metropolitan area.

To ensure defensibility, only the first round of indirect impacts was estimated. Specifically, the impacts of additional rounds of purchases by the supplying firms (those firms providing goods and services to the firms directly dependent upon the seaport and airport activity) are not estimated, since it is not possible to trace with any degree of accuracy the geographical location of the subsequent rounds of purchases by firms. As a result, the indirect impact estimates of the seaport and airport activity are conservative by design.

It is to be emphasized that no input/output models are used in this indirect impact estimation, since the use of input/output models often overstates the economic impacts associated with seaport and airport activity, and, hence reduces the validity of the study results by attempting to capture the second, third fourth, etc., rounds of re-spending. For example, input/output models attempt to estimate multiple rounds of purchases, e.g., at the retail level, wholesale level, supply/distribution level, manufacturing, and raw materials level. This multiple purchase rounds approach assumes that at each round, the geographical distribution (as to where the purchases are made) is known with certainty. This is not the case. Similar to the induced impact, the majority of the indirect expenditures will occur at the first and second round of purchases. However, unlike individuals who typically make retail and housing purchases locally, purchases by firms (particularly national and international firms such as those supplying seaport and airport services) will not necessarily be made locally. The possibility of out-of-region purchases is even more likely when the purchases for such "first round" services as catering, sky caps, fuel, etc., are already counted as direct impacts.

2.5 Related Impacts

Related impacts measure the jobs with shippers and consignees moving cargo through the Seattle seaport and via airlines serving Sea-Tac International Airport. These jobs are

classified as related jobs, since the firms using the seaport and airport facilities for the movement of marine and air cargo can and do use other seaports and airports. For example, firms exporting containerized cargo typically select a steamship line rather than the seaport through which the cargo will move, and the port through which the export containerized cargo moves is ultimately determined by the steamship line's port call rotation. Similarly, air cargo shippers often select a freight forwarder or an express air courier to arrange and handle the air cargo shipment. The air courier or forwarder ultimately determines which airport will be used, based on the selection of the air carrier. Therefore, the shippers are essentially "port blind". However, the estimate of the number of jobs related to cargo moving via the seaport and airport highlight the importance of the sea and air transportation infrastructure developed by the Port of Seattle as a catalyst to economic growth and development.

Related impacts were estimated from the results of more than 200 telephone interviews with users of the airport and Seattle seaport, which were conducted during the 1987 impact study. To update the related job ratios, 93 of these users were re-surveyed during this current study. To further validate the estimate of related jobs, job to shipment value ratios were developed from Census data and previous air cargo shipper surveys conducted by Martin O'Connell Associates. Values of marine cargo moving via the seaport and air freight moving via Sea-Tac were combined with the jobs to shipment value ratios to estimate related jobs due to Sea-Tac and the Seattle seaport.

Finally, 30 service firms (law offices, accounting firms, and company headquarters) in Seattle were contacted to determine the number of frequent fliers using Sea-Tac.

3. TOTAL IMPACT OF THE PORT OF SEATTLE

The tables that follow will differentiate between impacts generated both by Port of Seattle and private facilities, and, as a subset, those impacts generated only by Port of Seattle facilities.

Table I-2 on the following page, shows the total economic impacts of the Seattle seaport and Sea-Tac International Airport. As this table indicates, the combined impact of maritime and airport activity in Seattle generates 95,770 direct jobs, 27,752 induced jobs, 3,230 local indirect jobs, and 161,505 related jobs. The direct jobs receive \$1.9 billion in wages and salaries, and after the re-spending of this income throughout the local economy, an additional \$2.1 billion of income and consumption expenditures are created. Businesses supplying services to the seaport, Sea-Tac International Airport, and visitors arriving via the airport received \$7.9 billion of business revenue, including revenue generated in the local and

Table I-2
Seaport¹ And Airport Impacts

	PUBLIC AND PRIVATE MARINE TERMINALS			SEA-TAC		TOTAL
	MARINE CARGO	FISHERMEN'S TERMINAL	PASSENGER/ HARBOR TOURS	AIRPORT GENERATED	VISITOR INDUSTRY	
JOB IMPACTS						
DIRECT	11,108	4,007	1,944	14,381	64,330	95,770
INDUCED	5,303	2,293	674	6,119	13,363	27,752
INDIRECT	1,733	NA	NA	1,497	NA	3,230
RELATED	<u>55,033</u>	<u>472</u>	<u>NA</u>	<u>106,000</u>	<u>NA</u>	<u>161,505</u>
TOTAL JOBS	<u>73,177</u>	<u>6,772</u>	<u>2,618</u>	<u>127,997</u>	<u>77,693</u>	<u>288,257</u>
PERSONAL INCOME						
(MILLIONS)						
DIRECT	\$435	\$195	\$50	\$487	\$765	\$1,932
RE-SPENDING	<u>\$463</u>	<u>\$208</u>	<u>\$54</u>	<u>\$519</u>	<u>\$815</u>	<u>\$2,057</u>
TOTAL	<u>\$897</u>	<u>\$403</u>	<u>\$104</u>	<u>\$1,006</u>	<u>\$1,580</u>	<u>\$3,990</u>
EARNINGS/DIRECT JOB	\$39,125	\$48,690	\$25,926	\$33,885	\$11,892	\$20,178
BUSINESS REVENUE						
(MILLIONS)						
	\$1,295	\$145	\$83	\$2,938	\$3,417	\$7,878
STATE/LOCAL TAXES						
(MILLIONS)						
	\$68	\$26	\$11	\$85	\$322	\$512
FEDERAL AVIATION TAXES						
(MILLIONS)						
				\$199		\$199
U.S. CUSTOMS						
(MILLIONS)						
	\$451			\$45		

¹Seaport impacts include those impacts generated by cargo and vessel calls at both private marine terminals in the Seattle seaport, as well as at terminals owned by the Port of Seattle. Also included are the economic impacts generated by the fishing fleet at the Port of Seattle's Fishermen's Terminal, impacts generated by waterborne passenger activity at both private terminals as well as the Port of Seattle's marine terminals and Shilshole Bay Marina.

Table I-3
Summary Of The Economic Impacts Generated By The Port Of
Seattle Marine Terminals, Fishermen's Terminal And
Sea-Tac International Airport

	PORT OF SEATTLE MARINE TERMINALS			SEA-TAC		TOTAL
	MARINE CARGO	FISHERMEN'S TERMINAL	PASSENGER/ HARBOR TOURS	AIRPORT GENERATED	VISITOR INDUSTRY	PORT OF SEATTLE
JOB IMPACTS						
DIRECT	6,867	4,007	267	14,381	64,330	89,852
INDUCED	3,353	2,293	90	6,119	13,363	25,218
INDIRECT	792	NA	NA	1,497	NA	2,289
RELATED	<u>51,704</u>	<u>472</u>	<u>NA</u>	<u>106,000</u>	<u>NA</u>	<u>158,176</u>
TOTAL JOBS	<u>62,716</u>	<u>6,772</u>	<u>357</u>	<u>127,997</u>	<u>77,693</u>	<u>275,535</u>
PERSONAL INCOME (MILLIONS)						
DIRECT	\$276	\$195	\$7	\$487	\$765	\$1,730
RE-SPENDING	<u>\$302</u>	<u>\$208</u>	<u>\$6</u>	<u>\$519</u>	<u>\$815</u>	<u>\$1,849</u>
TOTAL	<u>\$578</u>	<u>\$403</u>	<u>\$13</u>	<u>\$1,006</u>	<u>\$1,580</u>	<u>\$3,580</u>
EARNINGS/DIRECT JOB	\$40,225	\$48,690	\$24,955	\$33,885	\$11,892	\$19,257
BUSINESS REVENUE (MILLIONS)	\$981	\$145	\$22	\$2,938	\$3,417	\$7,503
STATE/LOCAL TAXES (MILLIONS)	\$42	\$26	\$2	\$85	\$322	\$477
FEDERAL AVIATION TAXES (MILLIONS)				\$199		\$199
U.S. CUSTOMS (MILLIONS)	\$451			\$45		

Note: Table I-3 is a subset of Table I-2.

regional visitors industry as the result of visitors arriving in the area via Sea-Tac. Total seaport and airport activity generated \$512 million of state and local taxes, and the airport contributed \$199 million to the Federal government in aviation-specific tax receipts. The seaport and airport also generated \$496.5 million of U.S. Customs receipts.

Table I-3 summarizes the economic impacts generated by the Port of Seattle seaport and Sea-Tac International Airport. Specifically, the impacts presented in Table I-3 are generated by marine cargo and vessel calls at the terminals owned by the Port of Seattle, by the fishing fleet at the Port of Seattle's Fishermen's Terminal, and impacts generated by passenger and tour boat operators using the Port of Seattle facilities.

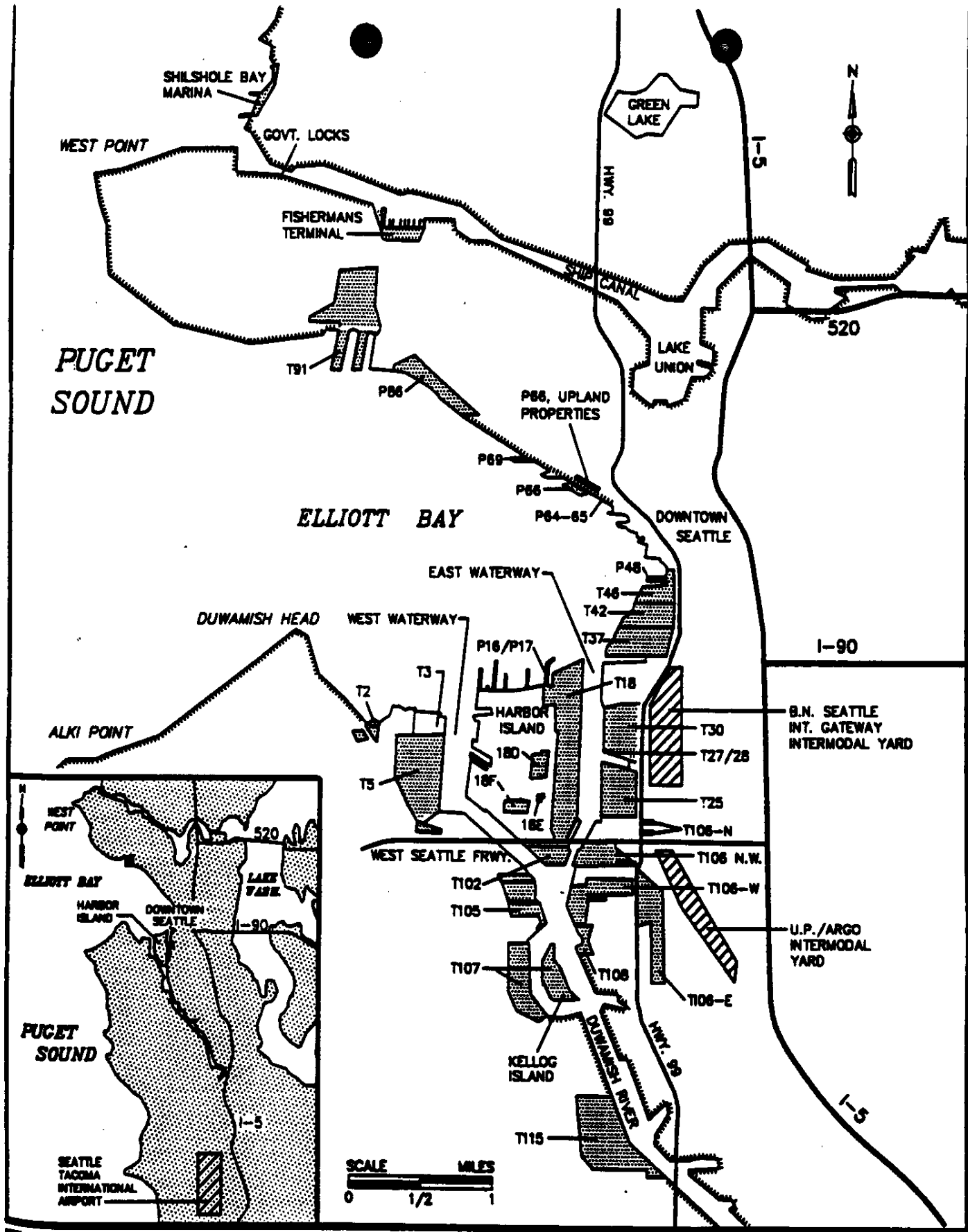
As this table indicates, the Port of Seattle seaport and airport facilities generate the following economic impacts for the local and regional economy:

- . 89,852 direct jobs are generated by Port of Seattle-owned transportation facilities. As the result of local and regional purchases by those 89,852 individuals holding the direct jobs, an additional 25,218 induced jobs are supported in the state.
- . 2,289 indirect jobs were supported by local purchases by businesses supplying services at the Port-owned facilities.
- . \$1.7 billion of direct wages and salaries were received by those 89,852 directly employed by the Port of Seattle's transportation infrastructure. As the result of re-spending this income, an additional \$1.9 billion of income and consumption expenditures are created.
- . Businesses providing services at the Port-owned marine cargo terminals, Fishermen's Terminal and Sea-Tac International Airport received \$7.5 billion of revenue, excluding the value of cargo shipped through the airport and marine facilities, and the landed value of the fish caught by the fleet using Fishermen's Terminal.
- . \$477 million of state and local taxes were generated by activity at the Port of Seattle marine terminals and Sea-Tac International Airport. In addition, \$199 million of Federal aviation-specific taxes were generated by activity at Sea-Tac International Airport. \$496.5 million of U.S. Customs revenue were also generated by the Port of Seattle seaport and airport activity.

4. COMPARISON OF THE PORT OF SEATTLE IMPACTS WITH OTHER KEY PUGET SOUND REGIONAL JOB GENERATORS

The importance of the Port of Seattle as a regional economic generator is underscored by the fact that when the 64,330 direct visitor industry jobs are excluded, the Port of Seattle's marine facilities and Sea-Tac directly generate 25,522 jobs. This direct job impact compares to the nearly 100,000 employees with Boeing, 7,500 employees of Microsoft, and 15,000 employees of the University of Washington. It is recognized that these employment numbers represent actual employees of Boeing, Microsoft and the University of Washington, and not direct job impacts. However, these comparisons suggest that the Port of Seattle is a major economic engine in the Puget Sound Region.

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II. THE ECONOMIC IMPACTS OF THE SEATTLE SEAPORT

The impacts generated by the Seattle seaport consist of:

- . Impacts generated by cargo and vessel activity at marine facilities owned and operated by the Port of Seattle, as well as facilities owned by the Port, but leased to private terminal operators, and privately owned and operated marine terminals. For the most part, the Port of Seattle owns the marine facilities over which the majority of containers move, with the exception of private barge terminals located on the Duwamish that specialize in the movement of cargo to and from Alaska. Similarly, the Port of Seattle owns Terminal 91, which is dedicated to automobile imports and the handling of export and import chilled apples and fruit, as well as Terminal 115 which is dedicated to handling breakbulk cargo such as export and import steel and lumber, forest products and project cargo destined to Alaska. The privately owned marine facilities include the cement and gypsum companies located on the Duwamish, as well as the private barge terminals, identified previously. The map on the facing page visually details the marine terminals in the Seattle seaport.
- . Impacts generated by the fishing fleet at the Port of Seattle-owned Fishermen's Terminal, including impacts generated by the purchases of supplies and services by the fishing fleet based at Fishermen's Terminal. Also included are impacts with retail tenants and restaurants located at Fishermen's Terminal. It is to be emphasized that the Washington based fishing fleet uses other terminals and moorings throughout the Seattle and Puget Sound areas. The impacts of these vessels are not included in this study.
- . Impacts generated due to passenger vessel operations in the Seattle seaport, including harbor tours and cruises to British Columbia, the Port of Seattle-owned Shilshole Bay Marina, as well as the Seattle based employment of the Washington State Ferry System².

In the remainder of this chapter the impacts generated by

²As part of this study, a cruise vessel impact model has been developed. This model can be used by the Port of Seattle to estimate the economic impacts due to the potential inauguration of cruises to Alaska from the Port of Seattle.

the Seattle seaport are summarized. First, the impacts generated by all activity (marine cargo, the fishing fleet at Fishermen's Terminal and waterborne passenger activity) are presented. Secondly, the impacts generated by type of activity are summarized.

1. THE ECONOMIC IMPACTS OF THE SEATTLE SEAPORT

Table II-1 summarizes the economic impacts generated by seaport activity.

Table II-1
Economic Impacts Of Seaport Activity
Port Of Seattle Terminals And Private Terminals

	MARINE CARGO	FISHERMEN'S TERMINAL	PASSENGER/ HARBOR TOURS	TOTAL SEAPORT
JOB IMPACTS				
DIRECT	11,108	4,007	1,944	17,059
INDUCED	5,303	2,293	674	8,270
INDIRECT	1,733	NA	NA	1,733
RELATED	<u>55,033</u>	<u>472</u>	<u>NA</u>	<u>55,505</u>
TOTAL JOBS	<u>73,177</u>	<u>6,772</u>	<u>2,618</u>	<u>82,567</u>
PERSONAL INCOME (MILLIONS)				
DIRECT	\$436	\$196	\$60	\$680
RE-SPENDING	\$463	\$208	\$54	\$724
TOTAL	<u>\$897</u>	<u>\$403</u>	<u>\$104</u>	<u>\$1,404</u>
EARNINGS/DIRECT JOB	\$39,125	\$48,690	\$25,926	\$39,868
BUSINESS REVENUE (MILLIONS)				
	\$1,295	\$145	\$83	\$1,523
STATE/LOCAL TAXES (MILLIONS)				
	\$68	\$26	\$11	\$105

In 1993, marine cargo activity at the private and public marine terminals located in the Seattle seaport, the fishing fleet at Fishermen's Terminal, and waterborne passenger activity generated:

- 17,059 direct jobs. As the result of purchases in the

local and regional economy with the income received by those holding the direct jobs, an additional 8,270 induced jobs were generated in the state of Washington.

- . \$680 million of personal income was received directly by those employed directly by activities at the Seattle seaport. As the result of re-spending this income for purchases of goods and services by those directly employed, an additional \$724 million of income and consumption expenditures are generated in the state of Washington. A portion of this re-spending impact is used to pay those holding the 8,270 induced jobs, while another portion is received by the firms providing the goods and services to the individuals directly employed due to seaport activity.
- . The firms directly dependent upon supplying the services to support the seaport activity (those firms employing the 17,059 direct jobs) received \$1.5 billion of business revenue.³
- . A total of \$105 million state and local taxes were generated by marine cargo activity, Fishermen's Terminal and passenger activity at the Seattle seaport in 1993. The Federal government also received \$451 million of U.S. Customs receipts from operations in the Seattle seaport.

The impacts generated only by the Port of Seattle's marine facilities -- impacts generated by marine cargo moving via the Port of Seattle's marine terminals, by the Port of Seattle's Fishermen's Terminal, and by passenger cruise/tour boats using the Port of Seattle's facilities are presented in Table II-2, on the following page. As this exhibit indicates, the Port of Seattle's marine facilities generate 11,141 direct jobs, 5,736 induced jobs, and 52,176 related jobs. These 11,141 direct jobs earned \$478 million of wages and salaries. When the re-spending impact is considered, a total personal income and consumption expenditure impact of \$994 million is generated by Port of Seattle marine facilities. Businesses received nearly \$1.2 billion as a result of providing services to vessels and cargo moving over the Port of Seattle's marine terminals, to waterborne passengers using the Ports facilities and to the fishing fleet at Fishermen's Terminal. A total of \$70 million of state and local taxes were also generated by maritime cargo and vessel calls at

³Business revenue is a measure of the value of the services provided by the firms. The value of the marine cargo shipped or received through the Port of Seattle seaport and the landed value of fish caught by the fishing fleet based at Fisherman's Terminal is not included in this business revenue impact measure.

Table II-2
Economic Impacts Generated By Marine Cargo Activity And
Passenger Activity At The Port Of Seattle's Marine Terminals
And Fishing Activity At The Port Of Seattle's
Fishermen's Terminal

	MARINE CARGO	FISHERMEN'S TERMINAL	PASSENGER/ HARBOR TOURS	TOTAL PORT OF SEATTLE SEAPORT
JOB IMPACTS				
DIRECT	6,867	4,007	267	11,141
INDUCED	3,353	2,293	90	5,736
INDIRECT	792	NA	NA	792
RELATED	<u>51,704</u>	<u>472</u>	<u>NA</u>	<u>52,176</u>
TOTAL JOBS	<u>62,716</u>	<u>6,772</u>	<u>357</u>	<u>69,845</u>
PERSONAL INCOME (MILLIONS)				
DIRECT	\$276	\$195	\$7	\$478
RE-SPENDING	<u>\$302</u>	<u>\$208</u>	<u>\$6</u>	<u>\$516</u>
TOTAL	<u>\$578</u>	<u>\$403</u>	<u>\$13</u>	<u>\$994</u>
EARNINGS/DIRECT JOB	\$40,225	\$48,690	\$24,955	\$42,903
BUSINESS REVENUE (MILLIONS)	\$981	\$145	\$22	\$1,148
STATE/LOCAL TAXES (MILLIONS)	\$42	\$26	\$2	\$70

NOTE: Table II-2 is a subset of Table II-1

the Port of Seattle's marine terminals, by the fishing fleet based at Fishermen's Terminal, and by waterborne passenger activity using the Port of Seattle's marine terminals.

In the next section, the impacts generated by marine cargo at the Seattle seaport are described. Section 3 of this chapter describes the impacts of Fishermen's Terminal, while Section 4 details the impacts of the waterborne passenger activity.

2. THE ECONOMIC IMPACTS OF MARINE CARGO ACTIVITY IN THE SEATTLE SEAPORT

In 1993, a total of 15.9 million metric tons moved over marine facilities owned by the Port of Seattle and privately owned terminals along the Duwamish Ship Channel. Of the 15.9 million tons of cargo, containerized cargo represented 55 percent of the tonnage. The majority of this containerized cargo moved over the Port of Seattle's marine terminals. Other dry bulk cargo, primarily cement and gypsum moving to private terminals along the Duwamish, accounted for 14 percent of the tonnage, while grain exported via the Port of Seattle-owned grain elevator accounted for about 12 percent of the tonnage.

2.1 Overview Of The Seaport Impact Structure

The movement of this 15.9 million metric tons of cargo through the Seattle seaport generates economic activity in various business sectors of the state and local economy. Specifically, four distinct economic sectors are involved in providing services to moving the cargo through the Port of Seattle-owned and privately owned marine terminals. These are the:

- . Surface Transportation Sector
- . Maritime Service Sector
- . Port of Seattle
- . Dependent Shippers/Consignees
- . Banking/Insurance/Law Sector.

Jobs, income, revenue, and tax impacts are estimated for each sector, as well as for specific job categories within each sector.

2.1.1 Economic Impact Sectors

Within each sector, various participants are involved. Separate impacts are estimated for each of the participants. A discussion of each of the four economic impact sectors is provided below, including a description of the major participants in each sector.

(1) The Surface Transportation Sector

The surface transportation sector consists of both the railroad and trucking industries. These sectors are responsible for moving the various cargoes between the marine terminals and their inland origins and destinations. Two mainline railroads serve the Seattle seaport, the Burlington Northern and the Union Pacific Railroads. In general, the railroads play a key part in the Seattle seaport's role as a leading intermodal port. Furthermore, the railroads are integral in the movement of grain from Midwestern states to the Seattle seaport for export.

Many local and national trucking firms serve the seaport, as do numerous individual owner-operators. Trucking firms are involved in distributing local containerized cargo (both full container loads, as well as less-than-container load (LCL) cargo). Typically, trucks distribute the imported containers moving locally, as well as to Canada, and move export containers originating in the Seattle area to the marine terminals for export. Truck transportation is also the major mode used for moving Alaskan-bound cargo to the marine terminals, as well as apples and food products from Washington and Oregon points to Seattle for export, and distributing inbound fruit to points as far away as Northern California and Colorado. Finally, trucks play a major role in the drayage of containers between rail yards and the marine terminals.

(2) The Maritime Service Sector

This sector consists of numerous firms and participants performing functions related to the following maritime services:

- . Cargo Marine Transportation
- . Vessel Operations
- . Cargo Handling
- . Federal, State, and Local Government Agencies.

A brief description of the major participants in each of these categories is provided below:

- . Cargo Marine Transportation Participants in this category are involved in arranging for overland and water transportation for export or import freight through the seaport. The freight forwarder/customhouse broker is the major participant in this category. The freight forwarder/customhouse broker arranges for the freight to be delivered between the Seattle seaport and inland destinations, as well as the ocean transportation. This function performed by freight

forwarders is most prevalent for general cargo commodities. For bulk cargo, arrangements are often made by the shipper/receiver, and the cargo passes over privately-owned docks.

Vessel Operations This category consists of several participants. The steamship agents provide a number of services for the vessel as soon as it enters the Seattle seaport; the agents arrange for pilot services and towing, for medical and dental care of the crew, and for ship supplies. The agents are also responsible for vessel documentation. In addition to the steamship agents arranging for vessel services, those providing the services include:

- Pilots - assist vessels in navigating the Puget Sound between Port Angeles and Seattle
- Chandlers - supply the vessels with ship supplies (food, clothing, nautical equipment, etc.)
- Towing firms - provide tug assist service to vessels docking and undocking at a terminal
- Bunkering firms - provide fuel to the vessels
- Marine surveyors - inspect the vessels and the cargo
- Shipyards/marine construction firms - provide repairs, either emergency or scheduled, as well as marine pier construction and dredging.

Cargo Handling - This category involves the physical handling of the cargo at the Seattle seaport between the land and the vessel. Included in this category are the following participants:

- Longshoremen - are members of the International Longshoremen's and Warehousemen's Union, and are involved in the loading and unloading of cargo from the vessels, as well as handling the cargo prior to loading and after unloading, including stuffing and stripping containers.
- Stevedoring firms - manage the longshoremen and cargo-handling activities
- Terminal operators - are often stevedoring firms who operate the maritime terminals where cargo is loaded and off-loaded

- Warehouse operators - store cargo after discharge or prior to loading and consolidate cargo units into shipment lots
- Container leasing and repair firms - provide containers to steamship lines and shippers/consignees and repair damaged containers
- Automobile service firms - service new automobiles after they are off-loaded from the vessels and are often terminal operators as well.

Government Agencies - This maritime service sector category involves Federal, state and local government agencies that perform services related to cargo handling and vessel operations at the Seattle seaport. U.S. Customs, Bureau of Immigration, U.S. Department of Labor, U.S. Department of Agriculture, and U.S. Department of Commerce employees are involved. Employees with the Washington State Ferry are not included in this category, but are instead included in the passenger activity portion of the Seattle seaport impact analysis. In addition, both civilian and military personnel with the U.S. Coast Guard, U.S. Navy and the U.S. Army Corps of Engineers dedicated to the Seattle seaport, as have members of the Military Sealift Command. The city police and fire departments are also included, as are state grain inspectors.

(3) Port of Seattle

This sector includes those individuals employed by the Port of Seattle whose purpose is to oversee port activity. The Port of Seattle leases terminal space to private operators, leases equipment such as container cranes to terminal operators, and operates terminals such as the Port's Chill Facility at Terminal 91.

(4) Dependent Shippers/Consignees

Two categories of port users are considered in the analysis: The first category of users are those firms that directly dependent on the Seattle seaport insofar as their operations are completely dependent on the use of marine terminals located in the Seattle seaport. The second category of seaport users are those shippers and consignees located throughout the state of Washington and particularly King County, whose businesses use the marine cargo facilities for the export and import of cargo. The directly dependent users in the first category would most likely shut down operations if the Seattle seaport were not available for their use, while those users in the second category

would ship or receive materials via another port. Because of this difference, employment, earnings and tax impacts are estimated for dependent users only. Employment with shippers in the second category is considered port-related, and not port-generated. No revenue, earnings or tax impacts are estimated for this second group. Because of the proximity of the Port of Tacoma and the use of two or more ports by the majority of current Seattle shippers/consignees, most users fall into this latter category of related users.

(5) Banking/Insurance/Law Sector

While this sector is not directly involved in cargo or ship operations, it nonetheless does provide services such as financing export/import transactions, insuring cargo and vessels, and providing legal services to the Port of Seattle, businesses and individuals working on the Seattle seaport waterfront.

2.1.2 Commodities Included In The Study

A major use of an economic impact analysis is to provide a tool for port development planning. As a port grows, available land and other resources for port facilities become scarce, and decisions must be made as to how to develop the land and utilize the resources in the most efficient manner. Various types of facility configurations are associated with different commodities. For example, automobiles require a large area for storage, while containerized cargo requires significant investments in cranes and intermodal facilities.

An understanding of the commodity's relative economic value in terms of employment and earnings to the local community, the utilization and cost of providing the facilities, and the relative demand for the different commodities is essential in making future port development decisions. Because of this need for understanding relative commodity impacts and the impacts associated with marine terminal investments, economic impacts are estimated for the following commodities and commodity types handled via the Port of Seattle-owned and privately-owned marine terminals in the Seattle seaport:

- . Containerized cargo
- . Iron and steel products
- . Forest products
- . Automobiles
- . Grain
- . Drybulk (cement, gypsum)
- . Petroleum
- . Other liquid bulk (molasses)
- . Chilled, fresh fruit breakbulk cargo

- . Miscellaneous breakbulk (project cargoes, heavy lift cargo, general breakbulk).

It should be emphasized that commodity-specific impacts are not estimated for each of the five economic sectors described in the last section. Specific impacts by commodity cannot be allocated to individual commodities with any degree of accuracy for the banking and insurance sector, shipyards and marine construction and the government job categories.

The impacts, by commodity, are estimated on a per ton basis, as well as on a per acre basis in order to determine the contribution of each commodity to the local economy on a throughput, as well as land utilization basis. These impact per ton and acre ratios are key inputs into port planning decisions regarding new facilities development and expansion.

The impacts generated by the marine terminals in the Seattle seaport are estimated:

- . By sector of the local and regional economy, e.g., maritime service sector, surface transportation sector, banking and insurance sector, etc.
- . By commodity group, i.e., containerized cargo, breakbulk cargo (including steel, lumber and chill cargo), automobiles, grain, other dry bulk, petroleum, and other liquid bulk.
- . By Port of Seattle-owned facilities
- . By trade route
- . By the residency of individuals directly employed by the activity at the Seattle seaport.

2.2 Summary Of The Economic Impacts Generated By The Seattle Seaport

The economic impacts generated by marine cargo handled at privately-owned terminals and those owned by the Port of Seattle are presented in Table II-3.

The table presents the economic impacts for total maritime cargo activity at both Port of Seattle facilities and private facilities, and also identifies the economic impacts of marine cargo moving via the Port of Seattle-owned facilities. As this table indicates, maritime activity (cargo and vessel activity) created the following economic impacts:

- . 11,108 direct jobs, of which the Port of Seattle facilities generated 6,867 direct jobs.

Table II-3
Economic Impacts Of Marine Cargo
Port Of Seattle Terminals And Privately-Owned Terminals

	SEATTLE SEAPORT	PORT OF SEATTLE	PRIVATE TERMINALS
JOB IMPACTS			
DIRECT	11,108	6,867	4,241
INDUCED	5,303	3,353	1,950
INDIRECT	1,733	792	941
RELATED	<u>55,033</u>	<u>51,704</u>	<u>3,329</u>
TOTAL JOBS	<u>73,177</u>	<u>62,716</u>	<u>10,461</u>
PERSONAL INCOME (MILLIONS)			
DIRECT	\$434.60	\$276.22	\$158.38
RE-SPENDING	<u>\$462.70</u>	<u>\$302.10</u>	<u>\$160.60</u>
TOTAL	<u>\$897.30</u>	<u>\$578.32</u>	<u>\$318.98</u>
EARNINGS/DIRECT JOB	\$39,125	\$40,225	\$37,344
BUSINESS REVENUE (MILLIONS)	\$1,295.30	\$981.30	\$314.00
STATE/LOCAL TAXES (MILLIONS)	\$67.90	\$42.30	\$25.60

- . 5,303 induced jobs were supported by the purchases of the 11,108 directly employed individuals, of which the Port of Seattle facilities supported 3,353 induced jobs.
- . 1,733 indirect jobs were generated as a result of local purchases by firms directly dependent upon seaport activity. Of these 1,733 indirect jobs, 792 indirect jobs were generated by the purchases of firms dependent upon cargo and vessel activity at the Port of Seattle-owned facilities.
- . 55,033 jobs were related to the cargo moving via the marine terminals located in the Seattle seaport, the majority of which were related to containerized cargo. Since the majority of the containerized cargo moves via the Port of Seattle's marine terminals, 51,704 of the total 55,033 related jobs were associated with cargo moving via the Port of Seattle's facilities.
- . The 11,108 direct employees earned \$434.6 million of wages and salaries. The 6,867 direct jobs generated by the Port of Seattle facilities received \$276.2 million of wages and salaries.
- . Businesses providing services to the Seattle seaport

received \$1.3 billion of business revenue, of which \$981 million was generated by cargo and vessel activity at the Port of Seattle-owned facilities.

- . A total of \$67.9 million of state and local taxes were generated by seaport activity, of which cargo and vessel activity at the Port of Seattle marine cargo facilities generated \$42.3 million of state and local taxes.

The next section details of the employment impacts generated by the Seattle seaport.

2.3 Employment Impacts Of The Seattle Seaport

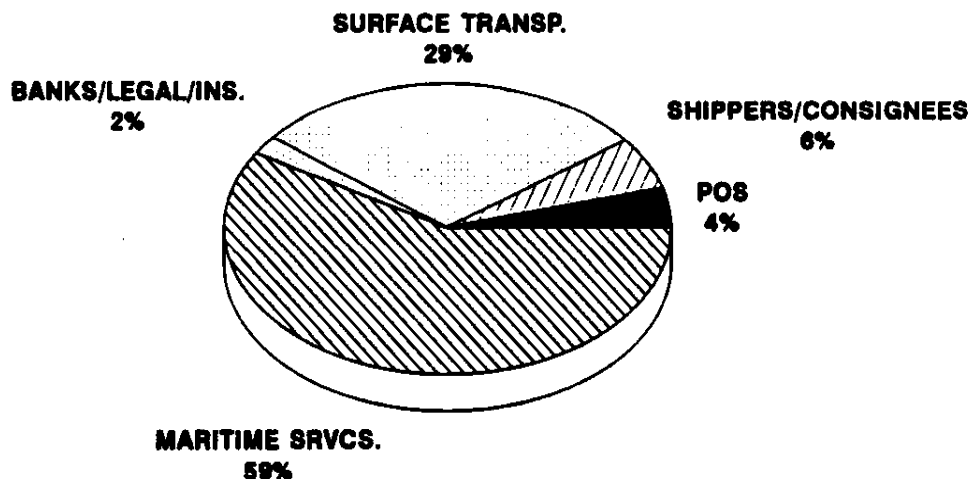
This section details the direct, induced, indirect and related job impacts generated by marine cargo and vessel activity in the Seattle seaport.

The direct employment impacts are first described.

2.3.1 Direct Employment Impacts

The distribution of the 11,108 direct job impacts by economic sector is presented in Exhibit II-1. As the exhibit indicates, the majority of the impacts (59 percent) are concentrated with firms providing maritime services, while 29 percent of the direct jobs are created with firms in the surface transportation sector.

Exhibit II-1
Seattle Seaport
Distribution Of The Direct
Job Impacts By Economic Sector



TOTALS DO NOT ADD DUE TO ROUNDING

(1) Employment Impacts By Job Category

The direct jobs by detailed job category are presented in Table II-4. This table shows the seaport-wide direct job impacts by category generated by maritime activity at the Port of Seattle's facilities and private facilities in the Seattle seaport. Also indicated in this table are the direct jobs, by category, generated by Port of Seattle facilities only.

Table II-4
Direct Jobs By Detailed Category

	SEATTLE SEAPORT	PORT OF SEATTLE	PRIVATE TERMINALS
SURFACE TRANSPORTATION			
RAIL	1,414	1,408	6
TRUCK	<u>1,791</u>	<u>1,229</u>	<u>562</u>
SUBTOTAL	<u>3,205</u>	<u>2,637</u>	<u>568</u>
MARITIME SERVICE SECTOR			
TERMINAL OPERATORS	859	443	416
ILWU	681	681	NA
TOWING	44	42	2
PILOTS	16	16	1
AGENTS/LINES	478	398	80
SURVEYORS	219	196	24
FORWARDERS	349	305	43
WAREHOUSEMEN	823	425	398
CONTAINER REPAIR	152	152	NA
GOVERNMENT	696	224	472
MARINE CONSTRUCTION	1,710	311	1,399
LINEHAUL BARGE	423	66	357
MISCELLANEOUS	62	NA	62
SUBTOTAL	<u>6,512</u>	<u>3,260</u>	<u>3,252</u>
SHIPPERS/CONSIGNEES	660	480	180
PORT OF SEATTLE	490	490	NA
BANKING/INSURANCE/LAW	241	NA	241
TOTAL	11,108	6,867	4,241

As this table indicates, with respect to total seaport activity (activity at Port of Seattle marine terminals and private marine terminals), the largest number of direct jobs are generated with trucking companies moving cargo to and from the port and containers to and from marine terminals and rail yards. The second largest job impact occurs with shipyards and marine construction firms -- the majority of these jobs are held by shipyard employees.⁴ More than 1,400 direct jobs are generated with the railroads, and include employment at the Seattle rail yards dedicated to intermodal cargo, as well as crew dedicated to moving the cargo to and from the Seattle seaport.

The distribution of the direct jobs by category created by marine activity at the Port of Seattle's facilities is also shown in Table II-4. The majority of jobs generated by Port of Seattle marine facilities are with the railroads, reflecting the intermodal movement of containers to and from the Port's marine terminals, and the movement of Midwestern grain to the Port of Seattle-owned grain elevator which is leased to a private operator. The second largest impact is with the trucking firms servicing the port, which reflects the local distribution of containers moving via the Port's marine facilities, as well as the employment generated by the drayage of containers between the intermodal rail yards and the Port's container terminals. The third largest employment impact is with the ILWU, generating 681 full-time equivalent jobs for members of the International Longshoremen's and Warehousemen's Union.

(2) Employment Impacts By Commodity

Table II-5, and Exhibit II-2 present the distribution of the direct job impacts by commodity/handling type. A total of 8,379 direct jobs are allocated to commodities moving over Seattle seaport terminals⁵. The importance of containerized cargo is underscored by the fact that nearly 80 percent of the direct jobs is created by the movement of

⁴The shipyard employees include only that portion of each shipyard's business that is dependent upon repair work on cargo vessels. Jobs in the shipyard dedicated to the fishing fleet are not included in the measurement of the impacts of marine cargo, but are instead included with the measurement of the impacts generated by Fishermen's Terminal.

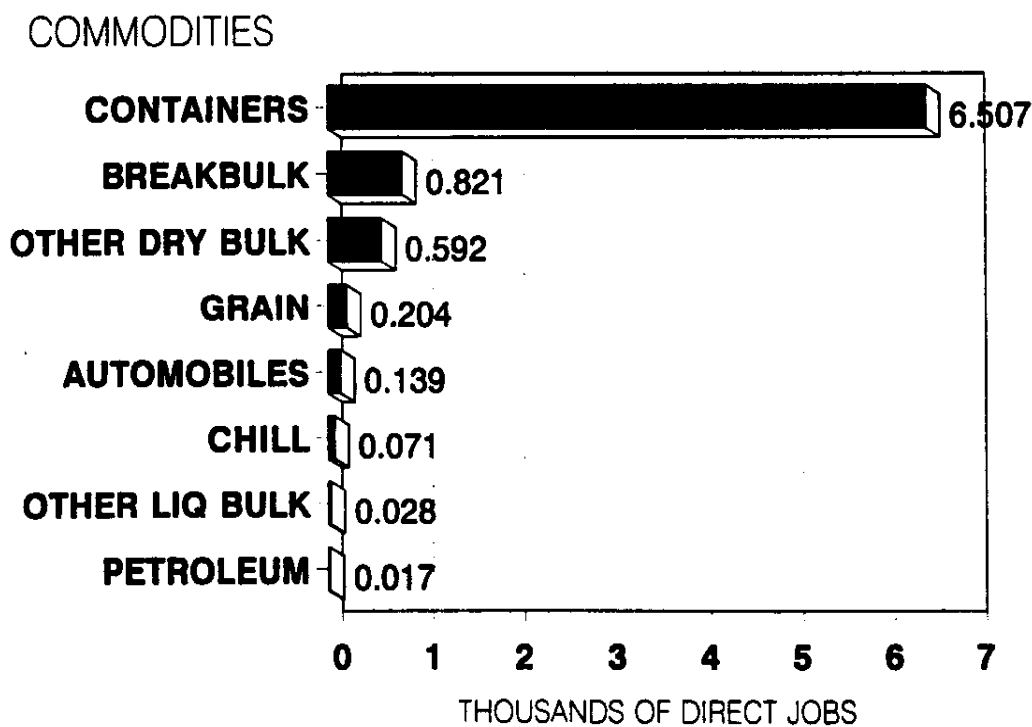
⁵ 2,729 jobs of the total 11,108 direct jobs generated by cargo and vessel activity at seaport-wide marine terminals are not allocated to specific commodities. These 2,729 direct jobs are with government agencies, shipyards and marine construction firms.

containerized cargo in the Seattle seaport. Furthermore, 6,332 direct jobs, or 76 percent of the total 8,379 seaport-wide direct jobs allocated to commodities are generated by cargo moving over the Port of Seattle's marine terminals. Of the jobs generated by the Port of Seattle's marine

Table II-5
Direct Jobs By Commodity Group

COMMODITIES	SEATTLE SEAPORT	PORT OF SEATTLE	PRIVATE TERMINALS
CONTAINERS	6,507	5,350	1,157
BREAKBULK	821	531	290
OTHER DRY BULK	592		592
GRAIN	204	204	
AUTOMOBILES	139	139	
CHILL	71	71	
OTHER LIQUID BULK	28	28	
PETROLEUM	17	9	8
NOT ALLOCATED	<u>2,729</u>	<u>535</u>	<u>2,194</u>
TOTAL DIRECT JOBS	<u>11,108</u>	<u>6,867</u>	<u>4,241</u>

Exhibit II-2
Direct Jobs By Commodity Group



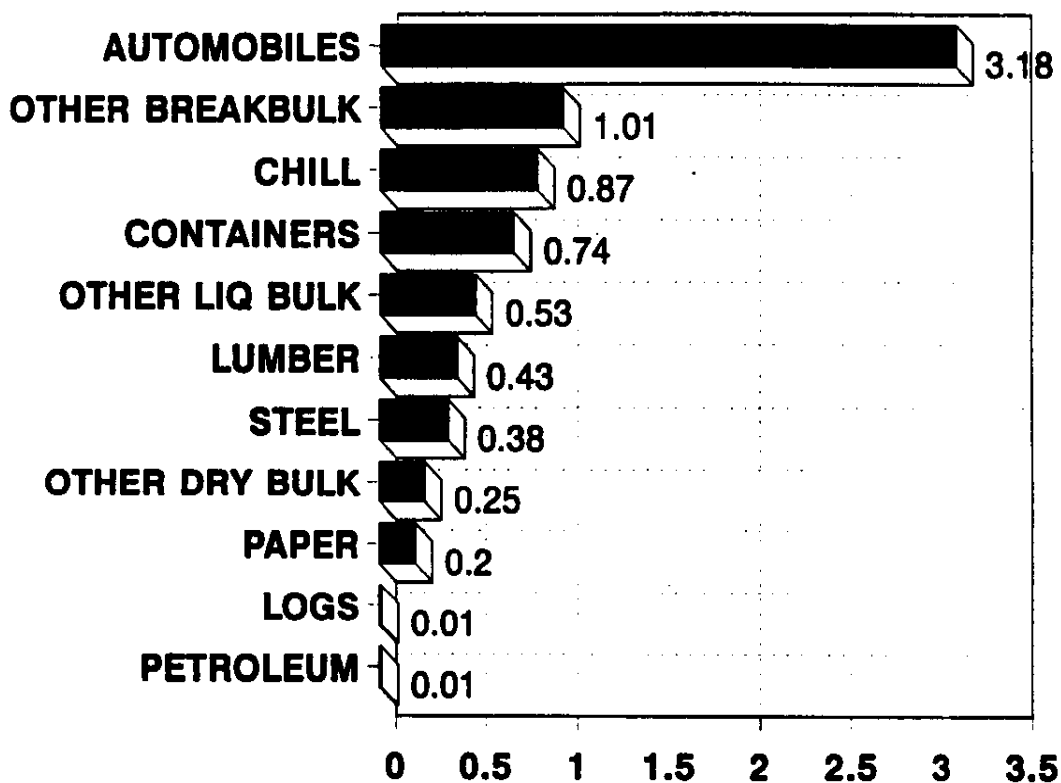
EXCLUDES NON-ALLOCATED JOBS

■ 1993

facilities, 85 percent is created due to the movement of containerized cargo.

The job impacts per ton and per acre of land dedicated to handling a specific commodity are key factors considered in planning decisions. Exhibit II-3 measures the direct jobs impact per 1,000 metric tons of cargo. This exhibit indicates that on a per 1,000 ton basis, automobiles generate the greatest impact, primarily due to the labor intensive processing and handling associated with imported automobiles. Breakbulk cargoes generate the next largest impact per 1,000 tons, followed by chilled cargo and containerized cargo. Because of the less labor intensive handling associated with bulk cargoes, the jobs per 1,000 tons generated by liquid bulk and dry bulk cargo are relatively small.

Exhibit II-3
Direct Job Impacts Per 1,000 Metric Tons*

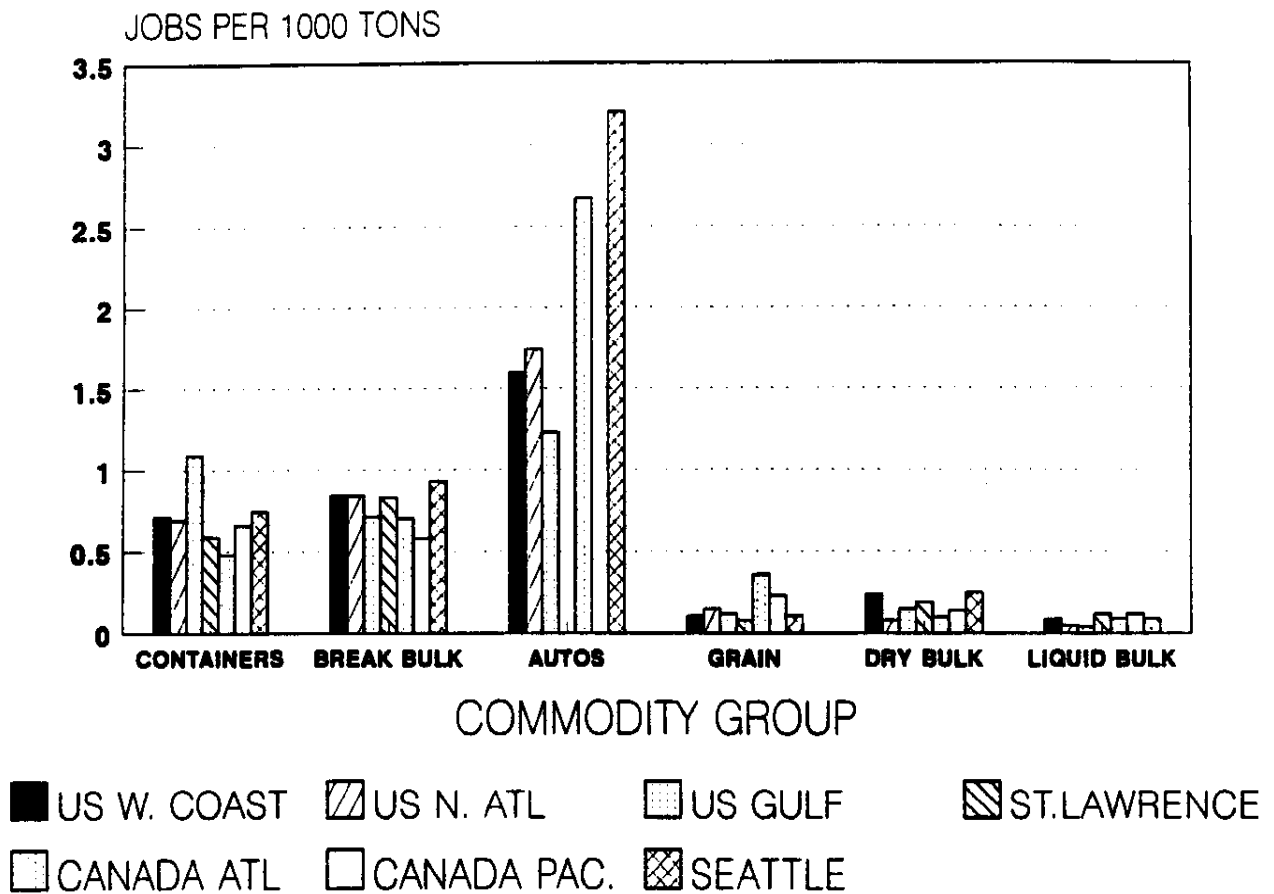


EXCLUDES DEPENDENT SHIPPERS/CONSIGNEES

*Direct jobs per commodity tonnage do not include "direct non-allocated jobs". Other liquid bulk includes tallow and molasses and excludes petroleum.

This finding that automobiles and breakbulk cargoes generate greater impacts than dry and liquid bulk cargoes is consistent with the results of the more than 70 seaport impact studies conducted by Martin O'Connell Associates. Exhibit II-4 compares the direct job impacts per 1,000 metric tons of cargo for Seattle and other port ranges. As this exhibit demonstrates, automobiles consistently generate the greatest job impacts per 1,000 tons, followed by breakbulk cargo and containerized cargo.

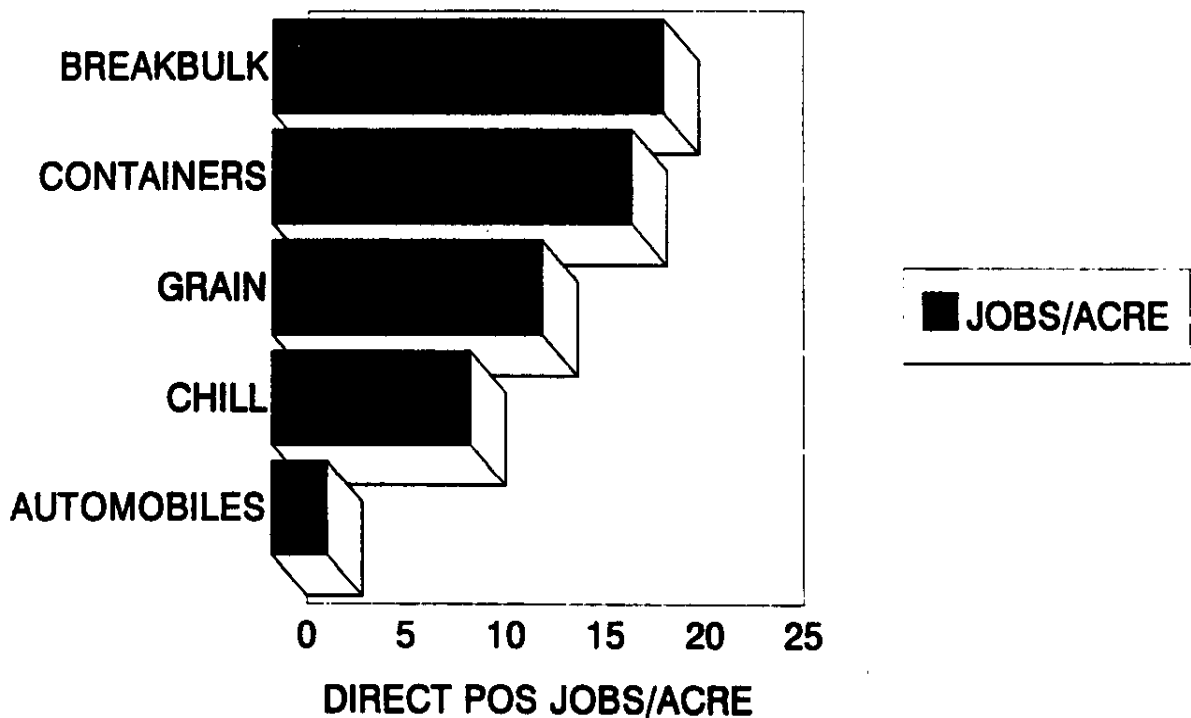
Exhibit II-4
Comparison Of Direct Job Impacts Per 1,000 Metric Tons
Selected Port Ranges



The direct job generation per acre of land dedicated to a particular type of commodity is an important consideration in future port development. To evaluate the job impact on a per acre basis, the number of acres dedicated to a particular type of commodity was provided to Martin O'Connell Associates by the Port of Seattle. The ratios of jobs generated by each type of commodity moving via the Port of Seattle's marine terminals were then developed and are presented in Exhibit II-5. As this exhibit demonstrates, on a per acre basis, breakbulk cargo generates nearly 20 jobs per acre, followed closely by containerized cargo. While automobiles generate the largest impact on a per 1,000 ton basis, automobiles are the most land intensive type of cargo handled at the Port of Seattle's marine terminals, and create the smallest job impact per acre.

Exhibit II-5
 Direct Jobs Generated Per Acre
 Port Of Seattle Marine Terminals

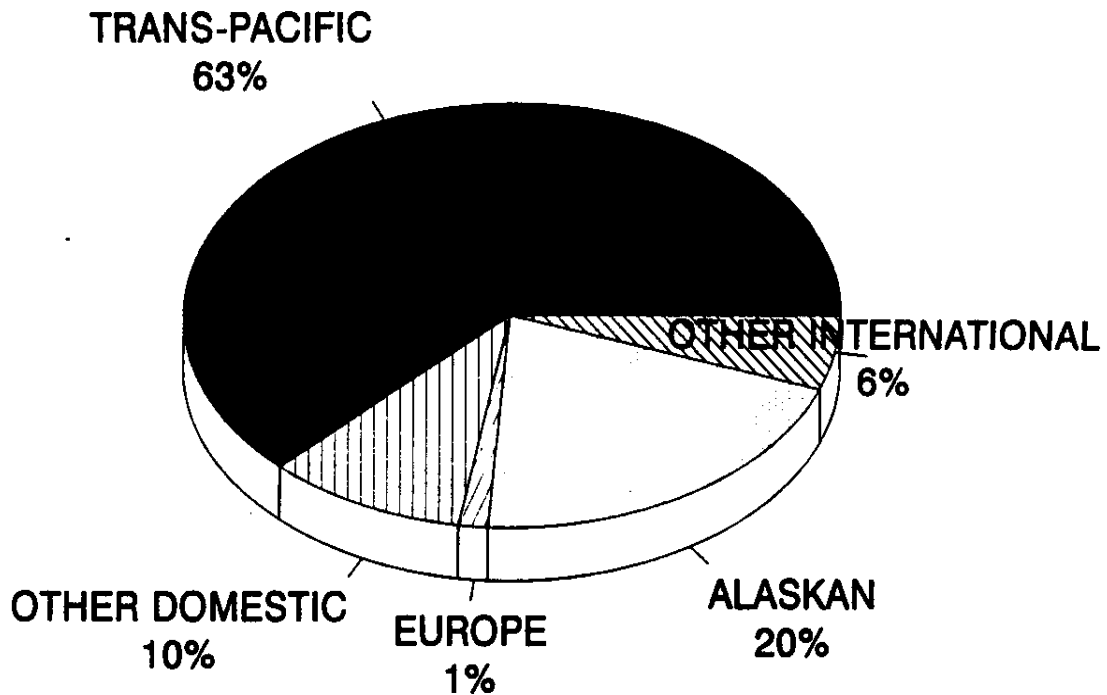
COMMODITY TYPE



(3) Employment Impact By Trade Route

Exhibit II-6 demonstrates the importance of the Transpacific trade, as nearly two-thirds of the direct job impacts are created by Transpacific cargo imports and exports moving via the Seattle seaport facilities.

Exhibit II-6
Direct Job Impacts By Trade Route



(4) Employment Impact By Place Of Residency

The importance of the Seattle seaport to the local and regional economy is underscored by the residency of those holding the 11,108 direct jobs. It is to be emphasized that this distribution represents the residency of 10,036 of the direct jobs, since it is not possible to accurately allocate the 1,072 rail crew jobs and associated overhead jobs that are generated as the result of cargo moving over the public and privately owned facilities in the Seattle seaport. As Table II-6 indicates, nearly 85 percent of the 10,036 direct non-rail crew jobs generated by seaport activity are held by residents of King County, of which about half are held by residents of Seattle.

Table II-6
Distribution Of Direct Jobs By Place Of Residence

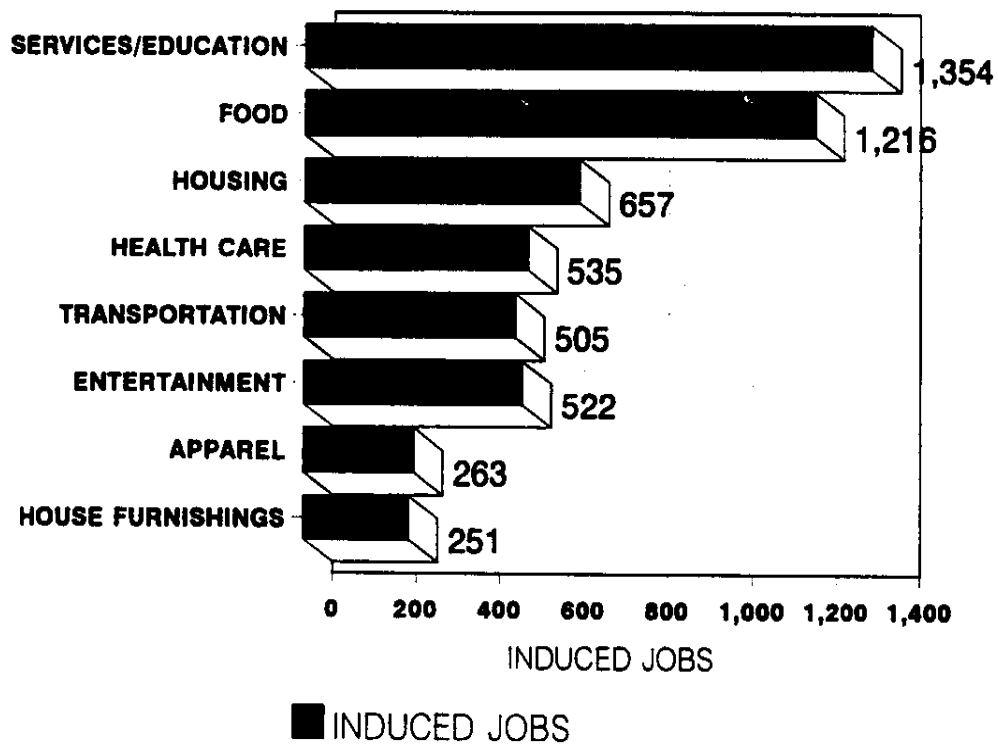
JURISDICTION	PERCENT COUNTY
AUBURN	3.14%
BELLEVUE	3.08%
BOTHELL	2.17%
BURIEN	4.56%
DES MOINES	1.68%
ENUMCLAW	1.18%
FEDERAL WAY	4.06%
ISSAQUAH	1.03%
KENT	5.94%
KIRKLAND	1.28%
MERCER ISLAND	0.64%
NORMANDY PARK	0.63%
REDMOND	1.01%
RENTON	3.51%
SEATAC	1.54%
SEATTLE	40.14%
TUKWILA	1.18%
VASHON	0.48%
OTHER KING COUNTY	5.94%
TOTAL KING COUNTY	<u>83.19%</u>
EDMONDS	1.69%
EVERETT	1.44%
MT. LAKE TERRACE	0.74%
OTHER SNOHOMISH	3.36%
TOTAL SNOHOMISH COUNTY	<u>7.23%</u>
TACOMA	3.20%
OTHER PIERCE	2.60%
TOTAL PIERCE COUNTY	<u>5.80%</u>
OTHER WASHINGTON	3.43%
OTHER	0.35%
TOTAL	100.00%

2.3.2 Induced Job Impact

The induced jobs are generated as the result of purchases of goods and services by those 11,108 directly employed as a result of marine cargo and vessel activity at Seattle seaport facilities. As the result of the local and regional purchases by these directly employed individuals, 5,303 induced jobs were supported in the state of Washington. The marine cargo and vessel activity at the Port of Seattle's facilities generated 3,353 of these 5,303 induced jobs. Exhibit II-7 shows the distribution of these induced jobs by type of employment. As the exhibit indicates, the greatest number of induced jobs are supported in local business services, social services and education services, followed closely by impacts with restaurants and grocery stores.

Exhibit II-7
Distribution Of Induced Jobs Generated By The Seattle Seaport

SUPPLYING INDUSTRIES



2.3.3 Indirect Job Impact

Indirect jobs are generated in the local economy as the result of local purchases by the firms directly dependent upon the Seattle seaport. Table II-7 presents these local indirect jobs. As this exhibit indicates, local purchases by tugs and barges create the greatest indirect impact, followed by local purchases by government agencies directly dependent upon the seaport, and then by shipyards providing vessel repair services. In total, 1,733 indirect jobs are generated in the local Seattle economy, of which cargo and vessel activity at Port of Seattle terminals generated 792 indirect jobs, as also presented in Table II-7. These indirect jobs reflect only the first round of purchases by local firms dependent upon the seaport. Additional rounds of indirect jobs were not estimated since it is not possible to trace the geographical distribution of the next round of purchases.

Table II-7
Indirect Jobs Generated By Local Purchases By Firms
Dependent Upon The Seattle Seaport

INDIRECT JOBS GENERATED BY PURCHASES FROM:	INDIRECT JOBS		
	SEATTLE SEAPORT	PORT OF SEATTLE	PRIVATE TERMINALS
BANKING AND INSURANCE	3		3
SURVEYORS	22	20	2
FREIGHT FORWARDERS	209	183	26
STEAMSHIP LINES AND AGENTS	78	65	13
CONTAINER LEASING/REPAIR	31	31	0
BUNKERING	52	47	5
CHANDLERS	56	50	6
TUGS/BARGES	415	65	350
GOVERNMENT	381	123	258
SHIPYARDS	323	59	264
REEFER STORAGE/WAREHOUSING	10	5	5
MISCELLANEOUS	9		9
PORT OF SEATTLE	<u>144</u>	<u>144</u>	<u>0</u>
TOTAL	<u>1,733</u>	<u>792</u>	<u>941</u>

2.3.4 Related Job Impact

In addition to the direct and induced jobs, an estimate of jobs related to cargo moving via the Seattle seaport was developed. It is estimated that 55,033 jobs with regional manufacturing and distribution firms are related to cargo moving via the Seattle seaport marine terminals. It is to be emphasized that these jobs are only related jobs, not jobs dependent upon the Seattle seaport. These jobs are with shippers/consignees and manufacturers located throughout the region who ship via the Seattle seaport, as well as via other ports, including Tacoma.

Interviews with 63 shippers and consignees involved primarily with containerized cargo indicated that the selection of an ocean carrier is the key factor, rather than the selection of a port. In essence, the containerized cargo shipper and consignees are port blind. The ocean carrier is selected based on a combination of factors, including sailing frequency, world areas served, time of delivery, price and reliability in terms of schedule adherence and information systems. The port choice is determined by the ocean carrier.

Therefore, jobs with these shippers and consignees cannot be classified as totally dependent upon the existence of the Seattle seaport. However, it is to be emphasized that even though the shippers/consignees use both the ports of Seattle and Tacoma, the majority of the users are located in Seattle. Similarly, even though the same service firms, such as freight forwarders and agents, provide service to both Seattle and Tacoma, these firms also tend to be located in Seattle.

With this explanation of related users, Table II-8 presents the distribution of related users by commodity/commodity type moving via the Seattle seaport and the Port of Seattle marine terminals.

The majority of the related jobs are with containerized cargo shippers and consignees. Furthermore, since the majority of the containerized cargo moves via the Port of Seattle-owned facilities, it is not surprising that 94 percent of the related jobs are generated by cargo moving over the Port of Seattle's marine terminals.

Table II-8
 Related Job Impacts
 Seattle Seaport And The Port Of Seattle Marine Terminals

COMMODITIES	SEAPORT	PORT OF SEATTLE TERMINALS	PRIVATE TERMINALS
CONTAINERS	52,538	50,496	2,042
STEEL	451	225	226
LUMBER	411	411	0
PAPER	1,061		1,061
CHILL	<u>572</u>	<u>572</u>	0
TOTAL RELATED	<u>55,033</u>	<u>51,704</u>	<u>3,329</u>

2.4 Business Revenue Impact of the Seattle Harbor

In 1993, activity at the Seattle seaport created more than \$1.3 billion of gross receipts to firms supplying cargo or vessel handling services. The cargo and vessel activity at the Port of Seattle marine terminals generated \$981.3 million of this \$1.3 billion revenue impact.

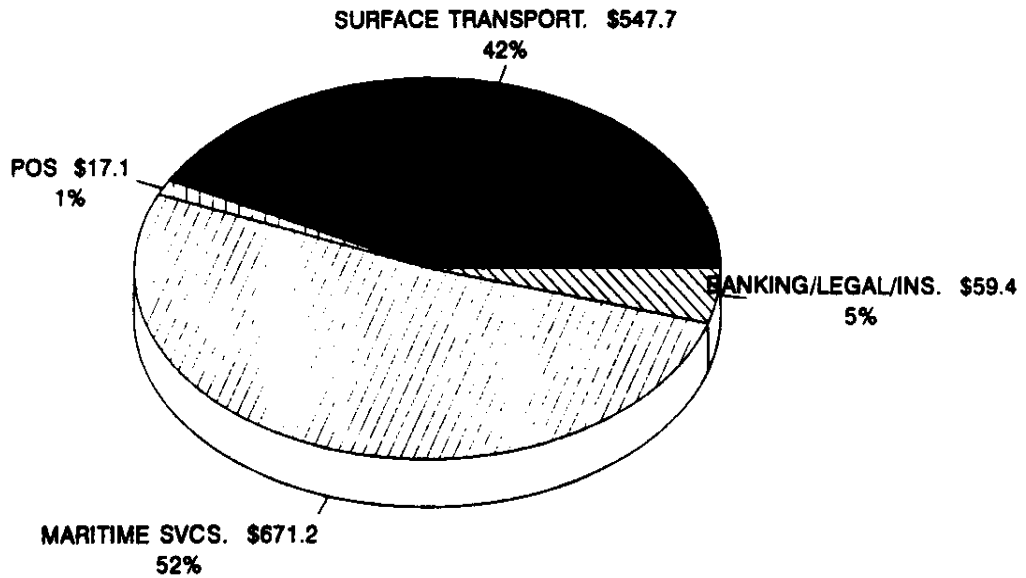
2.4.1 Revenue Impacts By Sector

Exhibit II-8 shows the distribution of this revenue impact by economic sector.

As this exhibit indicates, the majority of the revenue, 52 percent, is received by firms in the maritime service sector, followed by 42 percent of the revenue impact concentrated with surface transportation companies moving the cargo to and from the Seattle seaport. It is to be emphasized that this revenue impact should not be viewed totally as a local or state impact, but instead as a national, even international impact. For example, the revenue received by firms providing services is used to hire labor, to pay state, local and Federal taxes, to pay stockholder dividends, invest, retire debt, and to purchase goods and services. These uses of revenue suggest that only the payment of wages and salaries to employees residing in the state, the purchase of local goods and services, and the payment of state

and local taxes can be identified as remaining in the state of Washington. The other portions of the revenue impact cannot be isolated geographically with the same degree of defensibility.

Exhibit II-8
Distribution Of The Direct Revenue Impact
Generated By The Seattle Seaport



DOLLARS ARE IN MILLIONS

2.4.2 Revenue Impacts By Commodity

About \$1 billion of the total \$1.3 billion revenue impact of the Seattle seaport can be allocated to commodities/commodity types moving over the marine terminals in the Seattle seaport. The remaining \$288.9 million of revenue cannot be allocated to specific commodities. Exhibit II-9 shows the distribution of the \$1 billion direct revenue impact by commodity. Similar to the direct jobs impacts by commodity, the handling of containerized cargo generates the greatest revenue, accounting for more than 75 percent of the total revenue impact allocated to commodities moving via marine terminals in the Seattle seaport.

Exhibit II-9
 Distribution Of The Direct Revenue Impact⁶, By Commodity
 For The Seattle Seaport

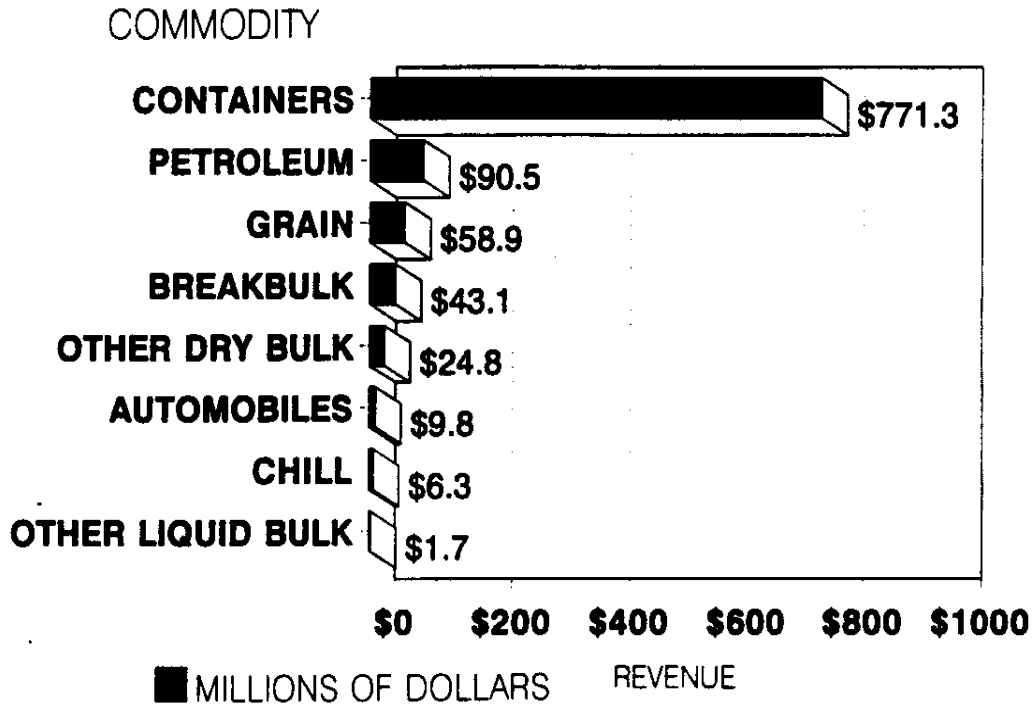
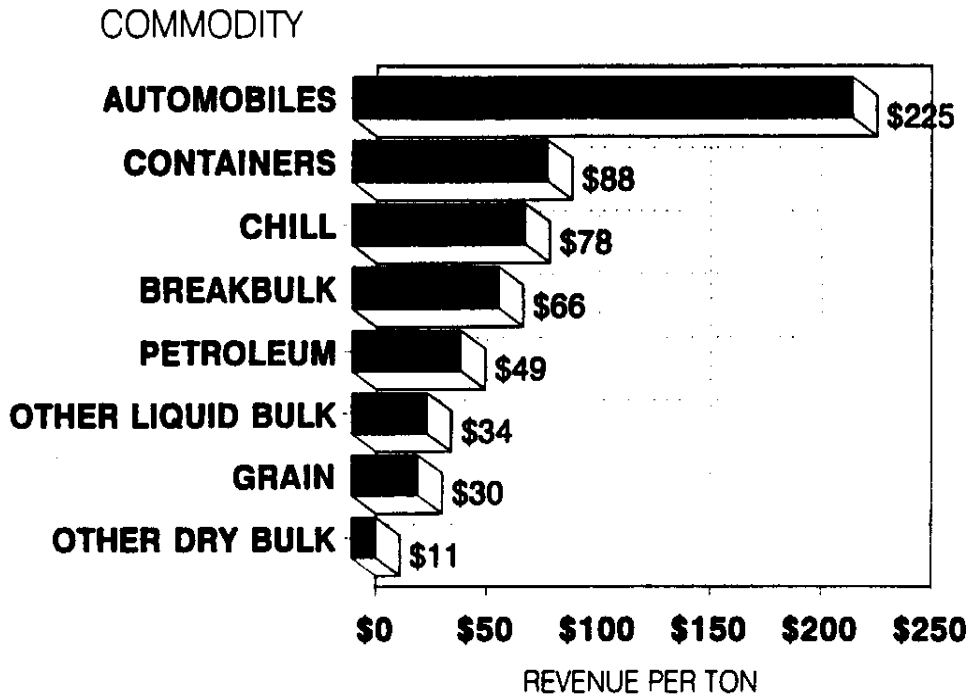


Exhibit II-10 presents the revenue per ton impact generated by each type of commodity handled at the Seattle seaport. Because of the value-added processing services associated with import automobiles at the Port of Seattle's auto import facility, autos generate the greatest revenue per ton, followed by containers, breakbulk, chill cargo, and miscellaneous breakbulk cargoes. Bulk cargoes typically generate a much lower value per ton, since the movement of that cargo is less labor intensive than general cargoes such as containers and breakbulk cargo. Also, the majority of the revenue generated by bulk cargoes is in the surface transportation sector, either rail or truck, while for breakbulk and containers, the majority of the revenue impacts are concentrated in the maritime services sector, primarily with stevedores and terminal operators, agents and chandlers and warehousing operations.

⁶\$288.9 million of revenue is not allocated to commodities moving via the Seattle Seaport. This non-allocated revenue is received by shipyards, banking/insurance and admiralty law firms.

Exhibit II-10
 Distribution Of Revenue Impacts Per Ton
 For The Seattle Seaport



The following two sections summarize the personal earnings impact and the tax impact created by the Seattle Harbor.

2.5 Employee Earnings Impact Of The Seattle Seaport

The 11,108 individuals directly employed as a result of activity at the Seattle seaport in 1993 received \$434.6 million in wages and salaries. Of the \$434.6 million of direct earnings, \$276.2 million was earned by the 6,867 directly generated jobs due to cargo moving over the Port of Seattle's marine terminals. These individuals, in turn, use the earnings to purchase goods and services (both from in-state as well as out-of-state sources), to pay taxes, and for savings. The purchases of goods and services from in-state sources creates an in-state re-spending effect known as the personal earnings multiplier effect. This re-spending, or multiplier effect, was estimated using a personal earnings multiplier of 2.06, which indicates that for every \$1 earned in the state, an additional \$.51 is created due to re-spending of the initial \$1 throughout the state. Using the personal earnings multiplier, the total earnings impact, (including sales revenue generated by direct employee consumption activities) is estimated at \$897.3 million. Of the \$897.3 million of total personal income and consumption expenditures, \$578.3 million was generated due to cargo activity at the Port of Seattle's marine terminals.

2.6 State And Local Tax Impact

Total state and local tax impacts generated by activity at the Seattle seaport are estimated at \$67.9 million, of which \$42.3 million were generated by activity at the Port of Seattle's marine terminals. Table II-9 shows the breakdown of the tax impacts by generated by the maritime activity at public and private terminals in the Seattle seaport and by the Port of Seattle marine terminals. Of the \$67.9 million of state and local taxes generated, \$52.4 million were generated at the state level, \$6.2 million at the county level and \$9.3 million at the local level.

Table II-9
State And Local Tax Impacts
Created By The Seattle Seaport

JURISDICTION	SEAPORT	PORT OF SEATTLE	PRIVATE TERMINALS
	(MILLIONS)	(MILLIONS)	(MILLIONS)
STATE	\$52	\$33	\$20
COUNTY	\$6	\$4	\$2
MUNICIPAL	<u>\$9</u>	<u>\$6</u>	<u>\$4</u>
TOTAL	<u>\$68</u>	<u>\$42</u>	<u>\$26</u>

In the following section, the economic impacts generated by the Port of Seattle's Fishermen's Terminal is presented.

3. THE ECONOMIC IMPACT OF THE PORT OF SEATTLE'S FISHERMEN'S TERMINAL

A second key component of the Seattle seaport is the local and distant water fishing fleet based at the Port of Seattle's Fishermen's Terminal. *It is to be emphasized that the Washington based fishing fleet uses other terminals and moorings throughout the Seattle and Puget Sound areas. The purpose of this impact analysis is to focus only on the impacts generated by the fleet using Fishermen's Terminal. As a result, the impacts of the fishing fleet at Fishermen's Terminal are only a subset of the total economic impacts generated by the fishing industry in Seattle and the Puget Sound Region.*

Fishermen's Terminal is owned and operated by the Port of Seattle, and combines a working fish terminal with public restaurants and retail shops. In 1993, 433 fishing boats were moored at Fishermen's Terminal, and another 467 fishing boats visited the Terminal's working docks. While tied up at Fishermen's Terminal, these vessels make numerous purchases of goods and services from local firms. Such purchases include expenditures for shipyard repair services, painting, electronic equipment, engine and propulsion services, fishing gear, packaging material, fuel, insurance, legal services, and ship stores (food and supplies for the crew). These purchases by the fishing fleet in turn support local jobs with shipyards, ship chandlers, electronics retailers, marine engine specialists, local retail and grocery stores, lawyers and insurance brokers, and hardware stores.

In addition to the direct jobs supported by the purchases by the fishing fleet using the Port of Seattle's Fishermen's Terminal, impacts are also generated by the public restaurants and retail stores located on the Terminal.

To estimate the economic impacts generated by Fishermen's Terminal, the types of fishing vessels using the Terminal were profiled. It is necessary to estimate the economic impacts by type of vessels, since each type of fishing boat has a very different expenditure profile, which is a function of such factors as:

- . The size of the boat
- . Designed purpose of the vessel -- a catcher boat which catches fish and delivers the catch to on-shore or off-shore processors, a tender -- which services the fishing fleet with supplies and ship stores, or a factory ship or processor -- which processes fish at sea.
- . Type of fishing gear used, such as the use of longlines

versus nets

- . Where the fishing is done - in local or distant waters

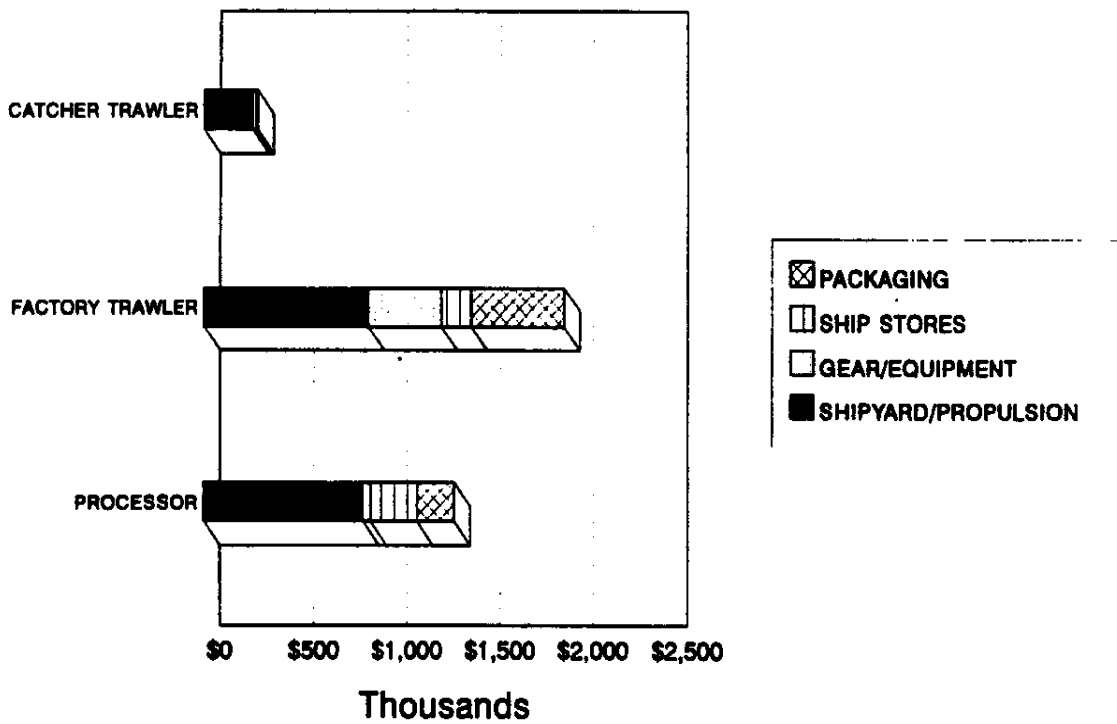
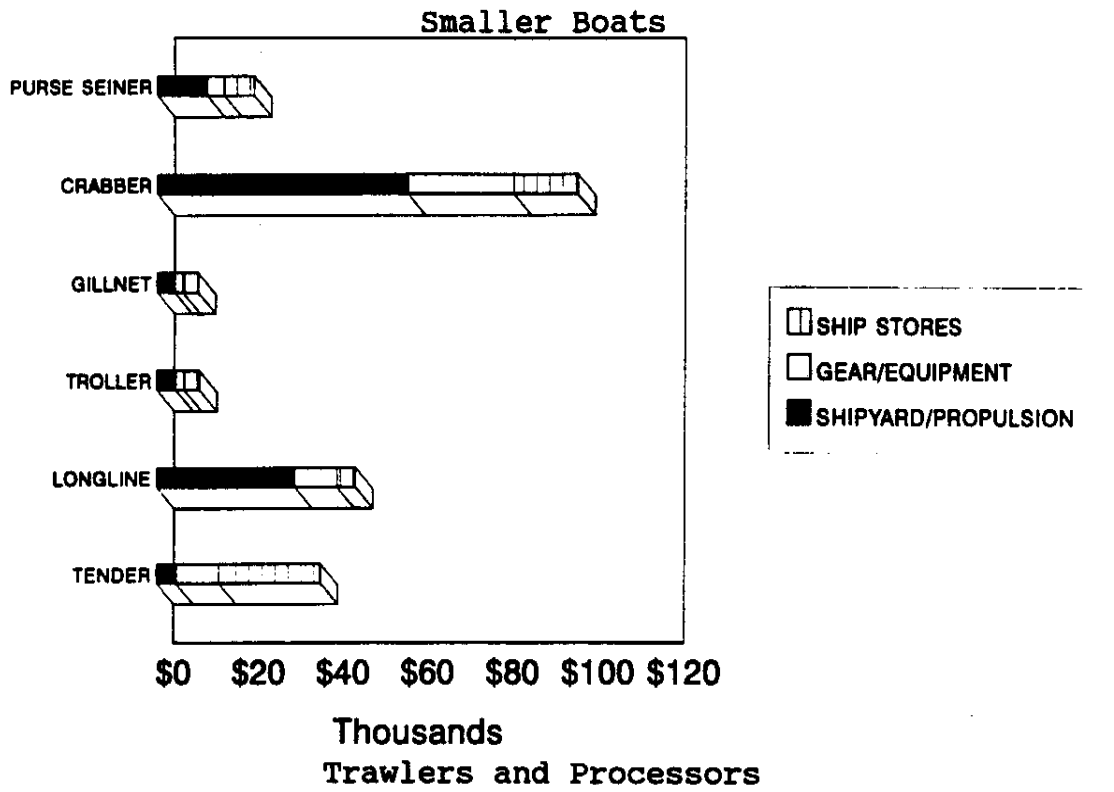
The fishing fleet based at the Port of Seattle's Fishermen's Terminal consists of the following types of vessels:

- . Purse Seine vessels, which typically fish for salmon and herring via the use of a purse seine net
- . Gillnet boats, which use gillnets for salmon and herring fishing
- . Trollers, which troll for salmon using lines
- . Longline vessels which fish for groundfish such as halibut and cod using a hook and line gear
- . Crab boats, which include crab catchers using crab pots as well as crab processors which process the crab at sea
- . Catcher trawlers which catch fish by dragging a net
- . Factory trawlers which catch and process frozen fish at sea
- . Processors, which are large "mother" vessels that receive fish from catcher boats and process the fish at sea
- . Tenders, are essentially supply boats servicing the various fishing fleets and transporting fish.

To estimate the expenditures for each type of vessel, Martin O'Connell Associates conducted interviews with the various trade associations representing the types of boats operating from the Fishermen's Terminal. Interviews were also conducted with individual boat operators identified by the trade associations, as well as interviews with fleet managers of processing companies. Furthermore, interviews were conducted with shipyards specializing in providing services to the Seattle based fishing fleet, as well with chandlers, hardware and electronics retailers, lawyers and engine and propulsion shops.

Exhibit II-11, on the following page, presents the expenditures in Seattle per vessel for the fleet based at Fishermen's Terminal in 1993. These expenditures were then combined with jobs to value of sales ratios in corresponding supplying industries, to estimate the number of local direct jobs supported by the vessels based at Fishermen's Terminal. Added to these direct jobs are the number of crew employed by the fleet at

**Exhibit II-11
Annual Expenditures In Seattle By Fishing Vessels
Using Fishermen's Terminal**



Fishermen's Terminal, attorneys and insurance brokers providing services to the fisherman at the Terminal, and employees with the restaurants and retail stores located at Fishermen's Terminal.⁷

Table II-10 presents the economic impacts generated by the Port of Seattle's Fishermen's Terminal in 1993.

Table II-10
Economic Impacts Of Fishermen's Terminal

JOB IMPACTS	
DIRECT	4,007
INDUCED	2,293
INDIRECT	NA
RELATED	<u>472</u>
TOTAL JOBS	<u>6,772</u>
PERSONAL INCOME	
(MILLIONS)	
DIRECT	\$195
RE-SEPNDING	<u>\$208</u>
TOTAL	<u>\$403</u>
EARNINGS/DIRECT JOB	\$48,690
BUSINESS REVENUE	
(MILLIONS)	
	\$145
STATE/LOCAL TAXES	
(MILLIONS)	
	\$26

In 1993, Fishermen's Terminal generated the following impacts:

- . 4,007 direct jobs, including full-time equivalent jobs with the fishing crew based at Fishermen's Terminal, jobs with local shipyards, chandlers, engine/propulsion repair shops, retail stores, suppliers of fishing gear, insurance brokers, and public restaurants and retail stores at Fishermen's Terminal.
- . As the result of purchases by these 4,007 directly generated jobs, an additional 2,293 induced jobs are created in the local economy.

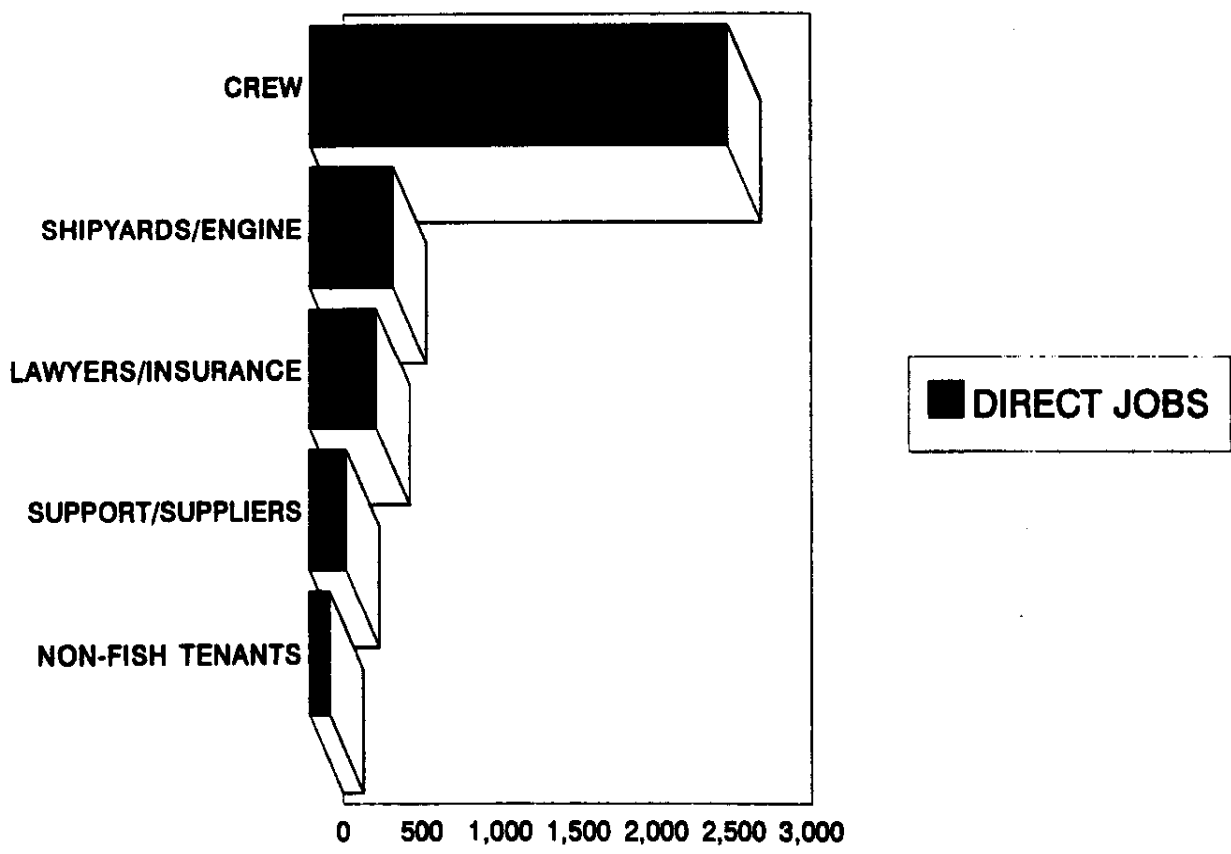
⁷The employees with the cold storage operators and fish processors are included as impacts of the Port of Seattle seaport, and cannot be double counted when combining the economic impacts of the Fishermen's Terminal and the Seattle seaport.

- . The 4,007 direct jobs earned \$195 million in direct wages and salaries. As the result of re-spending of this income, an additional \$165.8 million of personal income and consumption expenditures are generated.
- . Local businesses received \$144.9 million of revenue from the purchases by the fishing fleet at Fishermen's Terminal. This does not include the landed value of the fish catch.
- . State and local governments received \$26.1 million of tax revenue from the activity generated by the Port of Seattle's Fish Terminal.

The distribution of the direct job impacts by type of activity is shown in Exhibit II-12, on the following page. As this exhibit demonstrates, the majority of the 4,007 direct jobs are held by crew members, followed by jobs with the local shipyards/engine propulsion companies, insurance brokers and lawyers, and retailers.

In addition to these direct and induced job impacts, 472 fish processing jobs are estimated to be related to Fishermen's Terminal.

Exhibit II-12
Distribution Of The Direct Jobs Generated By Fishermen's Terminal



4. THE ECONOMIC IMPACT OF PASSENGER TRANSPORTATION IN THE SEATTLE SEAPORT

The third component of the economic impacts generated by the Seattle seaport is the economic impact of waterborne passenger transportation. This last component includes the impacts generated by harbor tourboat cruises, headquarters of Alaska cruise vessel and tour operators based in Seattle, the Port of Seattle's Shilshole Bay Marina, cruise operations to and from British Columbia, and the Seattle based operations of the Washington State Ferry System.

As with the measurement of the seaport and Fishermen's Terminal impacts, the economic impacts generated by the Seattle seaport passenger activity are estimated in terms of:

- . Direct and induced jobs
- . Personal Income, including the re-spending impact (personal income and consumption expenditures)
- . Business revenue received by the tour operators and moorage fees received by the Port of Seattle from the Shilshole Bay Marina
- . State and local taxes generated from passenger operations in the Seattle seaport.

To identify these impacts, interviews were held with 14 cruise and tour boat operators to identify Seattle-based impacts, as well as the potential to initiate/expand cruise service in Seattle. A separate computer model has been developed by Martin O'Connell Associates to measure the impacts of existing cruise and tour boat operations based at the Port of Seattle facilities, as well as other private terminals throughout the seaport.

Based on the results of the interviews, the impacts of waterborne passenger activity in the Seattle seaport are estimated and presented in Table II-11. Also included in this table are impacts generated by passenger activity using Port of Seattle facilities only, such as the impacts generated at Shilshole Bay Marina* and by cruise/tourboat operators that are tenants of the Port of Seattle.

*The Shilshole Bay Marina impacts include impacts generated by tenants of the Marina, such as restaurants, professional offices and retail outlets.

Table II-11
Economic Impacts Of Waterborne Passenger/Tour Boat Activity

	SEAPORT	PORT OF SEATTLE	PRIVATE TERMINALS
JOB IMPACTS			
DIRECT	1,944	267	1,677
INDUCED	674	90	584
INDIRECT	NA	NA	NA
RELATED	NA	NA	NA
TOTAL JOBS	<u>2,618</u>	<u>357</u>	<u>2,261</u>
PERSONAL INCOME (MILLIONS)			
DIRECT	\$50	\$7	\$44
RE-SPENDING	<u>\$54</u>	<u>\$6</u>	<u>\$48</u>
TOTAL	<u>\$104</u>	<u>\$13</u>	<u>\$91</u>
EARNINGS/DIRECT JOB	\$25,926	\$24,955	\$971
BUSINESS REVENUE (MILLIONS)	\$83	\$22	\$61
STATE/LOCAL TAXES (MILLIONS)	\$11	\$2	\$9

As this table indicates, waterborne passenger activity generated the following impacts:

- . 1,944 direct jobs, of which 267 direct jobs were generated by Port of Seattle facilities
- . As a result of purchases by these 1,944 direct jobs, 674 induced jobs were generated in the local economy. Of the 674 induced jobs, 90 were generated by passenger and marina operations at facilities operated by the Port of Seattle.
- . The 1,944 direct jobs received \$50.3 million of direct wages and salaries, of which \$6.7 million was generated by the tour boat and cruise operations using the Port of Seattle's facilities and from the Shilshole Bay Marina. As the result of the re-spending impact, a total of \$104 million of personal income and local consumption expenditures were generated.
- . The cruise/tourboat operators, Washington State Ferry System and the Port of Seattle received \$82.5 million

of business revenue from the passenger operations in the Seattle seaport. Operators using Port of Seattle facilities and the Shilshole Bay Marina received \$21.6 million of business revenue.

In the next chapter, the economic impacts of the Seattle-Tacoma International Airport are presented.

III. THE ECONOMIC IMPACTS OF SEA-TAC INTERNATIONAL AIRPORT

This chapter presents the results of the economic impact analysis of the air passenger and cargo activity at Sea-Tac International Airport for calendar year 1993. The first section provides an overview of the airport impact structure, section 2 details the employment impacts, an overview of the business revenue impacts generated, section 4 summarizes the employee earnings impact, state and local taxes and Federal aviation specific taxes are summarized section 5, and visitors industry impacts are presented in section 6.

1. OVERVIEW OF THE AIRPORT IMPACT STRUCTURE

An airport, like a seaport, is a diverse economic system. Passenger and cargo activity also generate impacts through various sectors of the economy. These sectors are:

- . Airline/airport service sector
- . Freight transportation sector
- . Passenger ground transportation sector
- . Contract construction/consulting services sector
- . Visitors industry sector.

Each of these sectors covers a variety of activities. A discussion of these five sectors is provided below, with a description of the major participants in each.

(1) Airline/Airport Service Sector

The airline/airport service sector consists of airlines providing passenger services, and firms (and government) providing support services to the airlines, passengers, and to the airport. This group consists of the following participants:

- . Passenger Airlines
- . Catering Firms (those providing food services to airlines)
- . Janitorial Firms
- . Sky Caps
- . Security Firms
- . Aviation Service Firms (including fixed base operators that supply aircraft parts, fueling, and other ground services to airlines)
- . Airport Retail Tenants (i.e., newsstands, retail

shops, restaurants, etc.)

- . State, city, and Federal, government agencies (i.e., Federal Aviation Administration, Post Office, and U.S. Customs, etc.)
- . Port of Seattle employees that are dedicated to overseeing the activity at Sea-Tac
- . Parking and miscellaneous (kennels, etc.).
- . Banks and insurance firms that provide services to passengers using Sea-Tac for currency exchange and flight insurance. Also, with respect to air cargo, banks perform such services as writing letters of credit for international transactions and insurance firms provide air cargo insurance.

Jobs in this category are typically located on the airport property.

(2) Freight Transportation Sector

Freight transportation includes freight airlines, freight forwarders, and trucking firms involved in transporting air cargo. The air cargo consists of air freight and mail transported on dedicated freight airlines and in the cargo section of passenger airlines. Included in this group are air couriers, freight forwarders, and common carrier trucking firms located throughout the Seattle area. Jobs in this category are located both on and off the airport.

(3) Passenger Ground Transportation Sector

Passenger ground transportation consists of car rental firms and other ground transportation modes, such as buses, taxis and limousines. This group covers all transportation of individuals to and from Sea-Tac International Airport and includes both drivers and supporting dispatch and maintenance employees.

(4) Contract Construction and Consulting Sector

Individuals employed in this group include those providing construction and remodeling work at Sea-Tac, as well as architects and engineers providing planning and design services. These services are provided to the airlines as well as to the Port of Seattle.

(5) Visitor Industry Sector

Passengers arrive in the Seattle area via Sea-Tac for several purposes, including business, pleasure, and conventions. As a result of these out-of-town residents purchasing lodging, food, and entertainment, jobs are created in the service and retail industries in the area. Also included in this sector are jobs created with local travel agents. The impacts in this sector are based on a detailed passenger survey of 3,500 passengers conducted during the course of the study.

Two types of user jobs for the airport impact analysis were considered. Freight related jobs consist of firms using the airport for the shipment of air freight. Also, employees of major local service firms and company headquarters use the airport on a regular basis. These related job impacts are estimated separately.

Consistent with measurement of the impacts generated by seaport activity, the four types of impacts estimated are:

. **Jobs:**

- Direct jobs, are those jobs that would be dislocated if the airport were to close
- Induced jobs, are jobs generated in the state of Washington by purchases of goods and services by those directly employed
- Indirect jobs, which are the result of the first round of local purchases by firms directly dependent upon the airport. As with the seaport impacts, in order to ensure the defensibility of the study, only indirect jobs generated at the first round of re-spending are estimated, since the local purchases are based on survey responses, and not on input-output models.

. **Personal Earnings:**

- Direct personal earnings, which consist of wages and salaries received by those directly employed by airport activity
- Re-spending effect, which is earnings and consumption created in the state of Washington as the result of re-spending the direct employee earnings throughout the economy.

. **Business revenue, which consists of revenue received by**

firms providing services to airlines, passengers and air cargo shippers/consignees.

Tax impacts include state and county tax impacts as well as taxes paid to airport-specific Federal tax funds.

Table III-1 summarizes the economic impacts generated by passenger and air cargo activity at Sea-Tac International Airport.

**Table III-1
Summary Of Economic Impacts Generated By
Sea-Tac International Airport**

	AIRPORT GENERATED	VISITOR INDUSTRY	TOTAL
IMPACTS			
JOBS			
DIRECT	14,381	64,330	78,711
INDUCED	6,119	13,363	19,482
INDIRECT	1,497	NA	1,497
RELATED	106,000	NA	106,000
TOTAL	127,997	77,693	205,690
PERSONAL INCOME (MILLIONS)			
DIRECT	\$487.3	\$765.0	\$1,252.3
RESPENDING	\$518.8	\$814.5	\$1,333.3
TOTAL	\$1,006.1	\$1,579.5	\$2,585.6
EARNINGS/DIRECT JOB	\$33,885	\$11,892	\$15,910
BUSINESS REVENUE (MILLIONS)	\$2,938.4	\$3,417.3	\$6,355.7
STATE & LOCAL TAXES (MILLIONS)	\$84.9	\$321.7	\$406.6
FEDERAL AVIATION TAXES (MILLIONS)	\$199.0		\$199.0
U.S. CUSTOMS (MILLIONS)	\$45		\$45

In total, 78,711 direct jobs were generated by activity at Sea-Tac and as a result of local purchases by visitors arriving in the Seattle area via Sea-Tac. As the result of local and regional purchases by these individuals, nearly 20,000 induced

jobs were supported in the local and state economies. As the result of the local purchases by firms dependent upon Sea-Tac, about 1,500 indirect jobs are also generated in the local economy.

More than 100,000 jobs are related to the air freight shipped through Sea-Tac. These jobs are classified as related to Sea-Tac, since it is the demand for the products shipped by air that generated the employment, not the fact that the air freight was shipped by air carriers using Sea-Tac.

Nearly \$1.3 billion of direct earnings were received by the 78,711 direct employees, and when the re-spending impact is considered, the total of income and consumption expenditure impact of Sea-Tac is estimated at \$2.6 billion.

Businesses providing services at the airport as well as those local visitor industry businesses providing services to the air visitors received \$6.4 billion of total, direct revenue. The state and local governments received \$406.6 million of tax revenue, and while \$199 million of Federal aviation-specific tax revenue was generated, a portion of which is received by the Aviation Trust Fund for future airport development nationwide. In addition, \$45 million of customs receipts were also collected by the Federal government as the result of airport activity at Sea-Tac.

The first section of this chapter details the employment impacts generated by activity at Sea-Tac. As with the seaport impacts, a more detailed discussion is provided for the employment impacts, since the direct job impacts drive the earnings and tax receipts.

2. EMPLOYMENT IMPACTS GENERATED BY PASSENGER AND AIR CARGO ACTIVITY AT SEA-TAC

In this section, the employment generated by activity at Sea-Tac International Airport is estimated. Employment impacts with the visitors industry is discussed in Section 6 of this chapter. The section is organized as follows:

- . Jobs are estimated in terms of the economic impact sectors, for job categories within each sector, and by type of activity.
- . Job impacts are allocated to local jurisdictions based on the residence of those that are dependent upon airport activity.
- . Induced jobs are estimated by industry for those industries supplying goods and services to individuals directly dependent on Sea-Tac.

- Indirect jobs are estimated as the result of local purchases by the firms dependent upon the airport activity
- Finally, jobs related to airport activity are discussed in the fourth section.

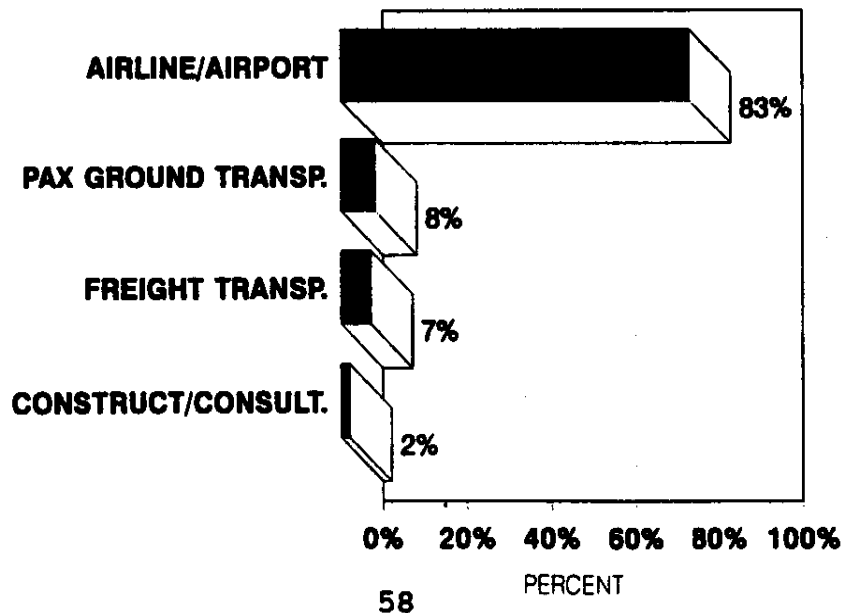
2.1 Job Impacts By Sector

In 1993, 21,997 direct, induced and indirect jobs were created by activity at Sea-Tac International Airport. Of these jobs:

- 14,381 direct jobs are dependent upon activity at Sea-Tac. These jobs would be discontinued immediately if airport activity ceased. Also, these jobs would be impacted as a result of changes in the number of flights and passenger levels.
- 6,119 induced jobs are created in the state due to the purchases of goods and services those directly dependent upon activity at Sea-Tac.
- 1,497 indirect jobs were supported in the local economy due to purchases by the businesses directly dependent upon the activity at Sea-Tac.

As Exhibit III-1 shows, 83 percent of the 14,381 jobs directly generated by airport activity is concentrated in the airline/airport service category. The number of jobs in the other sectors is small in comparison.

**Exhibit III-1
Direct Job Impacts Due To Activity At
Sea-Tac International Airport**



This concentration of airport impacts is similar to that found at other airports for which Martin O'Connell Associates has recently conducted economic impact studies. Exhibit III-2 compares the distributions of the direct job impacts at Sea-Tac with those at other airports.

Exhibit III-2
Comparison Of The Distribution Of
Impacts By Economic Sector

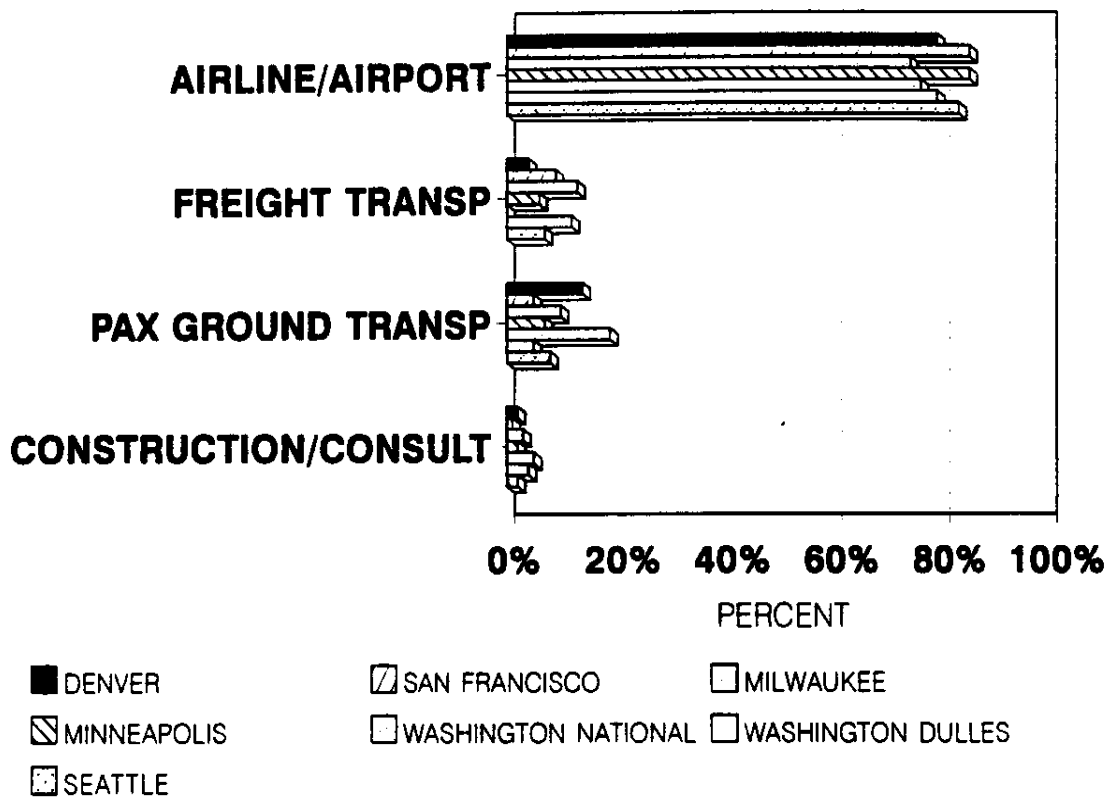


Table III-2 shows the distribution of direct employment within each major sector. Jobs with passenger airlines account for about 70 percent of job impacts in the airline airport service sector. The 8,197 direct jobs with airlines include flight crew and pilots living in Washington, jobs with ticket agents, dispatchers, equipment mechanics and technicians, sky caps, and custodial workers who are employees of the airlines (and not contractors to the airlines), and airline management and clerical jobs. It is clear from this diverse set of jobs with airlines that certain jobs are dependent upon the number of flights at Sea-Tac International Airport, others are dependent upon the number of passengers at the airport, while still other jobs, such as those with a system maintenance facility (i.e., Alaska Airlines) or with airline management, are dependent upon airline corporate decisions and airline system activity.

As a result of this diversity in the types of jobs with airlines and their dependency upon the airport activity, it is clear that changes in the level of airport activity will not have a proportional impact on the level of total direct airline jobs. For example, the airline flight attendants living in Washington are not necessarily dependent upon the level of flights in and out of the Sea-Tac International Airport, but instead on the growth in the specific airline system of which they are employees. Similarly, the level of employment with an airline system maintenance facility is dependent on the overall size of the airline's fleet and the repair and maintenance schedule of those aircraft, rather than on the level of activity at Sea-Tac International Airport. In contrast, certain jobs are directly dependent on the number of flights at Sea-Tac International Airport, such as the equipment service technicians, dispatchers, gate personnel and caterers.

Based on an analysis of employee job classifications for the airlines servicing Sea-Tac, it was estimated that about 40 percent of the direct airline employment would fluctuate on a short term, month-to-month basis, with the actual number of flights and passengers at Sea-Tac. The remaining 60 percent of airline employees would include flight crews living in Washington (but dependent upon the airline's longer term performance at Sea-Tac), maintenance facility employees, and airline management stationed at Sea-Tac.

Table III-2
Direct Job Impacts By Category

<i>AIRLINE/AIRPORT SECTOR</i>	<i>DIRECT JOBS</i>
PASSENGER AIRLINES	8,197
CATERING*	454
FEDERAL/LOCAL GOVERNMENT	623
PORT OF SEATTLE.	782
RETAIL CONCESSIONS	642
GENERAL AVIATION	38
FBO'S/AVIATION SERVICES	281
SECURITY/JANITORAL/SKYCAPS**	585
PARKING	128
MISCELLANEOUS/BANKING	<u>166</u>
SUBTOTAL	<u>11,896</u>
 <i>FREIGHT TRANSPORTATION***</i>	
FREIGHT FORWARDERS	337
FREIGHT AIRLINES/COURIERS	<u>657</u>
SUBTOTAL	<u>994</u>
 <i>GROUND TRANSPORTATION</i>	
RENTAL CARS	651
TAXIS/BUSES/LIMOS	<u>548</u>
SUBTOTAL	<u>1,199</u>
 <i>CONSTRUCTION/CONSULTING</i>	 <u>292</u>
 <i>TOTAL</i>	 <u>14,381</u>

*EXCLUDES CATERING EMPLOYEES WITH AIRLINES, WHICH ARE INCLUDED WITH AIRLINE EMPLOYMENT

**EXCLUDES SKYCAPS EMPLOYED DIRECTLY BY AIRLINES, WHICH ARE WITH AIRLINE EMPLOYMENT

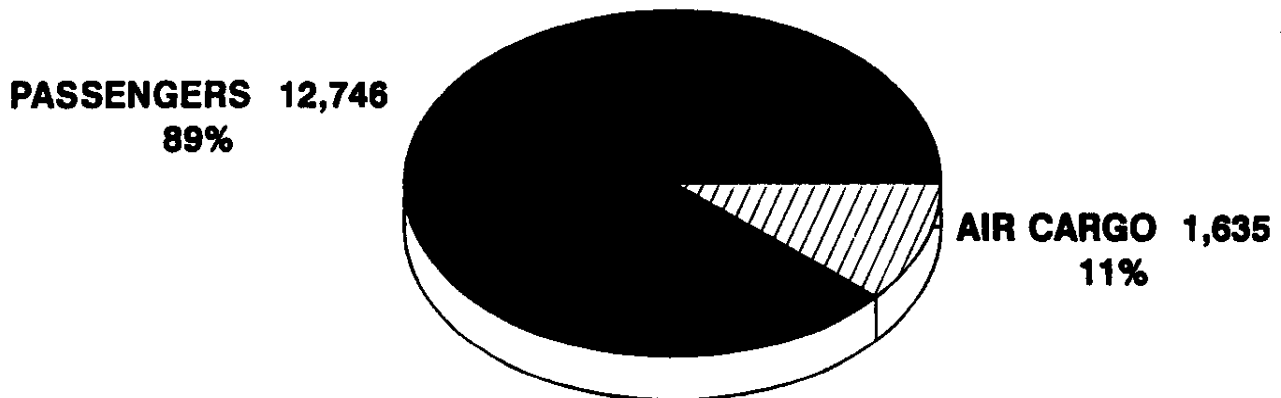
***AN ADDITIONAL 641 EMPLOYEES WITH AIRLINES AND US POSTAL SERVICE DEDICATED TO FREIGHT ARE INCLUDED WITH AIRLINE EMPLOYMENT AND GOVERNMENT

2.2 Jobs By Type Of Activity

In this section, job impacts by type of activity, i.e., air cargo, air passenger, and international air passenger flights are detailed.

In 1993, a total of 381,541 metric tons of air cargo (which consists of air freight and air mail) moved via Sea-Tac, and 18.8 million passengers used the airport. The direct job impacts associated with passenger and air cargo activity is presented in Exhibit III-3. Of the 14,381 jobs directly generated by airport activity, 1,635 jobs, or about 11 percent, are directly generated as a result of air cargo activity, while 12,846 direct jobs are generated by air passengers.

Exhibit III-3
Distribution Of Job Impacts By
Passenger And Air Cargo Activity



Of the 18.8 million passengers, 17.4 million were on domestic flights, while 1.4 million were traveling on international flights. As a result of the international flights, 1,027 jobs were generated, or about 8 percent of the 12,746 direct jobs associated with passenger activity at Sea-Tac.

2.3 Job Impacts By Residency

In order to estimate the local economic impact created by airport activity, data on residency of employees was collected from the interviews with service firms, Port of Seattle employee records, airport security identification badge records, and interviews with the leading airlines serving Sea-Tac. The direct job impact of 14,381 jobs was then allocated based on city and county of residence.

Table III-3 shows that 82 percent of the direct jobs is held by residents of King County. Twenty-five percent of the 14,381 jobs is held by residents of Seattle, while 12.5 percent of the direct jobs is held by residents of Federal Way.

Table III-3
Distribution Of Direct Jobs By Residence

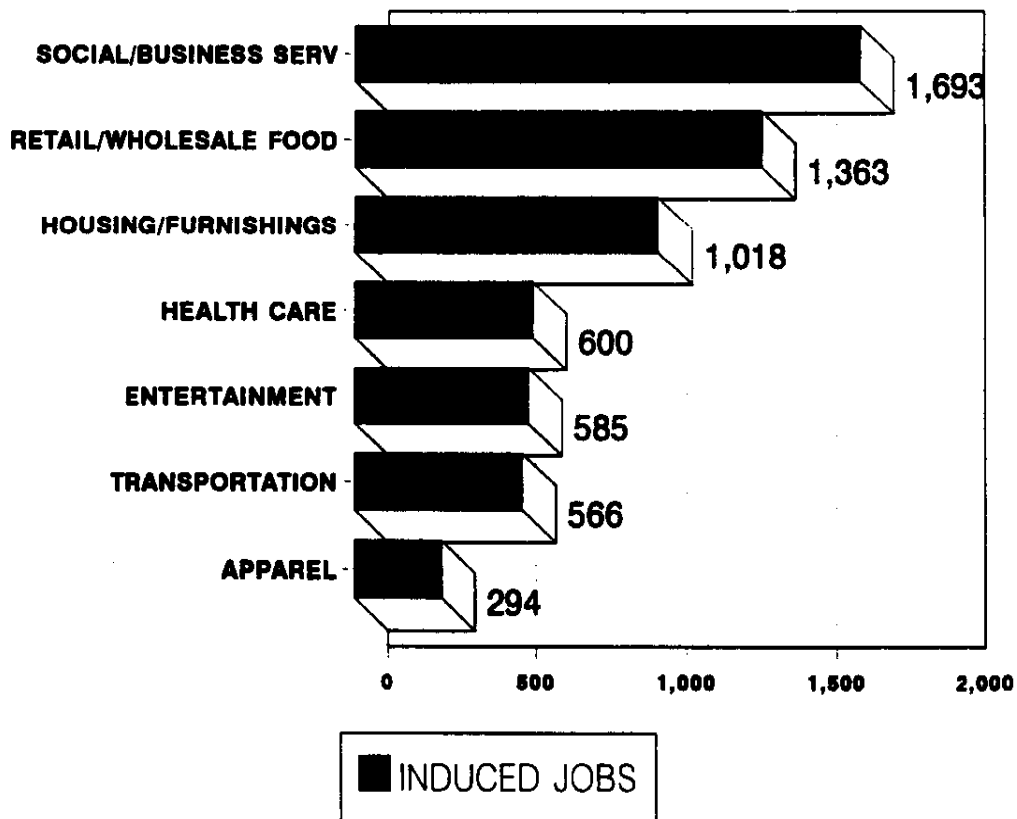
JURISDICTION	PERCENT	COUNTY
AUBURN	3.51%	
BELLEVUE	4.46%	
BOTHELL	1.16%	
BURIEN	3.38%	
DES MOINES	3.03%	
ENUMCLAW	0.74%	
FEDERAL WAY	12.49%	
ISSAQUAH	2.53%	
KENT	7.72%	
KIRKLAND	2.32%	
MERCER ISLAND	0.53%	
NORMANDY PARK	0.86%	
REDMOND	1.99%	
RENTON	5.33%	
SEATAC	2.75%	
SEATTLE	25.50%	
TUKWILA	1.08%	
VASHON	0.37%	
OTHER KING COUNTY	2.38%	
TOTAL KING COUNTY		<u>82.13%</u>
EDMONDS	0.88%	
EVERETT	0.66%	
MT. LAKE TERRACE	0.12%	
OTHER SNOHOMISH	0.48%	
TOTAL SNOHOMISH COUNTY		<u>2.14%</u>
TACOMA	8.06%	
OTHER PIERCE	3.30%	
TOTAL PIERCE COUNTY		<u>11.36%</u>
OTHER WASHINGTON	1.25%	
OTHER	3.12%	
TOTAL	100.00%	

2.4 Induced Job Impacts

A portion of the personal earnings received by those 14,381 individuals directly employed due to airport activity is saved, another portion is used to pay Federal, state and local taxes, while another portion is used to purchase goods and services from firms located in Washington, as well as out-of-state firms. The purchase of goods and services from firms located in Washington creates induced jobs for Washington residents in the firms supplying the goods and services. Furthermore, those individuals supplying the goods and services also receive personal earnings from their employers, and use a portion of it for additional purchases from firms located in Washington. This "trickle-down" effect of an initial expenditure results in a multiplier effect throughout the state economy known as the personal earnings multiplier. In 1993, \$487.3 million of earnings were received by the 14,381 directly employed due to airport activity. As a result of re-spending of this direct income, \$518.8 million of re-spending throughout the region occurred, creating 6,119 induced jobs for Washington residents.

The distribution of the 6,119 induced jobs by industry category in which the jobs are generated is shown in Exhibit III-4.

Exhibit III-4
Distribution Of The Induced Jobs



As this exhibit indicates, the induced impacts are greatest in the financial, social services, and education sectors of the states economy, followed by induced jobs generated with restaurants and grocery stores, and with jobs in the state's construction and home furnishings industry. Smaller induced jobs result in the state's health care, entertainment, transportation and retail apparel industries.

2.5 Indirect Jobs

In addition to these induced jobs created due to purchases by the 14,381 individuals directly employed due to activity at Sea-Tac, additional indirect jobs in the local economy are created as the result of local purchases by the firms directly dependent upon Sea-Tac. For example, airlines purchase such items as fuel, catering services, parts and office supplies from local firms, thereby creating jobs in these supplying industries. Similarly, the airport itself purchases such services as contract construction, utilities, and maintenance services from local suppliers, also creating jobs in the local economy. For the most part, the jobs resulting from such purchases are included in the direct job impacts (see Table III-2). For example, the 454 jobs with caterers, the 281 jobs with suppliers of aircraft services, (including fixed based operators, fuel handlers, and parts suppliers), the 585 jobs with janitorial, security and sky cap services, and the 292 jobs with contract construction and consulting firms are all included as direct job impacts. However, additional purchases are made in the local economy by these directly dependent firms for additional goods and services.

Table III-4 shows the indirect jobs generated by purchases of the directly dependent firms. As this exhibit indicates, local purchases by airlines generate the largest number of local indirect jobs, 1,016, followed by indirect jobs generated by local purchases by the Port of Seattle, followed next by indirect jobs generated by local purchases by rental car companies.

It is to be emphasized that these indirect jobs are estimated from the survey data provided to Martin O'Connell Associates by each airport dependent firm. These are only first round purchases, and in order to ensure the defensibility of the analysis, no input-output models are used to estimate additional rounds of purchases. As a result, the estimates of indirect jobs and induced jobs are conservative by design.

Table III-4
 Indirect Jobs Created By
 Purchases By Airport Dependent Firms

INDIRECT JOBS GENERATED	
BY PURCHASES FROM:	INDIRECT JOBS
AIRLINES	1,016
AIR FREIGHT/COURIERS	40
SKY CAPS/SECURITY	6
RETAIL	4
PARKING	7
MISCELLANEOUS	9
FBO'S	18
CATERING	23
BANKING	5
GENERAL AVIATION	37
FREIGHT FORWARDERS	45
RENTALS	108
CABS	21
PORT OF SEATTLE	158
TOTAL	<u>1,497</u>

2.6 Related Jobs

Related jobs are with freight users of Sea-Tac International Airport. These shippers use Sea-Tac as well as other airports for air freight (excluding mail) shipments. Therefore, these shippers are not directly dependent upon Sea-Tac in the same sense as are the firms that supply direct services to the airlines and or passengers. However, the use of Sea-Tac by these shippers is important in stimulating economic activity in the region. To estimate the importance of Sea-Tac to the local and regional manufacturing and industrial community, a survey of key air cargo users of Sea-Tac was undertaken as part of the earlier

impact study measuring 1987 impacts. A jobs per value of air cargo ratio was then developed from these interviews, as well as from a recent survey of national air freight shippers conducted by Martin O'Connell Associates as part of our more than 20 recent airport impact studies. Based on the interviews, it was estimated that for every \$1000 of air cargo shipped, 0.00946 jobs were related to these shipments. Bureau of the Census (for the Seattle metropolitan area) data for high-tech industries was also reviewed and compared to the survey data, in order to validate the survey data.

A recent study of national air cargo shippers was combined with survey data collected by Martin O'Connell Associates to develop an average value of air cargo. Based on this data, it is estimated that the value of air cargo shipments is about \$40 per pound. Multiplying this value per pound estimate by the 280 million pounds of domestic air freight (excluding mail) loaded at Sea-Tac in 1993, it is estimated that the total value of domestic air freight shipped via Sea-Tac in 1993 is about \$11.2 billion. Using the jobs to \$1,000 of air freight value, it is estimated that about 106,000 jobs are related to air freight shipments via Sea-Tac International Airport. *It is to be emphasized that these jobs are related, not dependent upon Sea-Tac, and the majority of these jobs are with local employers.* The level of employment with these users is determined by the demand for the firms' products, not the use of Sea-Tac for air freight shipments. However, the ability to use Sea-Tac for air freight shipments and receipts is a very important factor to be considered by industries and manufacturing firms evaluating a new plant location in the Pacific Northwest.

In addition to related jobs with air freight shippers/consignees, related jobs are also estimated for area based corporate headquarters and service firms (including accounting, legal and consulting firms). Interviews were conducted with 30 of areas leading service and high-tech firms. Interviews focused on the travel coordinators for each firm to determine the average number of daily airport users. Based on these interviews, it was estimated that about 40,000 local business employees use Sea-Tac on a regular basis.

These local business users underscore the importance of Sea-Tac to local economic development.

3. BUSINESS REVENUE IMPACT

The movement of passengers and air cargo via Sea-Tac International Airport generates revenue for firms in each of the five sectors of the economy. For example, in the airline/airport service sector, revenue is received by the airlines providing services to enplaning passengers, catering firms providing services to the airlines, and by airport tenants who

sell retail merchandise to passengers in the airport. In the freight transportation sector, airlines receive revenue from moving the air cargo to and from the airport and freight forwarders receive revenue from arranging air transportation for the cargo. Similarly, the rental car agencies and the firms providing ground transportation receive revenue from transporting passengers to and from the airport, while contract construction and consulting firms receive revenue from the airport and airlines that have contracted these services. In the visitors industry sector, local service and retail firms receive revenue from passengers staying overnight in the Seattle area. (These visitor industry revenue impacts are estimated in section 6 of this chapter.)

It is useful to estimate the revenue received by each economic sector, because the distribution is quite different from that of employment. However, only a portion of the revenue can be definitely traced to uses within Washington. The portions of revenue paid in salaries and re-spent within Washington, used for local purchases, and paid in taxes by individuals, and state and local taxes paid by firms, represent impacts that can be traced as remaining in the state. Other portions of the revenue are used to pay stockholders, retire debt, pay Federal taxes, purchase out-of-state supplies, services and capital equipment, and for other investments.

The revenue for firms in the airline/airport service sector is estimated from a combination of survey results and airport concession records. For airlines, the revenue is based on a per enplaning passenger revenue estimate, provided by each airline. For the other firms in this category, revenue estimates, by firm, were collected through the surveys, and from Sea-Tac concession reports.

Freight sector revenue is based on average revenue per pound of enplaned air freight and air express (mail), as reported by major air carriers, and freight airlines. This revenue per pound includes pickup, delivery, and air transportation charges, and excludes the value of the air cargo.

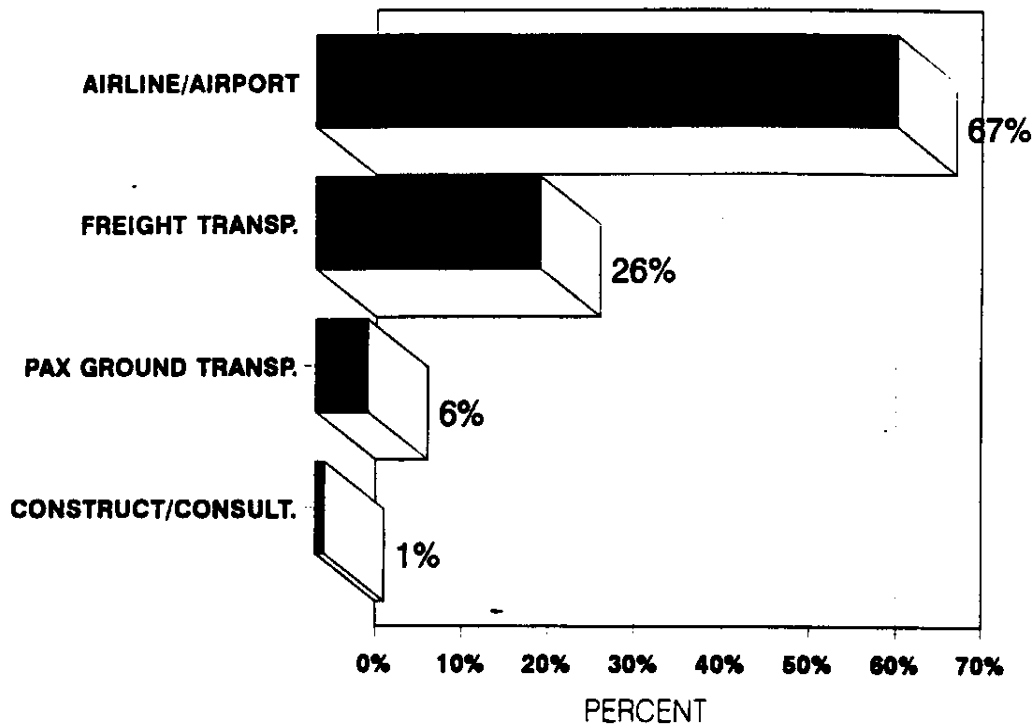
Revenue for the Ground Transportation Sector is based on revenue per job estimates for rental cars as obtained from airport concession reports and survey results. Revenue for taxis/limos/buses is based on an average revenue per passenger multiplied by the corresponding number of passengers using that mode.

Revenue for the Construction and Consulting Sector is based on construction/consulting expenditures by Sea-Tac.

In 1993, 8.7 million passengers boarded airplanes at Sea-Tac, and 200 metric tons of air cargo (both air freight and mail)

were loaded at Sea-Tac. This passenger and air cargo activity at Sea-Tac generated \$2.9 billion of business revenue to the firms supplying these services. Exhibit III-5 indicates the distribution, by economic impact sector, of the \$2.9 billion of revenue generated by airport activity.

Exhibit III-5
Distribution Of Business Revenue
By Sector Of Airport Activity



As with the employment impact, the majority of revenue generated by airport activity is concentrated in the airline/airport service sector. However, even though more than 80 percent of the employment impact is concentrated in this category, less than 70 percent of the revenue is received by firms in this sector. Furthermore, while only 7 percent of the job impacts are concentrated in the freight transportation sector, 26 percent of the revenue accrues to firms in this sector. The relatively high revenue yield per employee resulting from the transportation of air cargo reflects the premium paid for air shipment of these high-value, low-bulk goods.

In addition to the \$2.9 billion of revenue generated in the four economic sectors described above, additional revenue is generated in the local visitors industry as the result of purchases by visitors to the area who used Sea-Tac. This visitor industry revenue is described in section 6 of this chapter.

4. EMPLOYEE EARNINGS IMPACT

The portion of the \$2.9 billion revenue impact paid out in salaries and wages is described in this section.

An estimated total of \$487.3 million was paid in wages and salaries to the 14,381 direct employees. This \$487.3 million employee earnings impact is estimated based on the average wage and salaries for each job category, multiplied by the corresponding job impact in that category. The spending of this employee earnings within the state creates the additional employment estimated as induced jobs, which results in an additional \$518.8 million of personal earnings and purchases.

Re-spending of income within a state is measured by a state income multiplier. The size of the multiplier varies by state depending on the proportion of in-state goods and services purchased by individuals. The higher this percentage, the lower the income leakage out-of-state. Based on data provided from the Bureau of Economic Analysis, for every one dollar earned by individuals in the state of Washington, about \$.51 is spent in the state, resulting in a total of \$1.06 additional spending for every dollar received in wages and salaries. This re-spending impact is known as the personal income multiplier. Hence, the personal income multiplier for the state of Washington is 2.06, and was used to estimate the total income and consumption impact of \$1.0 billion as a result of airport activity. According to the Bureau of Economic Analysis, for every one dollar earned in Washington, about 51 percent is spent on goods and services within the state, while the remaining 49 percent is used to purchase items produced out-of-state, to pay Federal, state and local taxes or held as savings. The full income multiplier effect results from successive rounds of re-spending. For example, in the initial round, one dollar is earned. Of that \$1.00, \$.51 is used to purchase goods and services. Of that \$.51, 51 percent, or \$.26, will be used for the next round of purchases of goods and services. Of this \$.26, again 51 percent, or about \$.13 will be used for further in-state purchases. These successive re-spending rounds will continue until an additional \$1.06 of spending in Washington is generated for every dollar of income. At each stage of the re-spending, additional jobs are created. These are the induced jobs described in the employment section.'

'It is to be emphasized that the re-spending impact of \$518.8 million does not represent the earnings of the 6,119 induced jobs. The \$518.8 million re-spending impact does include the direct earnings received by the employees holding the induced jobs, but the re-spending impact also includes the revenue received by the firms providing the goods and services to the 14,381 directly employed.

5. TAX IMPACTS

Airport activity generated Federal, state and local tax revenues paid by the 20,500 individuals directly employed and induced due to airport activity. Furthermore, the firms purchasing the services also paid state and local taxes. Table III-5 summarizes the \$85 million of state, county and municipal tax revenue created by activity at Sea-Tac International Airport in 1993, as well as the \$199 million of Federal aviation-specific tax receipts.

Table III-5
Tax Impacts

JURISDICTION	AIRPORT GENERATED	VISITOR INDUSTRY	TOTAL SEA-TAC TAX IMPACT
	(MILLIONS)	(MILLIONS)	(MILLIONS)
STATE	\$86	\$248	\$314
COUNTY	\$8	\$30	\$38
MUNICIPAL	\$11	\$44	\$55
TOTAL STATE/LOCAL	\$85	\$322	\$407
FEDERAL AVIATION TAXES			
DOMESTIC PASSENGER TAX	\$144		\$144
AIR CARGO TAX	\$44		\$44
INS TAX	\$7		\$7
INTERNATIONAL DEPARTURE TAX	\$4		\$4
TOTAL FEDERAL AVIATION TAXES	\$199		\$199

Contributions to the Federal Aviation Trust Fund, as a result of a tax on domestic flights, was about \$143.8 million, which is used to finance maintenance and improvements to the nation's air transportation system. Nearly \$44 million was generated under the Federal Cargo Tax (tax on enplaned air cargo). A Federal Inspection Service Fee is charged on international arrivals, generating \$7.2 million, while \$4.1 million was generated under the International Departure Tax. Finally, cargo and passenger activity also created \$45 million of U.S. Customs revenue. It is to be emphasized that the passenger facilities charge is not included in this analysis.

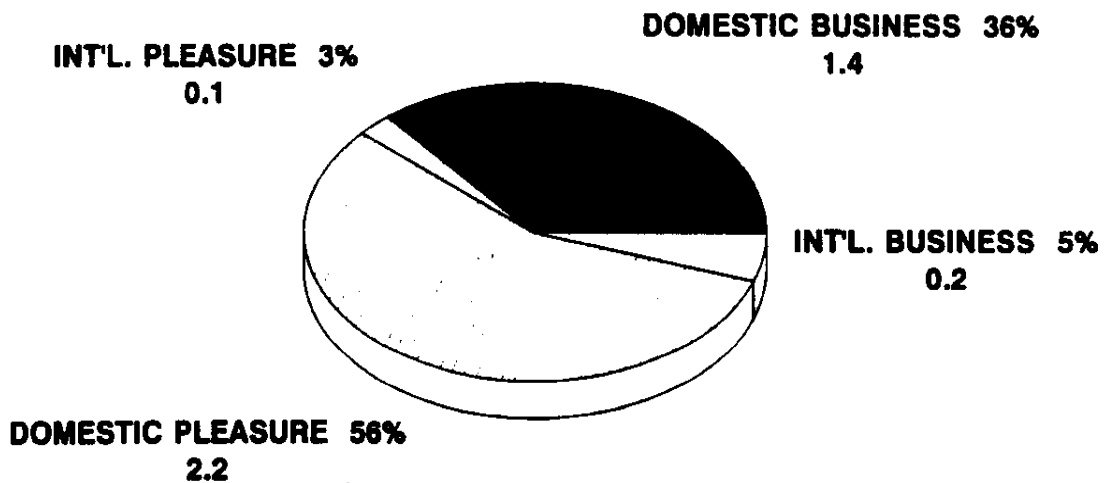
6. VISITOR INDUSTRY IMPACTS

Sea-Tac International Airport plays an important role in the visitors industry in the U.S. Pacific Northwest, as well as in British Columbia. For Americans, Seattle is a gateway to destinations in the Pacific Rim countries, just as it is a gateway to the West for many Asians.

A survey of 3,500 passengers at Sea-Tac was conducted as part of this study to determine visitor characteristics.

Results of the survey indicated that of the 9.4 million passengers boarding flights at Sea-Tac, about 3.9 million are visitors to the area. The remaining passengers are making connections at Sea-Tac or are Seattle area residents. The composition of these visitors is presented in Exhibit III-6.

Exhibit III-6
Distribution Of 3.9 Million Visitors Using Sea-Tac



MILLION PASSENGERS

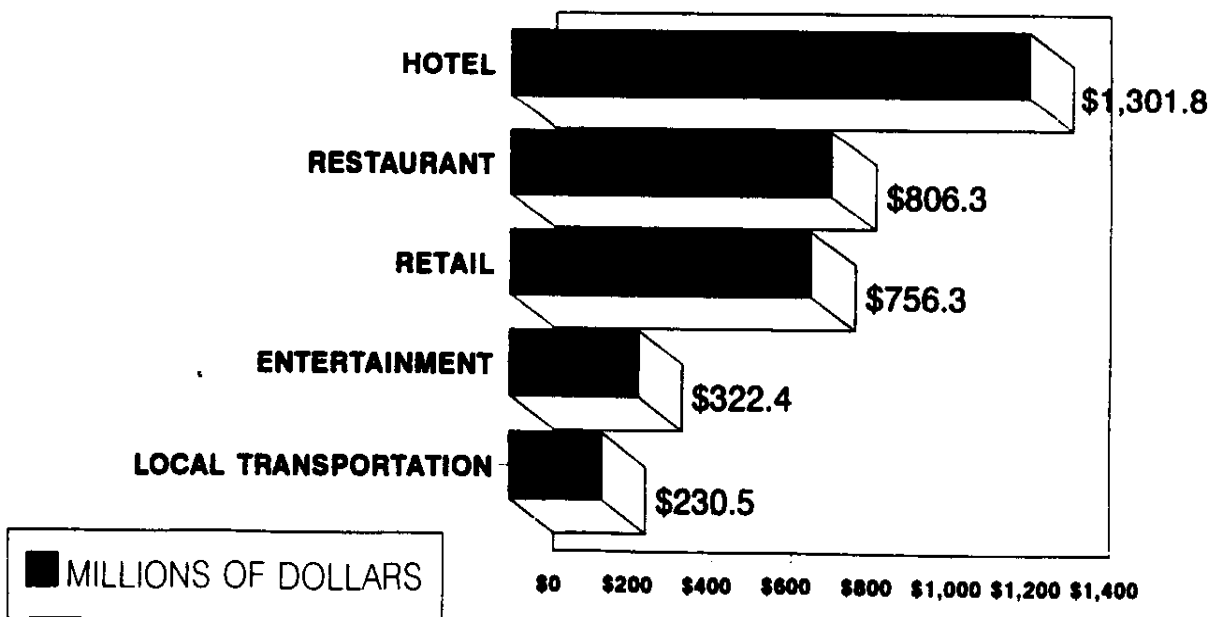
The majority, 56 percent, of the 3.9 million visitors consists of domestic travelers on vacation. Domestic business travelers account for more than one-third of the 3.9 million visitors, and international business and pleasure travelers account for 5 percent and 3 percent, respectively, of the air visitors.

Visitor spending and length of stay patterns vary depending on the type of visitor. Domestic business travelers stay an average of 3.6 days and spend an average of \$207 daily. Domestic visitors on vacation, visiting friends and relatives, or attending conventions stay an average of 5.4 days and spend about \$168 per day. International visitors on vacation or visiting relatives stay an average of 5.5 days, and also spend an estimated \$192 per day, while international business travelers stay an average of 4.7 days and spend about \$254 per day. Together, these guests from out-of-town bring \$3.4 billion to the Seattle area each year.

6.1 Visitor Industry Revenue Impact

The bulk of visitor dollars are spent on accommodations, restaurants, and retail shopping, in that order. Business travelers tend to spend more of their travel dollar on hotels than their pleasure-seeking counterparts, whose budgets are more heavily weighted toward retail, entertainment, and sightseeing. The Seattle area benefits significantly from this visitor traffic. In 1993, the 3.9 million air visitors to the Seattle area spent \$3.4 billion on local goods and services. The distribution of these purchases to the various industry categories in the visitors industry sector is presented in Exhibit III-7.

Exhibit III-7
Distribution Of Air Visitors' Purchases In The
Local Visitor Industry Sector

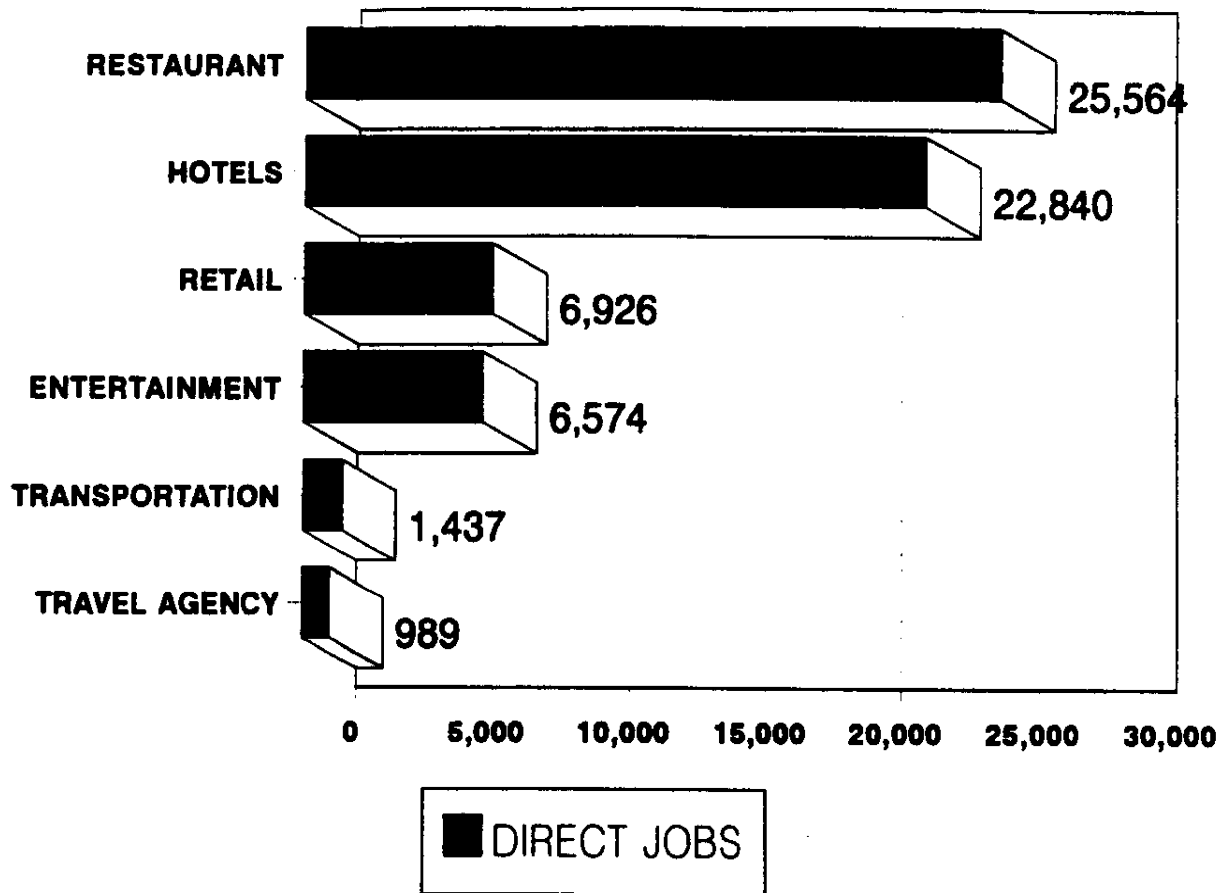


As the exhibit indicates, air visitors spend over \$1.3 billion in area hotels and motels, more than \$800 million in restaurants, and about \$756 million in retail shops.

6.2 Visitor Industry Direct Job Impacts

These direct purchases support direct jobs in these visitor industry sector categories. In total, the \$3.4 billion of visitor industry purchases generated 64,330 direct jobs. These jobs are generated in the various industry categories, as shown in Exhibit III-8. This exhibit shows that the majority of the direct visitor industry jobs are generated with restaurants in the Seattle area, followed by jobs with area hotels.

Exhibit III-8
Distribution Of Direct Visitor Industry Jobs



6.3 Visitor Industry Personal Income Impact

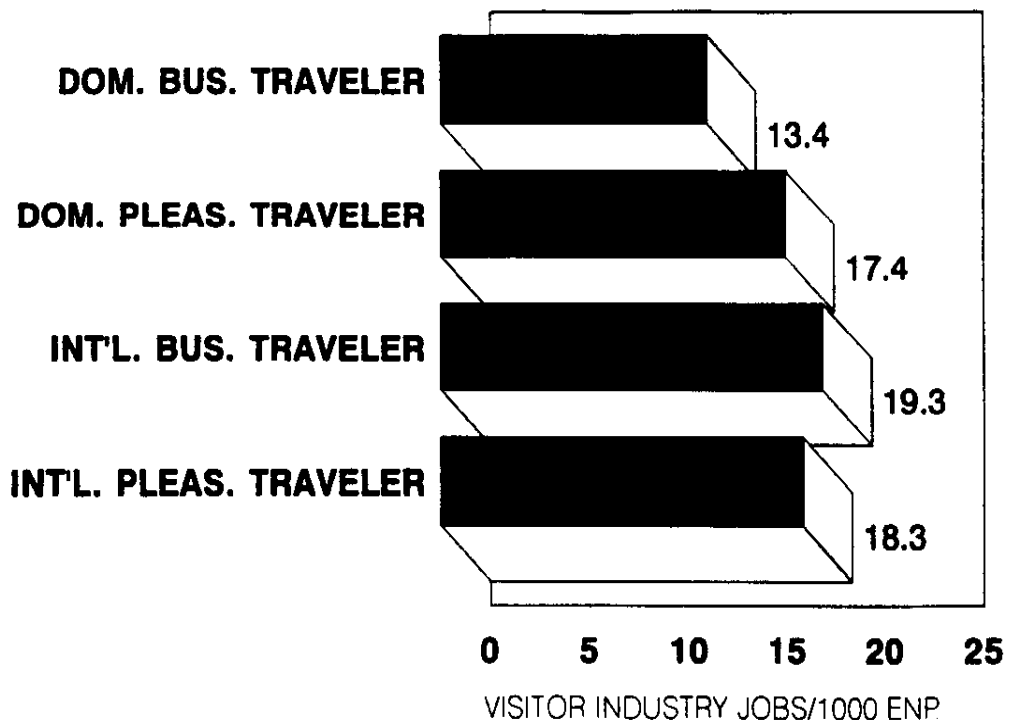
These 64,330 directly employed individuals received wages and salaries totalling \$765 million as a result of visitor spending. As a result of purchases for food, clothing, housing, entertainment, and other needs by these directly employed individuals, induced jobs and consumption expenditures are created locally. This re-spending fuels additional economic activity, creating further jobs and income.

Of the \$765 million in direct income received by 64,330 direct visitor industry jobs, an additional \$814.5 million is spent before the cycle is exhausted. Therefore the total income and consumption impact generated by Sea-Tac is estimated at \$1.6 billion. This spending and re-spending supports induced jobs in the basic industries of housing, food, clothing, transportation, health care and entertainment, as well as business services, social services and education. These induced jobs are estimated to total 15,286 jobs. Therefore, the total number of local jobs created by visitors to the Seattle area arriving via Sea-Tac is 79,616.

6.4 International Versus Domestic Passenger Impacts

Exhibit III-9 shows the number of direct visitor industry jobs generated per 1,000 enplaned passengers, by type of visitor -- international versus domestic, and by trip purpose.

Exhibit III-9
Direct Visitor Industry Jobs Per
1,000 Enplaned Passengers



DIRECT VISITOR INDUSTRY JOBS/1000 ENPL

Because the combined length of stay and dollars spent per day is greater for international visitors than for domestic visitors, an international traveler, regardless of trip purpose, has a greater impact in the visitor industry than does a domestic traveler. The international business traveler supports 19.3 direct visitor industry jobs compared to a domestic business traveler who supports 13.4 direct visitor industry jobs. The difference in jobs generated by pleasure travelers is less between international and domestic travelers than is the case for business travelers.

Such information as to the relative impacts of international versus domestic travelers can provide useful input into formulating marketing strategies directed at increasing international traffic.

In the next chapter, the economic impacts generated by seaport and airport activity in 1993 are compared with the economic impacts estimated in 1987.

**IV. COMPARISON OF ECONOMIC IMPACTS GENERATED BY
THE SEATTLE SEAPORT AND SEA-TAC INTERNATIONAL AIRPORT
1987-1993**

The purpose of this chapter is to provide a comparison of the economic impacts generated by seaport activity between 1987 and 1993, and of the impacts generated by airport activity at Sea-Tac between 1987 and 1993. The methodology used by Martin O'Connell Associates to estimate the economic impacts generated by seaport and airport activity in 1993 is, for the most part, identical to the methodology used by Martin O'Connell Associates to estimate the economic impacts of the seaport and airport in 1987. It is to be emphasized that in 1987, the impact of Fishermen's Terminal and of passenger activity were not estimated, and, as a result, comparisons between the impacts of Fishermen's Terminal and of passenger activity cannot be made with the 1987 impacts.

In the next section of this chapter, the key methodological changes between the 1987 and 1993 studies are presented. Comparisons between 1987 and 1993 seaport cargo impacts are presented in Section 2 of this chapter, while the comparison of impacts between 1987 Sea-Tac activity and 1993 activity at Sea-Tac are made in Section 3.

1. CHANGES IN IMPACT METHODOLOGY

The methodology used to estimate the economic impacts in 1993 is essentially the same as used in 1987, with two key exceptions. In 1987, Martin O'Connell Associates did not estimate indirect jobs, while in 1993, the first round impact of indirect jobs was estimated from survey results. Therefore, comparison of indirect jobs will not be made. Secondly, the consumer expenditure profile used in the induced job model has been refined by the Bureau of Labor Statistics. In 1987, the distribution of consumer expenditures for a Seattle resident was based on 1981 data developed for Seattle residents by the Bureau of Labor Statistics, Price Division. For the 1993 study, the consumer expenditure profile for a Seattle resident is based on the 1992 Consumer Expenditure Survey, conducted by the Bureau of Labor Statistics. The major differences between the two expenditure profiles is the fact that the 1981 profile assumes all income is used for consumption, and does not allow for the payment of taxes, social security, insurances, pensions, etc. In contrast, the expenditure profile used in the 1993 study considers such non-consumption expenditures, and, as a result, only about three-quarters of the direct income is used for local consumption expenditures. *Therefore, for comparison purposes, the induced jobs in 1987 must be reduced by about 25 percent to compare the 1987 induced jobs with the 1993 induced jobs. Because of the changes in the way induced jobs are measured*

between the two studies, comparisons between the two studies should focus on direct impacts.

2. COMPARISON OF ECONOMIC IMPACTS GENERATED BY MARINE CARGO ACTIVITY AT THE SEATTLE SEAPORT

In this section, the 1987 and 1993 economic impacts generated by maritime cargo and vessel activity at marine terminals in the Seattle seaport are compared. Furthermore, the impacts generated by marine cargo handled only at Port of Seattle-owned facilities is also compared for the two periods. The next section describes changes in tonnage and port operational characteristics that have occurred between 1987 and 1993.

2.1 Comparisons Of Marine Cargo Throughput And Seaport Operational Characteristics

In this section, change in tonnage activity at the Seattle seaport and changes in the operational structure of the Seattle seaport are documented.

2.1.1 Comparison Of Seaport And Port Of Seattle Marine Terminal Tonnage

Between 1987 and 1993, tonnage moving over the marine terminals in the Seattle seaport fell only slightly by 83.4 thousand metric tons. However, major tonnage changes occurred for specific commodity types. For example, containerized cargo increased by 1.2 million tons. Other key cargo increases were recorded for grain, miscellaneous breakbulk cargo, and lumber. In contrast, dry bulk cargo, which consists primarily of cement and gypsum moving over private terminals on the Duwamish, fell by 1.5 million metric tons. Waterborne petroleum movements also fell, reflecting the increased use of pipeline transportation between 1987 and 1993.

With respect to cargo moving over the Port of Seattle marine terminals, Table IV-1 shows that Port tonnage grew by nearly 1.2 million metric tons over the six year period. Tonnage increases occurred with the export of grain, containerized cargo, lumber, and miscellaneous dry bulk cargoes, while key cargo losses were recorded for petroleum products handled over facilities leased from the Port of Seattle, and steel imports, which reflects the reduction of new downtown construction activity in Seattle since 1987.

Table IV-1
 Comparison Of Tonnage
 Seattle Seaport
 (1,000 Metric Tons)

COMMODITY	SEATTLE SEAPORT 1993	SEATTLE SEAPORT 1987	CHANGE SEATTLE SEAPORT	PORT OF SEATTLE 1993	PORT OF SEATTLE 1987	CHANGE PORT OF SEATTLE
CONTAINERS	8,752.3	7,525.1	1,227.2	8,019.0	7,136.8	882.2
STEEL	207.0	145.8	61.2	103.5	145.8	(42.3)
LOGS	33.8	0.0	33.8	0.0		
LUMBER	118.5	8.0	110.5	118.5	8.0	110.5
PAPER	305.6	276.7	28.9	0.0	36.0	(36.0)
AUTOS	43.5	103.8	(60.2)	43.5	103.8	(60.3)
GRAIN	1,930.7	1,507.2	423.5	1,930.7	1,507.2	423.5
LIQUID BULK	50.2	42.5	7.7	50.2	42.5	7.7
DRY BULK	2,331.2	3,876.1	(1,544.9)	0.0		
PETROLEUM	1,854.8	2,364.1	(509.3)	1,020.0	1,323.9	(303.9)
CHILL	81.8	61.5	20.3	81.8	61.5	20.3
MISC BREAKBULK	<u>248.9</u>	<u>131.0</u>	<u>117.9</u>	<u>248.9</u>	<u>131.0</u>	<u>117.9</u>
TOTAL	15,958.4	16,041.8	(83.4)	11,616.1	10,496.5	1,119.6

While the tonnage changes will have some impact on the level of jobs directly generated by seaport activity, there have been major operational changes that have occurred at the Seattle seaport which will directly impact employment levels. The major operational changes have occurred primarily with containerized cargo moving over the Port of Seattle-owned marine terminals. These changes focus on changes in the intermodal composition of the containerized cargo, the percent of less than containerized load (LCL) cargo warehoused at the Port and using area container freight stations (CFS) for stuffing and stripping and transloading from domestic trailers into marine containers, and the increase in productivity in the vessel load and discharge rate. Also, changes have occurred in the structure of railroad employment.

2.1.2 Changes In Intermodal Operations

With respect to changes in intermodal movements, the share of export cargo moving by rail to the Port of Seattle's marine terminals increased from 20 percent of total containerized cargo export moves to 42.5 percent in 1993. Accompanying this increased share of rail transportation for export container moves, the Portland market, which had been served by truck in 1987, is now served via the sprint train service to move containers between Portland and Seattle. The use of train service between Portland and Seattle has displaced truck moves, which served this market in 1987. While this displacement of truck operations will have a downward impact on direct jobs impacts, the removal of truck traffic from Interstate-5 will help to reduce congestion. Further reducing the number of truck trips from the 1987 study is the fact that more direct calls are now made by ocean carriers at Vancouver, BC and Portland. In 1987, trucks were used to serve Vancouver and Portland export cargo. With direct calls by ocean carriers, this truck movement is reduced in 1993, further reducing the direct job impact between 1987 and 1993.

With respect to imported containerized cargo, the share of containers moving by rail increased from 61 percent in 1987 to 73 percent in 1993. This increase in intermodalism also reflects the use of rail to serve the Portland market, and direct calls for inbound cargo at Vancouver, BC.

Accompanying the increase in intermodalism for both export and import containerized cargo, is the reduction in the amount of less than container load cargo that would require warehousing and the use of local container freight stations (CFS) for stuffing and stripping the marine containers. In 1987, 40 percent of containerized cargo moved to the Port of Seattle marine terminals as less than container load cargo (LCL). In 1993, interviews with ocean carriers and terminal operators indicated that about 9 percent of the containerized cargo moves to the Port in less than

container loads. With respect to imported containerized cargo, 15 percent of the cargo moved from the Port of Seattle's container terminals in less than containerized load shipments in 1987. In 1993, the share of LCL containerized cargo imports has also fallen to about 9 percent, reflecting the increased movement of full containers between customers and the Port of Seattle's container terminals.

This decline in LCL cargo, and the corresponding use of local warehousing and CFS facilities will have a depressing impact on employment with warehouse operators, longshoremen involved in stuffing and stripping the containers, and truckers moving the LCL cargo between customers and warehouses and/or CFS facilities and the containers between the warehouse/CFS facilities and the Port of Seattle container terminals. It is to be emphasized that the decline in LCL cargo not only reflects the increased intermodal operations at the Port of Seattle, but also the composition of the ocean carriers calling the Port. In 1987, Evergreen Marine called the Port of Seattle. Evergreen is a non-conference carrier, and has historically relied less on intermodal cargo than have carriers such as American President Lines. Since, 1987, Evergreen has left the Port of Seattle, and now calls the Port of Tacoma. It is possible, that the local LCL cargo market served by Evergreen in 1987 has also followed that carrier to Tacoma, hence, reducing the percent of LCL cargo now moving via the Port of Seattle. Similarly, since Evergreen relied less on intermodal cargo, the departure of this carrier since 1987 may explain, to some extent, the increase in the percent of both export and import cargo moving to and from the Port of Seattle's container terminals by rail.

2.1.3 Changes In Railroad Operations

Accompanying the growth in intermodal activity at the Port of Seattle is an increase in the number of railroad employees and associated contractors at the Seattle's intermodal rail yards operated by the Burlington Northern and Union Pacific Railroads. This increase in intermodal yard employment will increase the number of rail employees dependent upon the Port of Seattle. Also impacting rail employment between 1987 and 1993, is the fact that the ratio of non-crew railroad employment to rail crew employees has increased, reflecting the growth with railroads in areas dedicated to marketing and the provision of intermodal services. Hence, an increase in rail employment dedicated to containerized cargo is anticipated between 1987 and 1993.

2.1.4 Changes In Terminal Productivity

Changes in vessel loading and discharge productivity will also impact employment levels between 1987 and 1993. As ports aggressively compete to attract new ocean carrier services, it is necessary to maximize terminal and vessel productivity, which in

turn results in competitive terminal charges. However, as productivity increases, the number of direct longshoremen jobs required to move a given number of containers or tons of a particular commodity will be reduced, and the direct job impacts will tend to fall. However, if productivity gains are not made, the Port will lose ocean carriers, reducing the economic impact to a much greater extent than would be the case from productivity increases.

Productivity related to the loading and unloading of containerized cargo to and from vessels increased by 12 percent between 1987 and 1993, which will result in a decline in the number of longshoremen required to load or discharge a container between vessel and place of rest. A nearly 20 percent increase in the vessel loading/discharge productivity for chilled cargo was also recorded between 1987 and 1993.

This increase in vessel loading and unloading productivity will have a dampening impact on ILWU employment between the 1987 and 1993 period.

2.1.5 Changes In The Percent Of Alaskan Cargo Moving Over Private Facilities

Between 1987 and 1993, the share of Alaskan cargo moving over private terminals has increased, from 72 percent of seaport-wide Alaskan cargo to about 84 percent, in 1993. For the most part, the private Alaskan barge services do not use ILWU labor, and this increased use of private terminals for Alaskan cargo will tend to reduce the job impact with the ILWU.

In the next section, the 1987 and 1993 Seattle seaport impacts are compared.

2.2 Comparison Of The Economic Impacts Generated By Marine Cargo And Vessel Activity At The Seattle Seaport, 1987-1993

As would be anticipated based on the relatively small increase in tonnage moving via private marine terminals and those owned by the Port of Seattle, the reduced use of truck and the gains in vessel loading/unloading productivity, direct jobs generated by the Seattle seaport fell from 11,962 jobs in 1987 to 11,108 in 1993. Table IV-2 shows that related jobs remained about the same over the six year period, while the direct personal income received by those directly employed due to seaport activity increased by nearly \$100 million. Reflecting this increase in direct earnings despite a decline in direct jobs, the average salary increased from about \$33,372 in 1987 (expressed in 1993 dollars) to about \$39,000 received by those 11,108 directly employed in 1993. This increase in earnings per direct employee will have a positive re-sponding impact in the local economy, and is reflected in the fact that despite the 854

decline in direct jobs, induced jobs only declined by 115 jobs (after 1987 induced jobs were adjusted to reflect different estimating procedures between 1987 and 1993).

Table IV-2
Comparison Of Seattle Seaport Impacts
1987-1993

	1993	1987*	CHANGE
JOB IMPACTS			
DIRECT	11,108	11,962	(854)
INDUCED	5,386	5,501	(115)
RELATED	<u>55,033</u>	<u>55,683</u>	<u>(650)</u>
TOTAL JOBS	<u>71,527</u>	<u>73,146</u>	<u>(1,619)</u>
PERSONAL INCOME (MILLIONS)			
DIRECT	\$434.60	\$338.30	\$96.30
RE-SPENDING	<u>\$462.70</u>	<u>\$365.30</u>	<u>\$97.40</u>
TOTAL	<u>\$897.30</u>	<u>\$703.60</u>	<u>\$193.70</u>
EARNINGS/DIRECT JOB	\$39,125	\$28,281	\$10,844
BUSINESS REVENUE (MILLIONS)			
	\$1,295.30	\$901.30	\$394.00
STATE/LOCAL TAXES (MILLIONS)			
	\$67.90	\$61.40	\$6.50

* Adjusted for the change in consumption reporting format and the removal of the Washington State Ferry System.

Business revenue received by the firms directly dependent upon the marine cargo activity in the Seattle seaport generated \$1.3 billion of revenue, compared to \$901 million in 1987. This increase in revenue reflects the growth in higher valued containerized cargo handled at the Seattle seaport marine terminals over the 1987-1993 period.

The state and local taxes generated by seaport marine cargo and vessel activity increased by more than \$6 million between 1987 and 1993.

In the next section the economic impacts generated by maritime cargo handled at the Port of Seattle's marine terminals is presented.

2.3 Comparison Of Economic Impacts Generated By Marine Cargo and Vessel Activity At The Port Of Seattle Marine Terminals

Table IV-3 presents the economic impacts generated by marine cargo and vessel activity at the Port of Seattle owned facilities.

Table IV-3
Comparison Of Economic Impacts Generated By
Cargo and Vessels At The Port Of Seattle's
Marine Terminals

	1993	1987*	CHANGE
JOB IMPACTS			
DIRECT	6,867	7,076	(209)
INDUCED	3,353	2,756	597
RELATED	<u>51,704</u>	<u>53,840</u>	<u>(2,136)</u>
TOTAL JOBS	<u>61,924</u>	<u>63,672</u>	<u>(1,748)</u>
PERSONAL INCOME (MILLION\$)			
DIRECT	\$276.2	\$205.5	\$70.8
RE-SPENDING	<u>\$302.1</u>	<u>\$221.9</u>	<u>\$80.2</u>
TOTAL INCOME	<u>\$578.3</u>	<u>\$427.3</u>	<u>\$151.0</u>
EARNINGS/DIRECT JOB	\$40,225	\$29,035	\$11,190
BUSINESS REVENUE (MILLION\$)	\$981.3	\$786.6	\$194.7
STATE AND LOCAL TAXES (MILLION\$)	\$42.3	\$36.6	\$5.7

*Adjusted for the change in consumption reporting format and the removal of the Washington State Ferry System.

Note: Table IV-3 is a subset of Table IV-2.

As this table shows, the direct jobs generated at the Port of Seattle's facilities fell by 209 jobs, while the induced jobs increased by 597 jobs, reflecting the higher salary received by direct jobs in 1993. In total, direct and induced jobs increased by 388 jobs between 1987 and 1993.

Related jobs fell by 4 percent, as the result of a reduction in the amount of local cargo moving via the Port's facilities in 1993, as underscored by the increased number of direct calls at Portland and Vancouver, BC over the 6 year period. In 1987, a greater share of the Portland and Vancouver markets was served by carriers calling Seattle.

Personal income received by those holding the direct jobs increased by more than \$70 million, reflecting the increase in wages and salaries of those directly employed due to maritime cargo moving via the Port of Seattle facilities. Business revenue increased by nearly \$200 million over the period reflecting the increased throughput of cargo over the Port's facilities, especially containerized cargo.

Taxes generated by the cargo and vessel activity at the Port of Seattle's marine terminals grew by nearly \$6 million.

2.4 Comparison Of Direct Job Impacts By Commodity

Table IV-4 compares the direct job impacts by commodity between 1987 and 1993, for the total seaport and, specifically, for the Port of Seattle's marine terminals. Containerized cargo moving via the facilities in the Seattle seaport created the largest job impact in both 1987 and 1993. Between 1987 and 1993, total seaport jobs generated by containerized cargo increased from 6,463 to 6,507 direct jobs, reflecting the increased number of containers moving via the Seattle seaport in 1993. The impact of the loss of the 1.5 million tons of dry bulk cargo is reflected in the decline of about 300 direct jobs generated by dry bulk cargo between 1987 and 1993. Direct jobs associated with breakbulk cargo increased by nearly 300 jobs between the two study years, which is driven by the growth of breakbulk cargo.

With respect to the cargo moving via the Port of Seattle's marine terminals only, the total number of direct jobs generated by cargo moving via the Port of Seattle facilities fell by 209 jobs. The largest job decline between 1987 and 1993, 761 jobs, was recorded for containerized cargo moving over the Port of Seattle's facilities, reflecting the impact of productivity gains in vessel loading and unloading of containerized cargo at the Port of Seattle's marine terminals, the increased use of rail rather than the more labor intensive truck transportation to move both export and import containerized cargo to and from the Port of Seattle's container terminals, and the decline in LCL cargo moving via the Port of Seattle's marine terminals.

Table IV-4
Comparison Of Direct Jobs By Commodity

COMMODITIES	SEATTLE	SEATTLE	CHANGE	PORT OF	PORT OF	CHANGE
	SEAPORT	SEAPORT		SEATTLE	SEATTLE	
	1993	1987		1993	1987	
CONTAINERS	6,507	6,463	44	5,350	6,111	(761)
BREAKBULK	821	510	311	532	129	403
OTHER DRY BULK	592	899	(307)			
GRAIN	204	215	(11)	204	215	(11)
AUTOMOBILES	139	179	(40)	139	179	(40)
CHILL	71	64	7	71	64	7
OTHER LIQUID BULK	28	45	(17)	27	45	(18)
PETROLEUM	17	35	(18)	9	20	(11)
NOT ALLOCATED	<u>2,729</u>	<u>3,552</u>	<u>(823)</u>	<u>535</u>	<u>313</u>	<u>222</u>
TOTAL DIRECT JOBS	11,108	11,962	(854)	6,867	7,076	(209)

Offsetting the decline in direct jobs generated by containerized cargo moving via the Port of Seattle's facilities is a 400 job increase in the number of direct jobs generated by breakbulk cargo moving over the Port's marine terminals.

The loss of direct jobs generated by automobiles is the result of the decline in automobile imports since 1987, while changes in jobs generated by other commodities handled at the Port of Seattle's marine terminals are relatively small.

Table IV-5 compares the direct jobs per 1,000 metric tons of cargo handled at terminals in the Seattle seaport. It is important to emphasize that a reduction in jobs per 1,000 tons of a commodity typically reflects productivity and efficiency gains, which are necessary in order for the Port to remain competitive with other seaports. Conversely, when efficiency gains and productivity improvements reduce the direct job impact per 1,000 tons of a commodity, the overall job impact may fall, if growth in cargo does not match or outpace the gains in productivity. However, without productivity gains, tonnage losses would likely occur as cargo and ocean carriers divert to more productive ports.

The ratio of direct jobs generated per 1,000 tons of containerized cargo was reduced from .86 direct jobs per 1,000 tons to .74 direct jobs per 1,000 tons. This reduction in jobs per 1,000 tons of containerized cargo is driven by three key factors. First, the increase in rail transportation for both

export and import containers will reduce the jobs per 1,000 tons impact, since rail transportation, especially double stack service, is less labor intensive than moving containers by truck. Secondly, the 12 percent increase in vessel loading and discharge productivity for containerized cargo will result in a direct reduction in the ILWU labor required to handle 1,000 tons of containerized cargo. Finally, the reduction in less than container load (LCL) cargo resulted in a reduction in the number of warehousing jobs and jobs with container freight stations, further reducing the number of direct jobs per 1,000 tons of containerized cargo from the 1987 level.

Direct jobs created per 1,000 tons of breakbulk cargo, other dry bulk, and petroleum remained nearly constant over the 1987-1993 period. In contrast, automobile jobs per 1,000 tons increased from 1.73 to 3.18, primarily reflecting a fixed terminal processing labor force and the reduction in imported automobile tonnage between 1987 and 1993. The reduction in direct jobs per 1,000 tons of grain exports reflects the increased productivity in loading vessels, as well as the reduction in gang size to load the vessels. Similarly, the reduction in jobs per 1,000 tons of chill cargo is driven by the 19 percent increase in productivity at this Port of Seattle owned and operated terminal.

Table IV-5
Comparison Of Direct Jobs Per 1,000 Metric Tons

COMMODITY	1993	1987	PERCENT CHANGE
CONTAINERS	0.74	0.86	86.05%
BREAKBULK	0.90	0.91	98.90%
OTHER DRY BULK	0.25	0.23	108.70%
GRAIN	0.11	0.14	78.57%
AUTOMOBILES	3.18	1.73	183.82%
CHILL	0.87	1.05	82.86%
OTHER LIQUID BULK	0.53	1.05	50.48%
PETROLEUM	0.01	0.01	100.00%

The reduction in liquid bulk jobs per 1,000 tons reflects the reduction in the number of direct jobs at the terminal and the increased use of rail, and the growth in liquid bulk cargo between 1987 and 1993.

2.5 Comparison of Direct Jobs by Job Category

Table IV-6 summarizes the changes in the direct jobs, by job category, for the seaport-wide maritime activity and identifies the impacts specifically for the vessel and cargo activity at the Port of Seattle's marine terminals.

Table IV-6
Comparison Of Direct Jobs By Job Category

	SEATTLE SEAPORT			PORT OF SEATTLE		
	1993	1987	CHANGE	1993	1987	CHANGE
SURFACE TRANSPORTATION						
RAIL	1,413	521	893	1,408	518	890
TRUCK	<u>1,791</u>	<u>2,708</u>	<u>(917)</u>	<u>1,229</u>	<u>1,974</u>	<u>(745)</u>
SUBTOTAL	<u>3,204</u>	<u>3,229</u>	<u>(24)</u>	<u>2,637</u>	<u>2,492</u>	<u>145</u>
MARITIME SERVICE SECTOR						
TERMINAL OPERATORS	859	932	(73)	443	497	(54)
ILWU	681	844	(163)	681	844	(163)
TOWING	44	21	23	42	15	27
PILOTS	16	16	0	16	13	3
AGENTS/LINES	478	397	81	398	380	18
SURVEYORS	219	305	(86)	196	259	(63)
FORWARDERS	349	289	59	305	278	27
WAREHOUSEMEN	823	1,141	(318)	425	946	(521)
CONTAINER REPAIR	152	266	(114)	152	266	(114)
GOVERNMENT	696	564	132	224	239	(15)
MARINE CONSTRUCTION	1,710	2,722	(1,013)	311		311
LINEHAUL BARGE	423	181	242	66	58	8
MISCELLANEOUS	<u>62</u>	<u>17</u>	<u>45</u>			
SUBTOTAL	<u>6,512</u>	<u>7,695</u>	<u>(1,183)</u>	<u>3,260</u>	<u>3,795</u>	<u>(535)</u>
SHIPPERS/CONSIGNEES	660	300	360	480	300	180
PORT OF SEATTLE	490	489	1	490	489	1
BANKING/INSURANCE/LAW	241	249	(8)			
TOTAL	<u>11,108</u>	<u>11,962</u>	<u>(854)</u>	<u>6,867</u>	<u>7,076</u>	<u>(209)</u>

As this table indicates, the most significant change in direct jobs generated is the more than 900 job reduction with the local trucking industry. For cargo moving over the Port of Seattle facilities, 745 jobs were lost in the trucking industry. In contrast, jobs with railroads increased by 900 jobs for both total seaport cargo and vessel activity, as well as for Port of Seattle marine facilities. The loss of truck jobs, combined with the off-setting increase in rail jobs reflects the:

- . growth of intermodalism at the Port of Seattle for export and import containerized cargo
- . increased use of rail for distribution of auto imports, primarily using AUTOSTACK rail service.
- . the 1.5 million ton loss of dry bulk cargo, which had historically been distributed by truck.
- . direct calls at Portland and Vancouver, BC have reduced the service area of trucks moving cargo to and from the Seattle seaport's marine terminals.

The decline in direct jobs with the ILWU reflects the improved productivity in the vessel loading and unloading of containerized cargo and chill cargo, as well as the increased use of full container loads, rather than less than container load cargo (LCL) that requires stuffing and stripping by the ILWU at local, on-dock CFS operations.

The number of direct jobs employed by warehousing operations has declined from 1987, reflecting the increased degree of intermodalism at the seaport and the Port of Seattle's facilities, and the reduction in less than container load (LCL) export and import cargo moving over the Port of Seattle's marine terminals, as well as private terminals in the Seattle seaport.

The reduction of shipbuilding employment is reflected in the more than 1,000 job loss with marine construction. Employment in marine construction was not estimated separately for the Port of Seattle facilities in 1987. Employment with linehaul barges, primarily operations in the Alaskan trade, has increased over time reflecting the growth (since 1987) in Alaskan cargo moving over private terminals in the Seattle seaport.

Employment with shippers/consignees directly dependent on the seaport has increased since 1987, based on the inclusion, in 1993, of new shippers/consignees dependent on the seaport. These include employees with dependent steel exporters using the Port of Seattle's marine terminals for export steel, as well as importing and manufacturing companies using the Port of Seattle's warehousing and distribution services. Changes in other job categories are relatively small.

2.6 Comparison of Seattle Seaport Revenue Impacts

Between 1987 and 1993, business revenue generated by marine cargo and vessel activity at the private terminals and those owned by the Port of Seattle increased by about \$400 million. As indicated in Table IV-7, this increase in revenue was driven by the nearly \$240 million increase in revenue generated by containerized cargo. In addition, the impact of bunkering revenue is reflected in the revenue contribution by petroleum in 1993. In 1987, this bunkering revenue was not included. The increase in grain throughput via the Port of Seattle-owned and leased grain elevator added an additional \$19 million in business revenue over the 1987-1993 period. The \$15 million increase in revenue generated by breakbulk cargo also reflects the growth in breakbulk cargo over the six year period. The decline in revenue generated by dry bulk cargo and automobiles is driven by the 1.5 million ton loss of dry bulk cargo and by the reduction in the number of automobiles imported through the Port of Seattle's marine terminals.

Table IV-7
Comparison Of Direct Business Revenue
Generated By Cargo In The Seattle Seaport

COMMODITIES	1993 (MILLIONS\$)	1987 (MILLIONS\$)	CHANGE (MILLIONS\$)
CONTAINERS	\$771.0	\$532.9	\$238.1
PETROLEUM	\$91.0	\$6.3	\$84.7
GRAIN	\$59.0	\$40.1	\$18.9
BREAKBULK	\$43.0	\$27.8	\$15.2
OTHER DRY BULK	\$25.0	\$43.3	(\$18.3)
AUTOMOBILES	\$10.0	\$30.6	(\$20.6)
CHILL	\$6.0	\$4.2	\$1.8
OTHER LIQUID BULK	\$2.0	\$0.3	\$1.7

Table IV-8 shows the revenue generated per ton of commodity.

Table IV-8
Comparison Of Revenue Per Ton Generated
By Commodity In The Seattle Seaport

COMMODITY	1993	1987	PERCENT CHANGE
AUTOMOBILES	\$225.0	\$295.0	76.27%
CONTAINERS	\$88.0	\$71.0	123.94%
CHILL	\$78.0	\$68.0	114.71%
BREAKBULK	\$49.0	\$49.0	100.00%
PETROLEUM	\$49.0	\$3.0	1633.33%
OTHER LIQUID BULK	\$34.0	\$6.0	566.67%
GRAIN	\$30.0	\$27.0	111.11%
OTHER DRY BULK	\$11.0	\$11.0	100.00%

In both years, automobile imports generated the greatest revenue impact per ton of cargo. Over the 1987-1993 period, this revenue per ton fell, primarily as the result of a reduction in the per unit transportation costs associated with moving the imported automobiles via AUTOSTACK rail service. The AUTOSTACK service allows imported automobiles to be loaded in specially designed containers at the Port of Seattle for inland distribution. These AUTOSTACK containers are then moved via double stack rail service.

The revenue generated per ton of containerized cargo has increased over the period, primarily reflecting the increased intermodal activity at the port and the higher revenue per ton generated by rail versus truck transportation. Terminal revenue per container has remained nearly constant over the six year period.

The increased revenue per ton for chill cargo reflects the larger distribution area and corresponding truck transportation costs for handling imported fruit, while the increase in the revenue per ton generated by petroleum reflects the inclusion of bunkering revenue in the petroleum revenue impact. Increased transportation cost, and, hence, revenue to the railroads, is

reflected in the growth in the revenue per ton generated by grain exports and other liquid bulk cargo. Despite the 1.5 million ton loss of other dry bulk cargo, the revenue per ton generated by other dry bulk cargo, primarily cement and gypsum, has remained nearly constant over time, as transportation costs and terminal charges have remained relatively constant over time.

In conclusion, the marine cargo activity generated by the Seattle seaport and the Port of Seattle marine facilities has continued to provide a key source of employment for local residents. In both 1987 and 1993, more than 70,000 jobs are in some way related to marine cargo activity handled at private marine terminals and terminals owned by the Port of Seattle. Of the 70,000 jobs, more than 16,000 jobs are directly generated and induced in the Seattle area, and the average earnings of the directly employed workers is \$39,000, compared to the average salary for King County, which is \$31,000. The fact that seaport activity generates earnings that are \$8,000 more than the average earnings per employee in King County underscores the overall economic value of the jobs generated by seaport activity. With respect to the impacts generated by cargo handled at the Port of Seattle-owned marine terminals, the Port generates nearly 7,000 direct jobs, with an average annual earnings per job of \$40,222. Furthermore, the state and local tax contribution generated by cargo handled at the Port of Seattle's marine terminals has increased from \$37 million in 1987 to \$42.3 million in 1993.

In the next section a comparison of the economic impacts generated by activity at Sea-Tac is presented.

3. COMPARISON OF IMPACTS GENERATED BY AIRPORT ACTIVITY AT SEA-TAC INTERNATIONAL AIRPORT.

In this section, the 1987 and 1993 economic impacts generated by the passenger and air cargo activity at Sea-Tac International Airport are compared. The first section describes changes in airport operational characteristics that have occurred over the six year period, while the comparisons of the impacts generated by the airport are presented in the second section.

3.1 Changes In Operational Structure At Sea-Tac International Airport

Passenger and air cargo activity at Sea-Tac International Airport increased between 1987 and 1993. Between 1987 and 1993, total passenger activity increased by about 4.4 million passengers, from 14.4 million in 1987 to 18.8 million passengers in 1993. Passengers on international flights at Sea-Tac remained nearly constant -- in 1987, 1.3 million passengers were carried on international flights while in 1993, 1.4 million passengers were carried on international flights. Between 1987 and 1993,

total air cargo handled at Sea-Tac increased by 31 percent, from 292,070 metric tons to 381,541 metric tons.

In addition to the changes in the volume of passenger and air cargo activity are changes in the characteristics of passengers using the airport. In 1987, about 50 percent of passengers using Sea-Tac were residents of the Seattle area, while in 1993, the share of non-residents using Sea-Tac increased to 64 percent.

Table IV-9 compares the dollar expenditures per trip for a passenger using Sea-Tac in 1987 versus 1993. The expenditure per trip, by purpose of trip, combines the average length of stay with the dollar expenditure per day, as estimated from passenger surveys conducted in 1987, and again as part of the 1993 study.

Table IV-9
Comparison Of Air Visitor Expenditures Per Trip In The Seattle Visitor Industry

TYPE OF VISITOR	1993	1987
DOMESTIC BUSINESS	\$745	\$649
DOMESTIC PLEASURE	\$907	\$490
INTERNATIONAL BUSINESS	\$1,194	\$333
INTERNATIONAL PLEASURE	\$1,056	\$480

SOURCE: Passenger Surveys At Sea-Tac, 1993 and 1987

The table indicates that overall, expenditures per trip have increased for all types of air visitors using Sea-Tac, with the greatest increases recorded for both international business and international pleasure visitors arriving via Sea-Tac. As a result, the importance of Sea-Tac to the local tourism industry will likely increase over the 1987-1993 period, as more passengers are non-residents, and have a higher expenditure profile than was the case in 1987. Therefore, these visitors in 1993 will likely make larger purchases from local hotels, restaurants, retail stores and from local transportation service providers such as cabs, in-town rental cars and service stations.

The percent of passengers connecting to other flights at Sea-Tac increased slightly from 34 percent in 1987 to 35.4 percent in 1993, while the percent of business travelers increased from 33 percent to 39 percent. This underscores the

importance of Sea-Tac to the local business community, and the fact that because of the relatively high percentage of connecting flights, Sea-Tac provides a greater level of non-stop services and a larger number of destinations served than would be supported by the local Seattle market. As a result, the Seattle area becomes much more attractive for the location of businesses that rely heavily on both passenger and air cargo service.

The impacts of these changes in air passenger and air cargo volume, and of changes in passenger characteristics, are described in the next section.

3.2 Comparison of the Economic Impacts Generated By Sea-Tac International Airport

Table IV-10 presents the comparison of total economic impacts generated by Sea-Tac between 1987 and 1993.

Table IV-10
Comparison Of Economic Impacts Generated By Sea-Tac

IMPACTS	AIRPORT			VISITOR		
	GENERATED		CHANGE	INDUSTRY		CHANGE
	1993	1987		1993	1987	
JOBS						
DIRECT	14,381	14,300	81	64,330	47,585	16,745
INDUCED	6,119	7,050	(931)	13,363	6,704	6,659
TOTAL DIRECT AND INDUCED	21,008	23,700	(2,692)	79,616	56,524	23,092
OTHER JOB IMPACTS						
INDIRECT	1,497	NA	NA			
RELATED AIR FREIGHT	106,000	75,000	31,000			
PERSONAL INCOME (MILLIONS \$)						
DIRECT	\$487.3	\$532.6	(\$45)	\$765.0	\$442.3	\$322.7
RESPENDING	\$518.8	\$575.2	(\$56)	\$814.5	\$477.6	\$336.9
TOTAL	\$1,006.1	\$1,107.8	(\$102)	\$1,579.5	\$919.9	\$659.6
EARNINGS/DIRECT EMPLOYEE	\$33,885	\$37,245	(\$3,360)	\$11,892	\$9,295	\$2,597
BUSINESS REVENUE (MILLIONS \$)	\$2,938.4	\$1,828.0	\$1,110	\$3,417.3	\$1,687.4	\$1,729.9
STATE AND LOCAL TAXES (MILLIONS \$)	\$84.9	\$73.8	\$11	\$321.7	\$176.1	\$145.6
FEDERAL AVIATION TAXES (MILLIONS \$)	\$199.0	\$108.3	\$91			
U.S. CUSTOMS (MILLIONS)	\$45.0	\$38.0	\$7.0			

* 1987 induced jobs adjusted to reflect the change in the consumption reporting format

As this table indicates, direct jobs generated by airport activity remained nearly constant between 1987 and 1993, with an increase of only 81 direct jobs recorded over the six year period. More importantly, though, is the fact that the direct income received by the employees actually fell between 1987 and 1993, reflecting a decrease in annual earnings per direct employee at Sea-Tac. In 1987, the annual earnings per employee was \$37,245 and when adjusted for inflation to 1993 dollars, amounts to \$48,400. In 1993, the annual earnings per direct employee was \$33,885. This reduction in annual income reflects the change in the composition of direct jobs generated by the airport in 1993, as will be discussed in the next section. It is to be emphasized that the \$33,885 earnings per direct employee is still nearly \$3,000 more than the average earnings per employee in King County.

Since the average purchasing power of the direct airport generated employees declined over time, the induced jobs supported by purchases by the direct employees also declined by about 900 jobs.

Related jobs with air cargo shippers increased by 29,000 jobs since 1987, reflecting the 30 percent increase in air cargo handled at Sea-Tac.

Business revenue generated by passenger and air cargo activity at the airport increased due to the increase in the revenue per enplaned passenger combined with the 4.4 million increase in passengers using the airport. Also, the increase in air cargo generated additional revenue.

Aviation specific taxes paid to the Federal Government nearly doubled over the six year period, as the result of several factors. First, air cargo volume increased significantly at Sea-Tac between 1987 and 1993, and passenger enplanements increased by 2.7 million passengers. Combined with this increase in passenger and air cargo volume, the actual tax rates on air cargo, domestic passenger enplaning at Sea-Tac and international passengers also increased.

The impact of the increased share of non-resident passengers using Sea-Tac, and the increased level of expenditures per trip by visitors to the Seattle area arriving via air generated an additional 16,754 direct jobs in the area's local visitor's industry.

Direct personal income in the visitor industry increased by \$323 million dollars, and when the re-spending impact is considered, total personal income and consumption expenditures increased by \$660 million.

Revenue received by local area visitor industry businesses

increased by \$1.7 billion over the 6 year period, reflecting the growth in area visitors arriving via Sea-Tac and the increased expenditures per passenger per trip.

In the next section, a comparison of the direct jobs generated by job category is presented.

3.3 Comparison Of Airport Impacts By Job Category

Table IV-11 compares the direct jobs impact by job category. While overall direct employment generated by airport activity increased only slightly between 1987 and 1993, significant changes occurred within the direct job impacts, by category.

Table IV-11
Comparison Of Direct Airport Generated Jobs By Category

<i>AIRLINE/AIRPORT SECTOR</i>	DIRECT JOBS 1993	DIRECT JOBS 1987	CHANGE
PASSENGER AIRLINES	8,197	9,434	(1,237)
CATERING	454	726	(272)
FEDERAL/LOCAL GOVERNMENT	623	446	177
PORT OF SEATTLE	782	588	194
RETAIL CONCESSIONS	642	172	470
GENERAL AVIATION	38	NA	38
FBO'S/AVIATION SERVICES	281	304	(23)
SECURITY/JANITORAL/SKYCAPS	585	409	176
PARKING	128	135	(7)
MISCELLANEOUS/BANKING	<u>166</u>	<u>106</u>	<u>60</u>
SUBTOTAL	<u>11,896</u>	<u>12,320</u>	<u>(424)</u>
<i>FREIGHT TRANSPORTATION</i>			
FREIGHT FORWARDERS	337		
FREIGHT AIRLINES/COURIERS	<u>657</u>		
SUBTOTAL	<u>994</u>	<u>991</u>	<u>3</u>
<i>GROUND TRANSPORTATION</i>			
RENTAL CARS	651		
TAXIS/BUSES/LIMOS	<u>548</u>		
SUBTOTAL	<u>1,199</u>	<u>911</u>	<u>288</u>
<i>CONSTRUCTION/CONSULTING</i>			
	<u>292</u>	<u>78</u>	<u>214</u>
TOTAL	<u>14,381</u>	<u>14,300</u>	<u>81</u>

The most significant change in direct airport employment is the loss of 1,237 direct jobs with airlines. This job loss is the result of the reduction in airline crew based in Seattle, and the reduction of in-flight catering operations of a specific air carrier. It is to be emphasized that the loss of Seattle based airline employment is directly responsible for the reduction in the average earnings per direct employee, as the average salary for direct airlines employees is in excess of \$40,000 per year. Furthermore, since the loss in airline jobs was centered in the reduction of crew, it is important to consider that the average pilot earnings are in excess of \$100,000 annually, further impacting the average earnings per direct employee in 1993.

The major growth in direct employment was with retail concessions, as 470 direct jobs were created in this category between 1987 and 1993. However, it is to be emphasized that these are relatively low paying jobs, averaging about \$17,900 per year. Construction and consulting jobs increased at the airport, as the result of direct construction expenditures by the Port of Seattle, while direct jobs with ground transportation services also increased, reflecting the growth in the 4.4 million passengers over the six year period.

In conclusion, the impact of Sea-Tac on the local visitors industry has increased significantly over the six year period, as Sea-Tac continues to provide a direct economic stimulus to local economic development and tourism. This economic development impact is evident in the growth in the percentage of business travelers using the airport, as well as the increase in the amount of air cargo moved through Sea-Tac. However, the loss of high paying airport jobs has reduced the overall direct and induced airport generated job impact, but the airport still generates jobs that receive annual earnings in excess of the average earnings in King County.

**APPLIED USE OF THE SEAPORT
IMPACT MODEL TO ESTIMATE THE
IMPACTS OF THE PROPOSED APL TERMINAL**

APPENDIX

MARTIN O'CONNELL ASSOCIATES

THE ECONOMIC IMPACTS OF THE POTENTIAL
LOSS OF SELECTIVE CONTAINER OPERATORS AT THE PORT OF SEATTLE

The Port of Seattle retained the services of Martin O'Connell Associates to estimate the economic impacts of the potential loss of one or two of the Port's major container carriers. These future impacts are estimated using the 1987 Economic Impact Model of the Seaport of Seattle, which was developed by Martin O'Connell Associates in 1988. This model, which is based on an extensive survey of the local Maritime Community, as well as the actual operating characteristics of the Port of Seattle (ie. modal split by commodity, labor productivity and work rules, inland hinterlands, towing and pilotage assignments and vessel load and discharge size). The model allows port planners to evaluate the incremental changes in economic impacts due to changes in the above operational factors and tonnage levels.

The economic impacts are measured in terms of:

- . Direct employment impact -- jobs directly generated by seaport activity which would vanish if activity at the seaport were to cease
- . Induced employment impact -- jobs created throughout the local and state economy because individuals directly employed due to seaport activity spend their wages locally on goods and services (such as food and housing)
- . Related employment impact -- jobs with firms in the region that rely heavily on the use of the seaport. These jobs are not as directly dependent upon the seaport as are the direct, and induced jobs, are with shippers/consignees using the port of Seattle as well as other ports for the shipment and receipt of cargo

The income impact is the measure of personal income received by individuals directly employed due to seaport activity. Respending of this income throughout the state for purchases of goods and services is also estimated. This, in turn, generates additional jobs -- the induced employment impact. This respending throughout the state is estimated using a state personal income multiplier, which reflects the percentage of purchases that are made within the state.

State and local tax impacts are tax payments to the state and local governments by firms and by individuals whose jobs are directly dependent upon activity at the seaport.

These impacts are estimated in the following five economic sectors:

- . Surface Transportation Sector
- . Maritime Service Sector
- . Port of Seattle
- . Banking and Insurance Sector.

In 1987, the Port generated the following economic impacts.

- . 18,512 direct and induced jobs, of which 12,282 jobs were directly generated by activity at the Port.
- . An additional 55,683 jobs were related to the Port of Seattle but not dependent upon the port.
- . \$723.5 million of personal earnings and consumption expenditures in state, of which \$347.8 million were direct earnings received by the 12,282 direct jobs.
- . \$1,391 million of business of revenue, which included the direct personal earnings impact
- . \$60 million of state and local tax revenue

1. METHODOLOGY

The purpose of this analysis is to identify the economic impact of the potential loss of American President Lines/OOCL/Westwood service and the potential loss of the NYK/NOL service. To estimate these impacts, the Port of Seattle developed two tonnage scenarios for the two container services. One for 1992 and a future scenario corresponding to forecasts developed by the Port for 1995.

First, it is assumed that the container load factors developed for the 1987 study are valid for 1992 throughput. Secondly, the percent of east and westbound containers moved by rail versus truck was developed by the Port for each carrier. For APL, the following assumptions were made:

- . For imported cargo, 80% of the containers moved via rail, with the balance moving via truck.
- . For export containers, it was assumed that 60% of containers moved via truck, and 40% moved directly by rail. In addition, it is assumed that a majority of the export boxes moved via truck consist of empties

that have been repositioned into the Seattle area for loading. After the boxes are stuffed at the local plants, these containers are then trucked to the marine terminal. The Port estimates that these repositioned boxes represent another 40% of additional rail moves, resulting in a total rail export share of 80%.

For NYK, the following modal assumptions are made:

- . For imported cargo, it is assumed that 75% of the boxes are moved via rail and 25% are trucked to the marine terminal.
- . For export containers, it is assumed that 30% of the containers move via rail, while the balance move via truck.

To control for shoreside terminal employees, APL indicated that 225 employees (excluding ILWU) are dependent upon the Seattle operation, and would be lost to the area if direct calls were eliminated. For the NYK service, it is estimated that 130 terminal and shoreside personnel are at risk if this service were discontinued at Seattle. This is based on the fact that the NYK volume in 1992 is about 57% of the APL/OOCL/Westwood volume.

3. RESULTS

Three different scenarios were developed. The first scenario assumes APL/OOCL/Westwood remain and the NYK/NOL calls are discontinued. The second scenario assumes that NYK remains and APL/OOCL/Westwood discontinue Seattle calls. The third scenario assumes that both APL/OOCL/Westwood and NYK/NOL calls are discontinued.

The impacts are estimated for the 1992 volume associated with each service, as well as the 1995 projected volume. Table 1 shows the potential impacts of the loss of NYK. Table 2 shows the potential loss of the APL calls, while table 3 shows the loss of both services.

Table 4 shows the impacts on the construction industry due to terminal construction and development if APL remains at the Port.

Table 1
Loss of NYK

	DIRECT JOBS	INDUCED JOBS	TOTAL JOBS	DIRECT INCOME (MILLIONS)	TOTAL INCOME (MILLIONS)	BUSINESS REVENUE (MILLIONS)	STATE/LOCAL TAXES (MILLIONS)
1992	802	444	1,246	\$24.9	\$51.9	\$100.8	\$4.0
1995	923	509	1,432	\$28.6	\$59.4	\$120.0	\$4.6

Table 2
Loss of APL

	DIRECT JOBS	INDUCED JOBS	TOTAL JOBS	DIRECT INCOME (MILLIONS)	TOTAL INCOME (MILLIONS)	BUSINESS REVENUE (MILLIONS)	STATE/LOCAL TAXES (MILLIONS)
1992	1,309	756	2,065	\$42.6	\$88.5	\$239.3	\$6.6
1995	2,238	1,276	3,514	\$71.7	\$149.2	\$459.8	\$11.3

Table 3
Loss of APL and NYK

	DIRECT JOBS	INDUCED JOBS	TOTAL JOBS	DIRECT INCOME (MILLIONS)	TOTAL INCOME (MILLIONS)	BUSINESS REVENUE (MILLIONS)	STATE/LOCAL TAXES (MILLIONS)
1992	2,111	1,200	3,311	\$67.5	\$140.4	\$340.1	\$10.6
1995	3,161	1,785	4,946	\$100.3	\$208.6	\$579.8	\$15.9

Table 4
Construction Job Impacts

	DIRECT JOBS	INDUCED JOBS	TOTAL JOBS	DIRECT INCOME (1,000)	TOTAL INCOME (1,000)	BUSINESS REVENUE (1,000)	STATE/LOCAL TAXES (1,000)
1992	19	12	31	\$659.0	\$1,370.0	\$7,840.0	\$98.0
1993	21	13	34	\$743.0	\$1,545.0	\$8,840.0	\$110.5
1994	100	62	162	\$3,511.0	\$7,303.0	\$41,800.0	\$522.3
1995	89	54	143	\$3,100.0	\$6,447.0	\$36,900.0	\$461.1
1996	35	22	57	\$1,235.0	\$2,568.0	\$14,700.0	\$183.7
1997	85	53	138	\$2,982.0	\$6,203.0	\$35,500.0	\$443.6

IMPACT OF APL

	FTE'S BASELINE	MID 1990'S	CHANGE
RAIL	205	391	186
TRUCK	395 *	752 ***	357
TERMINAL	225	225	0
ILWU	229 **	388 ****	159
TOWING	3	6	3
PILOTS	4	7	3
WAREHOUSE	248	469	221
TOTAL	<u>1,309</u>	<u>2,238</u>	<u>929</u>

*BASELINE TRUCK COMPONENTS ARE 42 CFS DRIVERS, 124 LINEHAUL, 71 DRAYAGE, 158 SUPPORT/MECHANICS

** BASELINE ILWU CONSISTS OF 155 ON DOCK, 74 CFS

*** NEW TRUCK COMPONENTS ARE 79 CFS DRIVERS, 224 LINEHAUL, 134 DRAYAGE, 315 SUPPORT/MECHANICS

**** NEW ILWU CONSISTS OF 249 ON DOCK, 139 CFS

REVISED ECONOMIC IMPACTS FOR THE PROPOSED APL
TERMINAL AS USED IN THE
ENVIRONMENTAL IMPACT REPORT
1993

ECONOMIC IMPACTS FOR EIS

	BASE	EIS2	EIS3	EIS4	EIS5
JOBS					
DIRECT	1,687	2,027	2,353	2,423	2,702
INDUCED	954	1,144	1,327	1,444	1,521
TOTAL	2,641	3,171	3,680	3,867	4,223
REVENUE (\$1000)	\$247,574	\$379,122	\$443,856	\$467,831	\$573,247
INCOME (\$1000)					
DIRECT	\$53,643	\$64,350	\$74,573	\$78,334	\$85,507
RESPENDING	\$57,935	\$69,498	\$80,538	\$84,601	\$92,348
TOTAL	\$111,578	\$133,848	\$155,111	\$162,935	\$177,855
STATE AND LOCAL TAXES (\$1000)	\$8,499	\$10,207	\$11,843	\$12,445	\$13,593

SOURCE: MARTIN O'CONNELL ASSOCIATES

DIRECT JOBS FOR EIS

	BASE	EIS2	EIS3	EIS4	EIS5
RAIL	367	360	450	482	546
TRUCK	503	569	666	702	770
LINEHAUL	158	242	283	298	327
CFS DRIVERS	51	79	92	98	107
DRAYAGE	82	19	22	24	26
SUPPORT	212	229	289	282	310
TERMINAL	225	225	225	225	225
ILWU	246	349	400	419	454
LONGSHORE	154	208	235	245	263
CFS/WAREHOUSE	92	141	165	174	191
TOWING	2	1	1	1	1
PILOTS	2	1	1	1	1
WAREHOUSE	342	522	610	643	705
TOTAL	1,687	2,027	2,353	2,473	2,702

SOURCE: MARTIN O'CONNELL ASSOCIATES

CAPITAL EXPENDITURES FOR APL PROJECT

YEAR	CONSTRUCTION EXPENDITURES (MILLIONS)	DIRECT JOBS	INDUCED JOBS	TOTAL JOBS	DIRECT INCOME (\$1,000)	INDUCED INCOME (\$1,000)	TOTAL INCOME (\$1,000)	STATE/LOCAL TAXES (\$1,000)
1994	\$37.4	305	126	431	\$9,895	\$10,535	\$20,430	\$1,781
1995	\$73.5	599	247	846	\$19,446	\$20,704	\$40,150	\$3,500
1996	\$48.6	396	163	559	\$12,859	\$13,690	\$26,549	\$2,314
1997	\$24.7	201	83	284	\$6,535	\$6,958	\$13,493	\$1,176
1998	\$2.3	19	8	27	\$609	\$648	\$1,257	\$110
1999	\$2.4	20	8	28	\$635	\$676	\$1,311	\$115

HARBOR ISLAND BUSINESSES

(Includes Port Tenants)

Property Ownership	Owners Contact	Address	Phone	Tenant's Business	Tenant Contact	Address, if different	Phone	Business Profile	Est. empl.
M F Properties, Ltd.	Wilhelm Ovigstad	PO Box 3636 Seattle WA 98124	784-0138	O'Sullivan Omega	Kevin Spratt	3214 16th Ave SW Seattle WA 98134	682-2440	Environmental remedy	25
Kipper & Sons Engineers, Inc.	George Kipper	3215 13th Ave SW Seattle WA 98134	622-4545	None				Ship boiler manufacturing	7
Hardware Specialty Company	Conrad Unger	3419 11th Ave SW Seattle WA 98134	624-5785	Hardware Specialties	Conrad Unger		624-5785	Electrical supplies	25
Hardware Specialty Company	Conrad Unger	3419 11th Ave SW Seattle WA 98134	624-5785	Tindall/Matzke Enterprises	John Tindall & Andrea Matzke	6859 83rd Ave SW Mercer Is. 98040	694-1839	Sound studios (4 business at same site)	5
				Flying Rhino (main tenant)	Scott Dodson	3423 13th Ave SW Seattle WA 98134			2
				Well Wrought Audio	Tom Teu	3423 13th Ave SW Seattle WA 98134			
				Slyeighouthee Records	Scott Mallard	3423 13th Ave SW Seattle WA 98134			
Butler, Michael	Mike Butler	4555 54th SW Seattle WA 98118	935-8915	A.B. See Towing	Al See	3419 13th Ave Seattle WA 98134	not known	Tow truck dispatch	3
				Butler Partnership	Mike Butler			Storage	
				G & G Trucking Repairs	George Thomas	3419 13th Ave Seattle WA 98134	not known	Truck repair	3
				Harbor Island Service	Lynn Boyet	3419 13th Ave Seattle WA 98134	624-4278	Taxi cab repair	1
				House of Sound	Jeff Stone	3419 13th Ave Seattle WA 98134	382-0239	Band	1
Berg Investment Company	Donald Berg	200 South Broad Street 6th Floor Philadelphia PA 19102	(215)732-3500	Performance Contracting	Gary Hashburger	3201 13th Ave SW Seattle WA 98134	623-8750	Boat insulation	30
Barber (Fred) Family Partnership	Fred Barber	7979 S 180th St. Kent WA 98032	467-8466	Satway Scaffolding	Mike Kay	2938 16th Ave SW Seattle WA 98134	623-9020	Scaffolding rental and sales	30
Hardware Specialty Company	Conrad Unger	3419 11th Ave SW Seattle WA 98134	624-5785	Global Diving	Tim Beaver	2763 13th Ave SW Seattle WA 98134	623-0621	Emergency response/salvage diving	
Seabab Metal Corporation	George Tamlyn	2700 16th Ave SW Seattle WA 98134	447-2700	None				Lead fabrication	40
Key Industries Liberty	Harry Lipsett	PO Box 24848 Seattle WA 98124	682-8700	Liberty Equipment	Mike Sundine	2744 16 Ave SW PO BOX 24848	682-8700	Pipe distribution	53
L & L Investment, Ltd.	Harry Lipsett	PO Box 24848 Seattle WA 98124	682-8700	Liberty Equipment	Mike Sundine	2744 16 Ave SW PO BOX 24848	682-8700	Pipe distribution	
Meagher, Robert	Tom Gores	1420 5th Avenue Seattle WA 98102	Suite 628-2828	Ace Tank	Allan Reese	1143 Elliot Ave West Seattle WA	281-5000	Tank manufacturing	50
McGee, John (Non-Ferrous Metals)	Jack McGee	2905 13th Ave SW Seattle WA 98134	624-8414	Non-Ferrous Metals				Foundry	16
Pacific Rendering Company	Mike Anderson	2926 16th Ave SW Seattle WA 98134	622-4024	None				Meat scrap rendering	7

HARBOR ISLAND BUSINESSES

(Includes Port Tenants)

Property Ownership	Owners Contact	Address	Phone	Tenant's Business	Tenant Contact	Address if different	Phone	Business Profile	Est. empl.
Seattle Iron & Metals Corp.	David Sidell	2955 11th Ave SW Seattle, WA 98134	682-0040	None				Iron/metal recycle, scrap	85
Shahmar Group (Harbor Island Business Center)	David Sidell	2955 11th Ave SW Seattle, WA 98134	682-0040	Helium Rose	Ms. Karl Scott	4531 California Ave Seattle WA 98116	not known	not known	2
				HI Medical	Dr. Perkins	1226 McGilvray Bld Seattle WA 98112	287-1577	Medical practice	2
				Joe's Cafe	Ms. Dorothy Williams	4115 Ave South Seattle WA 98108	624-2276	Restaurant	3
				Liberty Side-Cars (Metal Fab. & Mach.)	Pete Larsen	3050 W Viewmont Seattle WA 98199	not known	Metal work	3
				Puhalski Furniture	Mike Puhalski	3400 13th Ave SW Seattle WA 98134	233-9581	Furniture/cart maker	4
				Pure & Natural Diaper	Mark Stief	3400 13th Ave SW Seattle WA 98134	545-1075	Diaper Service	5
				Quality Navigation	Jerry Morris	3400 13th Ave SW Seattle WA 98134	233-9106	Navigation supplies	1
				Rayproof Roofing	Dan Rheasume	534 South 144th Seattle WA 98168	621-9771	Roofing contractor	8
				Robin Johnstone	Name not known	3400 13th Ave SW Seattle WA 98134	933-1062	Unknown	5
				Seamnar	Chanlay Jett	3400 13th Ave SW Seattle WA 98134	622-6130	Electronics	20
				Sign Age	Jackie Flingsiad	3400 13th Ave SW Seattle WA 98134	382-1058	Sign & banner	5
				Sub Shop		3400 13th Ave SW Seattle WA 98134	467-7711	Restaurant	4
				Western Port Transport	Steven Tynor	3400 13th Ave SW Seattle WA 98134	622-4753	Truck dispatch	4
Lundberg, Don	Don Lundberg	3420 13th Ave SW Seattle, WA 98134	454-6117	Martin Surfacing	Kevin Dorny	3420 13th Ave SW Seattle WA 98134	621-8529	Astro turf installers	10
Union Pacific	Doug Rice	1416 Dodge Street Room 1100	(402) 271-3939	None					0
Sidell, David	David Sidell	2955 11th Ave SW Seattle, WA 98134	682-0040	None					

HARBOR ISLAND BUSINESSES

(Includes Port Tenants)

Property Ownership	Owners Contact	Address	Phone	Tenant's Business	Tenant Contact	Address, if different	Phone	Business Profile	Est. empl.
Lipsett, Harry	Harry Lipsett	PO Box 24848 Seattle WA 98124	682-8700	Liberty Equipment	Mike Sundrine	2744 16 Ave SW PO BOX 24848	682-8700	Pipe distribution	
Thomas Ltd. Family Partnership	Randy Thomas	PO Box 84386 Seattle WA 98124	682-1264	Seaport Petroleum	Randy Thomas	PO Box 84386 Seattle WA 98124	682-1264	Texaco jobber	35
				New Image Neon	Contact Randy Thomas		292-9440	Neon sign sales and design	10
McAllister, Virginia	Michael J. Warren	316 Occidental Ave S, Suite 325	343-8600	Pacific Northwest Wire	Andy Hamilton	2743 13th Ave SW Seattle WA 98134	624-4457	Wire distribution	20
Port of Seattle	Chris Lopez	P.O. Box 1209 Seattle, WA 98111	728-3567	Ace Tank	Del Joiner	P.O. Box 9039 Seattle WA 98119	281-5000	Tank Storage	
				AIEM Industries	Sam Imamura	1133 SW Hanford Seattle WA 98134	682-2948 682-7575	Sandblasting	10
				Corrugated Krat Products	Gordon Chilcort	2745 11th Ave SW Seattle WA 98108	340-1910	Packaging Design and Fabrication	4
				Farwest Steel	David Forester	PO Box 889 Eugene OR 97440	(503) 686-2000	Steel Distribution	35
				GATX	Gregg A. Lies	2720 13th Ave SW Seattle WA 98134	682-4706	Petroleum	
				Global Diving	Tim Beaver	See Hardware Specialty Co.	623-0621	Emergency response/salvage diving	30
				Mausl Trucking	Gary Dennis	1762 8th Ave Seattle WA 98124	628-7800 624-2387	Trucking yard/transportation	35
				Pallet Services	Darren Bronco	PO Box 1227 Anacortes 98221	(360) 625-9053	Pallet distribution/storage	15
				General Transport	Gary Christiansen	2937 13th Ave SW Seattle WA 98134	622-5650	Transportation	10
				Total Reclaim	Craig Lorch	PO Box 24996 Seattle WA 98024	947-1463	Refrigerant Reclamation	13
				U.S. Customs Office	Tom Coleman	3236 16th Ave SW Seattle WA 98124	553-2497	US Government Office	
				Vulcan Products Co.	Mike Russel	PO Box 80742 Seattle WA 98108	767-4111	Metal Fabrication	
				Walashnek Industrial and Marine	Mike Walashnek	3236 16th Ave SW Seattle WA 98134	767-9198	Boiler and Ship Repair	20
				Subtenants:					
				Alpine	Harvey McGlashan	3236 16th Ave SW Seattle WA 98134	623-7499	Metal fabrication	2
				BFC	Mike Davis	same	621-1090	Sheet metal	9
				Saxon Steel	Joel Saxon	same	623-1086	Steel shape/cutting	3
				Valencia	J. R. Inbarrea	same	382-0228	Pipeline, trenching	25
				TOTAL					735

THIS MATERIAL IS PRESENTED FOR INFORMATION ONLY.
FOR ADDITIONAL INFORMATION CONTACT: JERI CRANNEY 728-3103 OR MIKE KRISTON 728-3108, PORT OF SEATTLE

THE LOCAL AND REGIONAL ECONOMIC IMPACTS OF THE PORT OF SEATTLE

EXECUTIVE SUMMARY

**PREPARED FOR:
THE PORT OF SEATTLE
MAY 31, 1994**

**MARTIN O'CONNELL ASSOCIATES
2938 COLUMBIA AVE., SUITE 602
LANCASTER, PA 17603 (717) 295-2428**

KEY FINDINGS

The Port of Seattle retained Martin O'Connell Associates to measure the economic impacts of the Port of Seattle in 1993, and to develop a set of economic impact models that can be used by the Port to evaluate the ongoing economic impacts of Port of Seattle investments in marine and aviation facilities on the local and regional economies. This study is an update of a similar study conducted by Martin O'Connell Associates for the Port of Seattle in 1989, which measured impacts generated by the Port in 1987.

The study is based on interviews with nearly 600 firms providing services to the Port of Seattle marine terminals and Sea-Tac International Airport. These 600 firms represent more than 95 percent of the firms in the Seattle seaport and airport community. Because the study is based on detailed, firm-specific interviews, the impacts can be traced back to the individual firms. No employment multipliers have been used and, as a result, the approach is conservative by design. In addition to the firm interviews, a survey of more than 3,500 passengers at Sea-Tac International Airport was conducted to evaluate the impact of the airport on the regional visitor's industry. The key findings of the study are:

THE PORT OF SEATTLE IMPACTS 275,000 JOBS

In 1993, the Port of Seattle impacted in some way more than 275,000 jobs in the regional economy.

90,000 JOBS ARE DIRECTLY SUPPORTED BY THE PORT OF SEATTLE

Of the 275,000 jobs, nearly 90,000 jobs were directly supported by marine and airport activity at the Port of Seattle's marine terminals and Sea-Tac International Airport. Of these nearly 90,000 direct jobs, more than 64,000 direct jobs were supported in the local visitors industry as the result of visitors to the area arriving via Sea-Tac. Excluding the 64,000 direct visitor industry jobs, nearly 26,000 jobs are generated directly by marine and aviation activity at the Port of Seattle's marine terminals and at Sea-Tac. Because of local purchases by these nearly 90,000 directly generated jobs and the firms in which these individuals are employed, 27,000 induced and indirect jobs are supported in the local economy. The remaining 158,000 jobs are with local and regional companies using the marine facilities for export and import activity and with local air cargo shippers using Sea-Tac.

THE PORT OF SEATTLE GENERATES JOBS THAT EARN 20 PERCENT MORE THAN THE AVERAGE EARNINGS RECEIVED BY KING COUNTY RESIDENTS

Excluding the 64,000 direct jobs in the regional visitor's industry that are supported by the spending of the 3.9 million air visitors to the Puget Sound region, the remaining 26,000 direct jobs generated by marine and aviation activity at the Port of Seattle's marine terminals and at Sea-Tac received an average annual salary of \$37,800. This is more than 20 percent greater than the \$31,000 average earnings per employee for King County residents.

THE PORT OF SEATTLE IS A KEY ECONOMIC GENERATOR IN THE PUGET SOUND REGION

The nearly 26,000 direct jobs generated by the Port of Seattle's marine terminals and Sea-Tac can be compared to other major employers in the region, such as the 100,000 employees of Boeing, the 15,000 employees of the University of Washington and the 7,500 employees of Microsoft.

THE PORT OF SEATTLE GENERATES \$7.5 BILLION FOR LOCAL BUSINESSES

Local businesses received \$7.5 billion of sales revenue as the result of activity at the Port of Seattle's marine terminals and Sea-Tac International Airport.

THE PORT CREATES MORE THAN \$475 MILLION OF STATE AND LOCAL TAXES

State and local governments received more than \$475 million in tax revenue from Port of Seattle marine terminal activity and passenger and air cargo activity at Sea-Tac International Airport.

INCREASED INTERMODALISM AND HIGHER LABOR PRODUCTIVITY BOTH RESULTED IN FEWER MARINE JOBS THAN IN 1987

Key structural changes have occurred at the seaport between 1993 and 1987, when the last impact study was conducted. The proportion of containerized cargo exported and imported through the Port of Seattle's marine container terminals that moves intermodally via rail has increased, the percent of less-than-container load (LCL) cargo has decreased and the productivity of handling containerized cargo and chill cargo has increased over the six year period. As a result, the jobs directly generated by marine cargo activity at the Port of Seattle have declined by about 200 jobs. However, the average earnings per job has increased,

from \$29,000 in 1987 to \$40,000 in 1993. As a result of the increase in the value of a direct job generated by Port of Seattle marine terminals, each direct job generated in 1993 supports a greater number of local induced jobs than was the case in 1987.

AIRPORT EMPLOYMENT HAS BEEN FLAT SINCE 1987, AND AVERAGE EARNINGS PER EMPLOYEE HAS DECLINED

Despite a 4.4 million increase in passenger traffic and a 30 percent increase in air cargo at Sea-Tac since 1987, direct employment at the airport has remained nearly flat. However, the composition of the direct jobs generated at Sea-Tac has changed. Employment with airlines has declined, while employment with airport retail concessions has increased. Airline jobs are typically higher paying than jobs with retail concessions, and as a result, the earnings per direct job generated by airport activity has declined from \$37,245 to \$33,885 between 1987 and 1993. However, the \$33,885 average earnings per direct job is still greater than the \$31,000 average earnings received by King County residents.

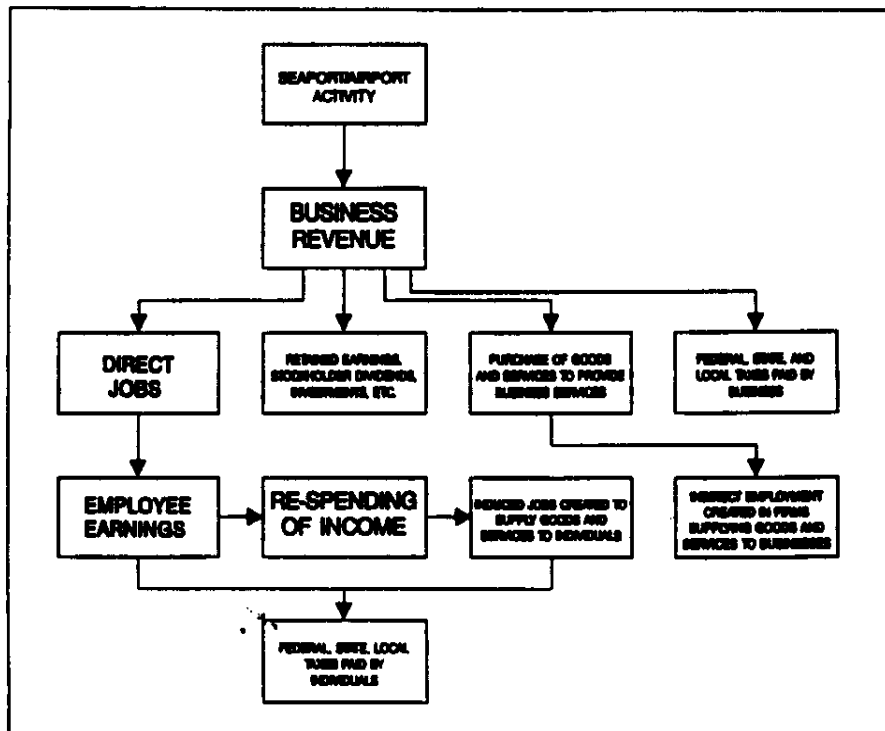
SEA-TAC HAS INCREASED ITS IMPORTANCE TO THE LOCAL VISITOR INDUSTRY

The growth in passenger traffic at Sea-Tac has resulted in an increase of 17,000 direct jobs with the Seattle area's visitor's industry since 1987.

EXECUTIVE SUMMARY

Martin O'Connell Associates was retained by the Port of Seattle to estimate the economic impacts generated by seaport activity (marine cargo activity, waterborne passenger activity and fishing activity at Fishermen's Terminal) and airport activity at Sea-Tac International Airport. In addition to the seaport activity at the Port of Seattle's marine terminals, a separate estimate is made of the impacts generated by marine cargo and waterborne passenger activity at privately-owned terminals in the Seattle seaport, primarily along the Duwamish Ship Channel. The impacts are measured for the year 1993 and models have been developed to provide for annual updates as well as to test the sensitivity of the impacts to changes in such factors as marine cargo tonnage levels, seaport and airport labor productivity and work rules, new marine and airport facilities development, level of air passengers and the number of flights, inland distribution patterns of marine cargo, and the size of the fishing fleet at Fishermen's Terminal (including its composition and the corresponding local expenditures). It is to be emphasized that the measurement of the impacts of the fishing fleet at Fishermen's Terminal does not include the impacts generated by the Washington state fishing fleet using other terminals and moorings throughout the Seattle and Puget Sound areas.

Exhibit E-1
Flows OF Economic Impacts Through The Economy



E-1

Exhibit E-1 graphically demonstrates how marine and aviation activity impact the local and regional economies. As this exhibit indicates, the marine and aviation activities initially generate business revenue to the firms supplying marine and aviation services. This revenue is used to purchase employment (direct jobs) to provide the services, to pay stockholders and for retained earnings, to purchase goods and services from local firms as well as national and international firms (creating indirect jobs with these firms). Businesses also pay taxes from the business revenue.

The employees hired by the firms receive wages and salaries (personal income), a portion of which is saved, while another portion is used to buy goods and services such as food, housing, clothing, health care, etc. These purchases create a re-spending impact throughout the economy, known as the personal income multiplier. As a result of these local purchases, additional jobs (known as induced jobs) are created in the local economy. Finally, taxes are paid by individuals employed with the firms providing the services to the seaport and airport.

As demonstrated by this chart, four types of impacts are measured:

- . Jobs
- . Employee Earnings
- . Business Revenue
- . State and local taxes

With respect to jobs, four types of job impacts are measured. These are direct, induced, indirect and related jobs. The job impacts are defined as follows:

- . Direct jobs are those jobs with local firms providing support services to the seaport and air activity. These jobs are dependent upon this activity and would suffer immediate dislocation if Seattle seaport or air activity were to cease. Seaport direct jobs include jobs with railroads and trucking companies moving cargo to and from the Seattle marine terminals, members of the International Longshoremen's and Warehousemen's Union, steamship agents, freight forwarders, bankers, lawyers, etc. For the airport, direct jobs include jobs with the airlines, retail concessions located in the Sea-Tac terminals, rental car company employees, taxi cab drivers moving passengers to and from Sea-Tac, etc. Direct jobs created by the fishing fleet based at the Port's Fishermen's Terminal include crew, shipyard employees, lawyers and insurance brokers, chandlers, fishing gear suppliers, etc.

- . Induced jobs are jobs created locally and throughout the state of Washington due to purchases of goods and services by those directly employed. These jobs are with grocery stores, the local construction industry, retail stores, health care providers, local transportation services, etc., and would also be discontinued if Seattle seaport or air activity at Sea-Tac were to cease.
- . Indirect jobs are those jobs generated in the local economy as the result of local purchases by the firms directly dependant upon seaport and airport activity. These jobs include jobs in local office supply firms, equipment and parts suppliers, maintenance and repair services, etc.
- . Related jobs are with regional manufacturing and distribution firms -- such as Weyerhaeuser, Boeing, Microsoft, and Hasbro -- using the Seattle seaport's marine cargo terminals and Sea-Tac. Related jobs are not dependent upon the seaport marine terminals or Sea-Tac to the same extent as are the direct, induced and indirect jobs. For example, these firms tend to select the ocean carrier rather than the seaport for export and import of marine cargo. Often, multiple ports are used by the same firm for export and import, including Portland, Tacoma, and California ports. Similarly, firms shipping air cargo often use a freight forwarder to arrange for the air cargo shipments, or deal directly with an air carrier or courier. Multiple airports can be used by a shipper, including Portland, Vancouver (British Columbia), as well as a general aviation or dedicated freight airport, depending upon levels of service and routes served. These related jobs underscore the importance of seaport and airport facilities in attracting manufacturing and distribution activities to the Puget Sound Region.

The employee earnings consist of wages and salaries and include a re-spending effect (local purchases of goods and services by those directly employed), while business revenue consists of total business receipts by firms providing services in support of the marine activity at the Seattle seaport and airport activity at Sea-Tac. State and local taxes include taxes paid by individuals, as well as firms dependent upon the Seattle seaport and airport. Federal aviation-specific taxes are also measured as part of this study.

The direct and induced jobs, earnings, business revenue and tax impacts in the region generated by the 3.9 million visitors arriving into the region via Sea-Tac are also estimated. These impacts occur in the region's hotels, restaurants, retail stores,

as well as in the recreational and sightseeing industries. The majority of these visitor industry jobs would not exist without the passenger activity at Sea-Tac. The existence of Sea-Tac provides easy access for visitors from all parts of the U.S., as well as internationally, to the tourist and recreational activities of the Pacific Northwest.

The study is based on interviews with nearly 600 firms providing services to the Seattle seaport and Sea-Tac International Airport. These 600 firms represent more than 95 percent of the firms in the Seattle seaport and airport community, underscoring the defensibility of the study. Furthermore, the impacts can be traced back to the individual firm. The data collected from the interviews were then used to develop operational models of the Seattle seaport and Sea-Tac International Airport. In addition to the data collected from the interviews, a passenger survey of more than 3,500 passengers using Sea-Tac was conducted to estimate the impacts of visitors arriving via Sea-Tac.

No input-output models were used in this study to estimate employment multiplier impacts, but instead, re-spending models were developed using actual consumption patterns of Seattle residents. The use of input-output models assumes that the geographical spending patterns of firms throughout the product supply chain (from the retail level to the raw material level) can be determined with certainty, and impacts are estimated at each level of purchases. As a result, the level of defensibility of the input-output approach is reduced, as the size of the region for which impacts are to be estimated becomes smaller. The input-output approach is more defensible for use in measuring national impacts for large, well defined, industries such as the automobile industry or steel industry. Instead of using the input-output method to estimate the impacts at the various levels of purchases by individuals, the approach used in this study only estimates the impacts at the first level (retail) and second level (wholesale) of purchases. For purchases by firms, this study only estimates the indirect impacts associated with the first round of purchases, and these local purchases are based on interview results, not input-output models. As a result, in order to ensure defensibility, the impacts estimated in this report are conservative by design.

In addition to the quantifiable impacts measured in this study, it is to be emphasized that the Seattle seaport and Sea-Tac are vital to the successful operations of many local and regional businesses. For example, the Port of Seattle's marine and airport facilities provide the infrastructure and services to enhance the effective flow of commodities and passengers, contributing to the low cost and efficient economic process of regional businesses. Because the Seattle seaport is a highly developed intermodal center, serving customers throughout the

United States, the Seattle area is served by larger number of ocean carriers, serving a greater number of trade routes, than would be supported by only the local economic activity. Therefore, local businesses benefit from this intermodal development, as these local businesses enjoy a higher degree of vessel service, including frequency of service and trade areas served. Furthermore, because of the strong backhaul domestic freight market (to reposition marine containers) into the Seattle area, local businesses enjoy lower truck rates than would occur in the absence of the highly developed intermodal seaport infrastructure. Finally, because of the relatively large share of intermodal cargo originating or destined in the Midwest and East Coast, the seaport generates a greater impact to the local economy than would be the case if the seaport served only local markets.

Similarly, more than one-third of the passengers at Sea-Tac are connecting to another flight. As a result of this relatively high percentage of connecting flights at Sea-Tac, local businesses enjoy a greater number of flights to a specific market, and a greater number of non-stops than would be justified by the local market. Frequency of service and a large number of destinations served by non-stops are key factors considered in the location of new industry, particularly high-tech industry and corporate headquarters.

The ease of transporting people and cargo directly to a variety of domestic and international destinations is a key consideration for businesses which choose to stay or locate in the Puget Sound Region. The jobs that these businesses sustain, while not completely quantified in this study, are, nonetheless, important to the economic health of the region.

1. COMBINED IMPACTS

The economic impacts of the Port of Seattle-owned marine cargo and passenger terminals (including Shilshole Bay Marina), Fishermen's Terminal and Sea-Tac were estimated separately so that the Port of Seattle can monitor the economic performance of its transportation infrastructure investments over time, and, further, evaluate the incremental impacts of various types of transportation facilities investments in the future. It is to be emphasized that the fishing industry impacts are only for the Port of Seattle's Fishermen's Terminal, and do not include impacts generated by the fishing fleet at other public and private terminals in the Seattle and Puget Sound areas.

The Port of Seattle generated impacts are summarized in Table E-1.

Specifically, the Port of Seattle's marine and airport facilities generated the following impacts:

- . 89,852 direct jobs are generated by Port of Seattle-owned transportation facilities. As the result of local and regional purchases by those 89,852 individuals holding the direct jobs, an additional 25,218 induced jobs are supported in the state of Washington.
- . 2,289 indirect jobs were supported by local purchases by businesses supplying services at the Port-owned facilities.
- . \$1.7 billion of direct wages and salaries were received by those 89,852 directly employed by the Port of Seattle's transportation infrastructure. As the result of re-spending this income, an additional \$1.9 billion of income and consumption expenditures were created.
- . Businesses providing services at the Port-owned marine cargo terminals, Fishermen's Terminal and Sea-Tac International Airport received \$7.5 billion of revenue, excluding the value of cargo shipped through the airport and marine facilities, and the landed value of the fish caught by the fleet using Fishermen's Terminal.
- . \$477 million of state and local taxes were generated by activity at the Port of Seattle marine terminals and Sea-Tac International Airport. In addition, \$199 million of Federal aviation-specific taxes were generated by activity at the Sea-Tac International Airport. The Port of Seattle marine activity and the airport activity at Sea-Tac created \$496.5 million of U.S. Customs revenue.

To demonstrate the magnitude of the direct jobs generated by the Port of Seattle's marine terminals, Fishermen's Terminal, marine passenger activity and Sea-Tac International Airport, it is useful to compare the 25,522 direct jobs with the number of employees of some of the major employers in Puget Sound. For example, Boeing employs about 100,000 individuals, while Microsoft employs about 7,500 employees. The University of Washington's employment is about 15,000. It is recognized that these employment numbers represent actual employees of Boeing, Microsoft, and the University of Washington, and not direct job impacts. However, these comparisons suggest that the Port of Seattle is a major economic engine in the Puget Sound Region.

Table E-1
 Summary Of The Economic Impacts Generated By
 The Port Of Seattle-Owned Seaport and Airport Facilities

	PORT OF SEATTLE MARINE TERMINALS			SEA-TAC		TOTAL
	MARINE CARGO	FISHERMEN'S TERMINAL	PASSENGER/ HARBOR TOURS	AIRPORT GENERATED	VISITOR INDUSTRY	PORT OF SEATTLE
JOB IMPACTS						
DIRECT	6,867	4,007	267	14,381	64,330	89,852
INDUCED	3,353	2,293	90	6,119	13,363	25,218
INDIRECT	792	NA	NA	1,497	NA	2,289
RELATED	<u>51,704</u>	<u>472</u>	<u>NA</u>	<u>106,000</u>	<u>NA</u>	<u>158,176</u>
TOTAL JOBS	<u>62,716</u>	<u>6,772</u>	<u>357</u>	<u>127,997</u>	<u>77,693</u>	<u>275,535</u>
PERSONAL INCOME						
(MILLIONS)						
DIRECT	\$276	\$195	\$7	\$487	\$765	\$1,730
RE-SPENDING	<u>\$302</u>	<u>\$208</u>	<u>\$6</u>	<u>\$519</u>	<u>\$815</u>	<u>\$1,849</u>
TOTAL	<u>\$578</u>	<u>\$403</u>	<u>\$13</u>	<u>\$1,006</u>	<u>\$1,580</u>	<u>\$3,580</u>
EARNINGS/DIRECT JOB	\$40,225	\$48,690	\$24,955	\$33,885	\$11,892	\$19,257
BUSINESS REVENUE						
(MILLIONS)						
	\$981	\$145	\$22	\$2,938	\$3,417	\$7,503
STATE/LOCAL TAXES						
(MILLIONS)						
	\$42	\$26	\$2	\$85	\$322	\$477
FEDERAL AVIATION TAXES						
(MILLIONS)						
				\$199		\$199
U.S. CUSTOMS						
(MILLIONS)						
	\$451			\$45		

2. SEATTLE SEAPORT IMPACTS

In 1993, marine cargo activity at the Port of Seattle's marine terminals, the fishing fleet based at Fishermen's Terminal and waterborne passenger activity at the Port of Seattle's terminals created 11,141 direct jobs, or 44 percent of the direct jobs generated by total Port of Seattle seaport and airport activity (excluding the impacts generated by air passengers in the local visitor industry). The marine cargo activity generated the majority (62 percent) of the direct jobs, followed by jobs generated at Fishermen's Terminal. The importance of the value of the jobs generated by seaport activity is underscored by the fact that the average earnings received by those directly employed by marine cargo is \$40,225, and the Fishermen's Terminal activity generates an annual earnings per direct full-time employee of \$48,690. Total Port of Seattle seaport activity generates jobs receiving nearly \$43,000 in annual earnings, which is nearly 40 percent higher than the \$31,000 average earnings per employee in King County. As a result, these direct Port of Seattle seaport employees will have a greater economic development impact on the local economy than an "average King County job", since each seaport direct employee will, on average, spend more in the local economy, supporting additional induced jobs, business revenue and state and local taxes.

The following key findings highlight the impacts generated by seaport activity.

- . A total of 11,141 direct jobs were generated by seaport activity for residents of the state of Washington, the majority of which are held by King County residents.
- . Containerized cargo generates the greatest total number of jobs dependent upon the marine cargo portion of the seaport activity, but on a per 1,000 metric ton basis, automobiles create the greatest impact. When land utilization is considered, breakbulk and containerized cargo generate greater direct jobs per acre than bulk cargoes, and automobiles generate the fewest direct jobs per acre.
- . Containerized cargo creates about three-quarters of the revenue impact, but automobiles create the greatest revenue per ton.
- . Bulk cargoes, such as cement, gypsum, grain, and petroleum generate relatively small job and revenue impacts per ton, since such commodities are characterized by lower, labor intensive handling requirements than are general cargo commodities.
- . Seaport activity creates relatively higher than average

paying jobs for King County residents, in turn, stimulating greater local economic growth.

- . Local users of the Seattle seaport tend to view Tacoma and Seattle as a Puget Sound Shipping Center, using both ports simultaneously for cargo shipments and receipts. Therefore, jobs with local and regional distribution and manufacturing firms using the marine cargo terminals in the Seattle seaport should be classified as related to and not dependent upon the Seattle seaport. However, even though these firms use other Puget Sound and West Coast ports, they are located in the Seattle area and, thus, the employment impact is concentrated in the region.
- . The Fishermen's Terminal generates nearly 7,000 direct and induced jobs, the majority of which are held by fishing fleet crew residing in Seattle, employees of local shipyards, employees of fishing gear and equipment and electronic supply firms, and insurance brokers and law firms.

In addition to serving the transportation needs of the local region, the availability of facilities and competitive services enable the Port to attract and accommodate the cargo destined for the mid-west and eastern regions. In doing so, more jobs and benefits are created for the region.

3. SEA-TAC AIRPORT IMPACTS

In 1993, 18.8 million passengers and 382 thousand tons of air cargo moved through Sea-Tac International Airport. This activity generated 14,381 direct jobs on the airport site and an additional 64,330 direct jobs in the area's hotels, restaurants, retail, entertainment and transportation service industries. The key impacts generated by passenger and air cargo activity at Sea-Tac International Airport are summarized as follows:

- . A total of 14,381 Washington residents held jobs that were directly generated by passenger and air cargo activity at Sea-Tac, the majority of which are held by residents of King County.
- . About 83 percent of the job impacts are concentrated in the Airline/Airport Service Sector, and within that sector, the majority of the jobs are with the airlines.
- . Air cargo activity generated 1,635 direct jobs, while passenger activity supported 12,746 direct jobs.
- . Of the 12,746 passenger dependent jobs, international

passenger activity supported 1,027 direct jobs.

- . The activity at Sea-Tac created \$2.9 billion of revenue to firms providing services at the airport, while individuals received \$487.3 million of direct earnings. With the re-spending affect, the total personal earnings impact is estimated at about \$1.0 billion for Washington residents.
- . Airport activity generated \$85 million of state and local tax receipts and contributed \$199 million in Federal airport-specific tax revenues.

Of the 18.8 million total passengers using Sea-Tac, (both arriving and departing passengers), 3.9 million visitors arrived in the Seattle area via the airport. These visitors create additional impacts for Seattle area residents. The 3.9 million visitors spent \$3.4 billion in the area's hotels, restaurants, retail stores, entertainment establishments, and the local transportation service industry, which supported more than 64,000 direct jobs in the Seattle area.

4. COMPARISON WITH 1987 RESULTS

Martin O'Connell Associates used the same methodology to estimate the 1993 economic impacts and the 1987 economic impacts of the Seattle seaport and Sea-Tac International Airport. The key findings as to changes in seaport and airport impacts and operations are summarized below. In 1987, Martin O'Connell Associates did not estimate the economic impacts of Fishermen's Terminal, and of waterborne passenger activity, and as result, direct comparisons cannot be made for these two seaport activities.

4.1 Comparison Of 1993 And 1987 Seattle Seaport Impacts

Between 1987 and 1993, several structural and operational changes have occurred at the Seattle seaport. First, tonnage has increased by 1.2 million tons at the Port of Seattle marine terminals. This tonnage growth is driven by the increase in containers, grain and breakbulk cargo handled at the Port of Seattle's marine terminals between 1987 and 1993.

While the tonnage growth will have an impact on employment levels, other operational changes at the Seattle seaport will have a more pronounced impact on employment levels. First, the intermodal specialization of the seaport has increased over the six year period, as the share of exports moving by rail has grown from 20 percent in 1987 to 42.5 percent in 1993. Similarly, the intermodal share of imported containerized cargo has increased from 61 percent in 1987 to 73 percent in 1993. This increased growth in intermodalism has resulted in a decline in the number

of direct jobs generated in the trucking industry. This decline in trucking jobs has been met by an increase in direct employment with railroads at Seattle's intermodal rail yards, as well as with the rail crew and support jobs required to handle the increased flow of containers by rail.

Accompanying the growth in intermodal cargo at the Seattle seaport is the reduction in the share of exported containerized cargo that moves to the port in less than container loads (LCL cargo). Similarly, the percent of LCL import cargo moving from the port has also declined from 1987 levels. As the result of the reduction in LCL cargo, the level of employment with area warehouses and container freight stations (CFS) has declined.

Finally, productivity in the vessel loading and discharge of containers has increased by 12 percent, and the loading and discharge productivity of chilled fruit has increased by nearly 20 percent. As a result, jobs losses have occurred with the members of the International Longshoremen's and Warehousemen's Union (ILWU).

4.2 Comparison Of 1993 And 1987 Impacts Generated By Sea-Tac International Airport

Between 1987 and 1993, passenger activity at Sea-Tac increased by 31 percent from 14.4 million to 18.8 million passengers in 1993. Air cargo also increased by 31 percent from 292.7 thousand metric tons to 381.5 thousand metric tons. Also, the proportion of passengers that are visitors to the area increased, as did the average length of stay and expenditures per trip of visitors to the area. The share of business versus domestic travelers remained about the same over the six year period. The number of international passengers increased from 1.3 to 1.4 million passengers over the six year period.

Overall, the number of the direct jobs generated on-site at Sea-Tac increased by 81 jobs. However, the number of jobs with airlines declined over the period -- reflecting specific employment and operational policies of several air carriers -- and jobs increased with retail concessions at the airport. As a result of the change in the mix of direct employment, the average annual earnings per direct employee at Sea-Tac fell between 1987 and 1993, reflecting the substitution of higher paying airlines jobs with lower paying retail concession jobs.

The growth in air passengers, the increased proportion of non-area resident passengers and the increased expenditures per trip per air visitor resulted in a 17,000 direct job increase in the area's visitor industry.

The remainder of the report is organized as follows. Chapter I presents an overview of the analysis, summarizes the methodology, and provides a summary of the impacts. Chapter II describes the economic impacts generated by the Seattle seaport, while the airport impacts are detailed in Chapter III. Chapter IV is a detailed comparison of the economic impacts generated by marine cargo activity and airport activity between 1987 and 1993.



INDUSTRIAL RESEARCH REPORT



1995

Second Quarter

Prepared By:

Wilma Warshak

COLLIERS MACAULAY NICOLLS INTERNATIONAL

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Seattle, Washington 98104

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July 1995

1995 SECOND QUARTER UPDATE KENT VALLEY INDUSTRIAL MARKET

The Kent Valley continues to be a landlord's market. With vacancy rates on the decline, it spells fewer options for tenants. Nationally oriented investors and tenants have noticed this trend also occurring in other markets throughout the United States. However, unlike many other areas, the potential for a substantial increase in new inventory is limited due to the scarcity of land. This intrinsic factor helps assure investors and landlords alike of a solid stability in rental rates free from over building. This reality has caused investors and tenants to approach the valley with a different perspective than previously seen.

Vacancy and Absorption Rates

Vacancy rates have declined at a slower rate than first quarter not because of a slow down in growth but rather there are fewer large spaces in the over 100,000 SF range available for occupancy.

Currently the vacancy rate is 2.55% without sublease space and 3.87% with sublease space. Net absorption for second quarter stood at 114,247 SF for a year to date figure of 618,845 SF. There are however, several projects now under construction with tenants waiting to occupy by year end. This tenant demand should ultimately result in a net absorption of 1,500,000 SF to 2,000,000 SF by end of 1995.

Tenants in Waiting

As described in Exhibit 5, there are a number of projects now planned and under construction for identified tenants. They include:

- Shaw Carpets (distributor of carpets): 190,000 SF building of which 80,000 SF will be leased by Shaw.
- Magnolia Hi-Fi (retailer of electronics): 102,000 SF building of which 80,000 SF will be leased by them in three years.
- Future Shop (retailer of electronics): 270,000 SF building of which 150,000 will be leased by Future Shop and the remainder leased by them in three years.
- G. Raden (beverage distributor): 322,000 SF building
- A. America (furniture retailer): 160,000 SF building

There are also a number of other tenants positioning themselves to make commitments in third quarter of 1995.

Building and Land Sales

Developers and users are positioning themselves with the few remaining land sites. Examples of these are as follows:

Land Sales						
Sale Date	Location	Site Size	Zoning	Price	Price/SF	Comments
4/95	Southcenter Corporate S 199th St & 64th Ave S Kent	2.713 Acres	M-1	\$472,190	\$4.00	Sold to user
4/95	SW 34th St and Lind Renton	6.717 Acres	I-1	\$1,024,033	\$3.50	Sold to developers
5/95	3311 East Valley Rd Renton	4.123 Acres	I-4	\$608,723	\$3.39	Sold to developers

Other properties are also now under contract with closings expected late in 1995.

Building sales have slowed mainly because there is less available. Some sellers are waiting to see if lease rates rise. In addition, the potential that the tax law regarding capital gains may limit their exposure is also discouraging sales. There was, however, one sale closed during the second quarter:

Building Sales						
Sale Date	Location	Total Area	% of Office	Price	Price/SF	Comments
6/95	Centerpoint 18000 72nd Ave S, Kent	100,627 SF	60%	7,400,000	\$73.53	60,000 SF is pure office

The sale volume is expected to increase. There are a number of properties that owners are now positioning for sale and others now available that will shortly be under contract.

Vacancies Related To Size

The largest number of spaces available are in the under 10,000 SF range. However this represents only 275,000 SF of available space. The over 50,000 SF spaces only number ten but represent almost 1.2 million SF of space. This indicates that rental rates will probably move up faster for the smaller size tenants since the opportunity versus the demand is less. Properties for smaller tenants are not being built and the inventory is expected to dwindle over the next twelve months.

Future Trends

As the Kent Valley continues to tighten, developers are looking for other options. The big question is: "Where is the next Kent Valley". The area south of the valley is receiving some renewed interest with the developers tying up land and proposing developments in an area outside of Tacoma, primarily in the Fife area, which is immediately north of Tacoma. Examples of these are:

- **Security Capital:** A three building park is planned for development. It is comprised of 243,000 SF, 73,000 SF and 56,144 SF buildings. Lease rates are anticipated to be \$0.32 per SF per month for the shell and \$0.60 per SF per month for the office.
- **Trammel Crow:** Phase II of Rainier Corporate Park is planned for occupancy in January 1996. It will be a two building park comprised of a 214,500 SF and a 198,000 SF industrial buildings. Anticipated lease rates are \$0.32 per SF per month for the shell and \$0.60 per SF per month for the office.

The area between Fife and Auburn is not as developed since access from freeways are difficult, thereby limiting interest to mainly specialized build-to-suit users who do not require the immediate access.

Exhibit 1

SECOND QUARTER FIGURES DEFINITION:

Cities of Renton, Tukwila, SeaTac, Kent and Auburn

	June 30, 1995	March 31, 1995	December 31, 1994
Gross Square Footage:	59,656,591	59,656,591	59,531,765
Vacancy Rate:	2.55% (w/out subleases) 3.87% (with subleases)	2.74%	3.6%
Absorption:	(4/1/95 - 6/30/95) 114,247 SF	(1/1/95-3/31/95) 504,598 SF	(10/1/94 - 12/31/94) 913,104 SF

Industrial Vacancies Excluding Proposed and Sublease Buildings

Location	Total SF	Available SF	Percent Vacancy	Change Since Dec. 31, 1994
Renton	5,238,707	103,591	1.98%	1.18%
SeaTac	1,089,962	41,755	3.83%	(1.47%)
Tukwila	9,617,256	457,701	4.76%	(3.34%)
Kent	34,239,509	515,315	1.51%	(.19%)
Auburn	9,471,157	401,377	4.24%	(2.86%)
Total	59,636,591	1,519,739	2.55%	(1.05%)

Industrial Vacancies Excluding Proposed Buildings

Location	Total SF	Available SF	Percent Vacancy	Change Since Dec. 31, 1994
Renton	5,238,707	114,955	2.19%	1.39%
SeaTac	1,089,962	46,007	4.22%	(1.08%)
Tukwila	9,617,256	610,982	6.35%	(1.75%)
Kent	34,239,509	1,021,355	2.98%	1.28%
Auburn	9,471,157	514,577	5.43%	(1.67%)
Total	59,636,591	2,307,876	3.87%	.27%

The above numbers include projects 3,000 square feet and above, plus sublease space.

Historical Absorption:	1995:	618,845 SF
	1994:	2,035,513 SF
	1993:	1,056,073 SF
	1992:	587,866 SF
	1991:	585,000 SF
	1990:	1,400,000 SF

INDEX OF DOCUMENTS

Colliers Brochure

Support Letter from Economic Development Council of Seattle and King County

"Looks Like it Will Fly" Oregon Business, and article describing the development and related employment creation of the Rogue Valley International Airport.

Financial Assistance Award from US Dept. of Commerce to develop the Foreign Free Trade Zone at the Rogue Valley International Airport.

Master Plan Design Standards for Foreign Trade Zone describes permitted development inside of the trade zone.

Letter of Support from Jackson County (Rogue Valley) Airport, describing Fund's preliminary development activities.

Letter of Support from Pacific Corridor Enterprise Council describing Fund's preliminary development activities.

Foreign Free Trade Zone site plans

Trade Containment Center brochure, an example of existing development.

"International Trade" an excerpt from the King County Economic Development Council Economic Survey discusses direct and indirect employment creation.

"Port Workers Generate Jobs for a Strong Economy" published by the King County Labor Council discusses direct and indirect employment creation.

Regional Economic Survey published by the Central Puget Sound Economic Development District discusses direct and indirect employment creation.

Industrial Research Report 1995 Second Quarter illustrating low vacancy rates for industrial facilities in King County area.

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December 20, 1995

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Re: Golden Rainbow Investment Fund

Dear Mr. Strauss:

Please find enclosed the request for Regional Center status for the Gold Rainbow Investment Fund. The name makes more sense when translated into Chinese.

I did not include the limited partnership documents because they are purely boilerplate. If you need copies, please advise.

Thank you for your attention to this matter.

Sincerely,

COE, NORDWALL & LIEBMAN, LLP

By

Henry Liebman

HGL:kp

THE GOLDEN RAINBOW FREEDOM FUND

720 Olive Way, Suite 1300
Seattle, WA 98101
Tel: 206-624-5622 Fax: 206-625-9218

THE GOLDEN RAINBOW FREEDOM Fund

The GOLDEN RAINBOW FREEDOM Fund, the Fund, hereby applies for Regional Center status pursuant to 8 CFR 204.6(m)(3).

INVESTMENT OBJECTIVES

The Golden Rainbow Freedom Fund (Fund) will develop and operate export oriented cargo, transportation, and warehousing facilities located in rural areas of under 20,000 population or in areas where the unemployment rate exceeds 1.5 times the national average.

The Fund hopes to increase employment opportunities in economically depressed areas by creating facilities for manufacturing and export oriented businesses. Such facilities include air and ocean cargo facilities, foreign free trade zone manufacturing facilities, and transfer facilities. The Fund will actively manage the facilities assuring maximum benefits to export oriented users. The Fund will begin its activities in the States of Washington and Oregon.

The Fund intends to work with local and state economic development agencies as well as the private real estate brokerage industry to identify companies moving into the area who might be users. For example, both the States of Washington and Oregon maintain Economic Development Agencies that actively solicits and/or assists companies moving into the region. Both states maintain offices in Taipei and Tokyo, as well as other countries. The Fund will also utilize Colliers Macaulay Nicolls, an internationally known brokerage firm, to locate appropriate users. See Colliers Brochure, letter of support from King County Economic Development Council.

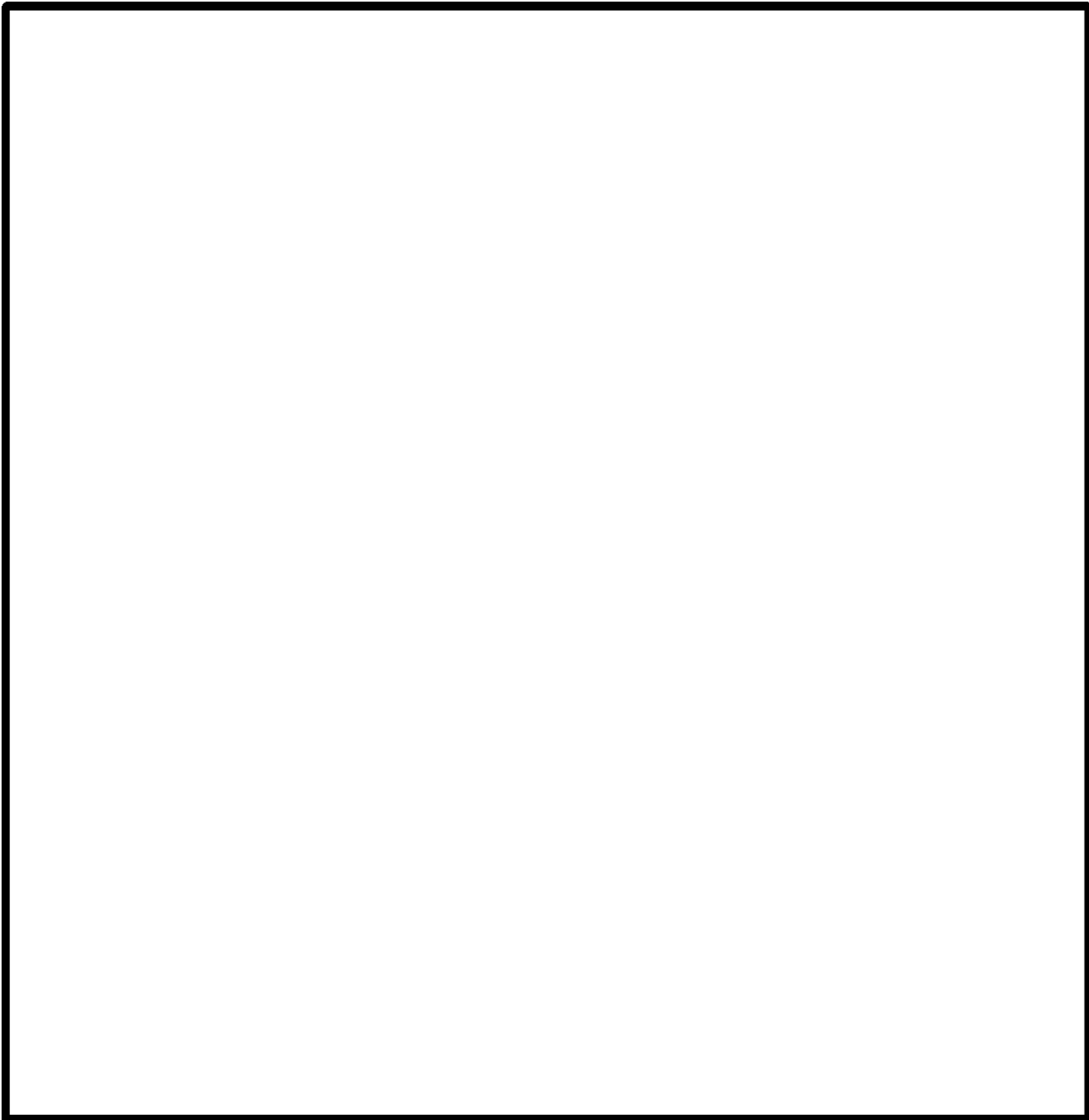
THE FIRST PROJECT

The First Project The Fund is now working on the development of an air cargo/manufacturing facilities in Jackson County, Oregon.

Jackson County, stricken by large scale unemployment due to a downturn in the timber industry, recently obtained approval for a foreign trade zone at the airport. The airport is a US Customs and

Immigration Port of Entry. See "Rogue Valley" from Oregon Business Magazine, US Department of Commerce Financial Assistance Award for development of Foreign Trade Zone, Master Plan Design Standards for Foreign Trade Zone, letter of support from Jackson County Airport, and Pacific Corridor Enterprise Council letter of support.

Ore-Cal Trade Corp., instrumental in obtaining foreign trade zone status for the Jackson County Airport, owns land with airport access and leases additional land from the County. The County and Ore-Cal wish to develop their property with the infrastructure, such as air cargo and related warehouse/transfer facilities, required to serve the new international airport.



(b)(4)

EMPLOYMENT CREATION



(b)(4)

Jackson County projects a job multiplier between direct and indirect jobs of approximately 15:1. See Rogue Valley Article. Additionally, Jackson County projects a 10:1 ratio of direct to induced jobs. Induced jobs refer to positions created by industries and businesses that don't serve the air cargo facility but benefit from the facility.

The job creation statistics are equally impressive in Washington State. International Trade is big business in the Puget Sound Region. According to the Economic Development Council of King County, international trade accounts for some 55,000 direct jobs and \$27 Billion in revenue. The King County EDC projects a 14% increase in international trade related jobs by 1998. The Fund facilitates and even accelerates this growth in jobs by providing affordable, conveniently located, industrial/warehouse space.

The Port of Seattle uses a 5:1 job multiplier ratio. The King County Economic Development Council uses a 2.5:1 job multiplier. The King County Labor Council uses a 3:1 job multiplier ratio. See International Trade an excerpt from the King County Economic Development Council Economic Survey, "Port Workers Generate Jobs for a Strong Economy" published by the King County Labor Council and Regional Economic Survey published by the Central Puget Sound Economic Development District. In any event, the job multiplier ratio for export facilities in King County (Seattle area) is at least 3:1 if not higher.

REGIONAL BENEFITS PROVIDED BY THE FUND

Developers often avoid urban high unemployment areas and rural areas because of higher crime rates and/or restricted access to

financing

(b)(4)

The Fund plays an important part in spurring employment creation in rural and depressed areas.

The Fund plays an important role in the Puget Sound Economy. The Puget Sound region suffers from a shortage of industrial and warehouse space. Attached, please find a recent market survey concerning one of the more popular industrial areas in the region, Kent Valley. Vacancy rates of 2.5% are well below those of any other major city in the country. The Central District and Rainier Valley and the Central District of Seattle, typical of the types of high unemployment areas targeted by the Fund, provides the only readily available source of industrial locations. The Central District of Seattle is located only minutes away from the Port of Seattle.

Because the Fund does not depend on conventional financing, and because the Fund assumes the risk of ownership in less desirable areas, we believe that manufacturers may be enticed to relocate to the Central District, Rainier Valley, and similar areas in other cities. Thus, the Fund plays a large and important part in revitalizing distressed areas as well as in spurring export oriented employment creation in general.

The Fund plays an even more important role in rural areas, such as Jackson County, Oregon. Rural areas generally don't have the financial or administrative resources to build and manage structures such as an air cargo facility. By obtaining foreign free trade zone status, Jackson County did their job. Now its up to the private sector to carry the ball. This is where the Fund plays an essential role.

EMPLOYMENT VERIFICATION

Several organizations monitor job multiplier statistics. In addition to the organizations mentioned above, The Trade Development Alliance of Greater Seattle, a partnership between the Port of Seattle, City of Seattle, county governments, unions and the Seattle Chamber of Commerce, The State of Washington, The State of Oregon, Jackson County Oregon Airport Authority, and private economic research companies such as Conway Pedersen Economics, Inc. all monitor export employment statistics.

ORGANIZATIONAL STRUCTURE

The Fund will operate as a Washington Limited Partnership, The

General Partners, American Retirement Inc., will manage the properties, identify properties for acquisition, negotiate leases and manage property development. The managing general partner is American Retirement, Inc. (b)(4)

Each limited partnership unit costs [REDACTED] Investors will receive an allocation of all partnership income less compensation allowed the General Partner until they receive repayment of their capital. Thereafter, profits shall be shared 30%-70% between the Limited partners and the General Partners. Limited Partners will be required to commit their investment for five years. After the five year period, Partners may sell their partnership unit subject to the General Partners' first right of refusal.

The Fund will be sold in successive offerings, each open to ten investors. At the closing of each offering, an investor's Funds will be irrevocably committed for three years. Each investor must prove they are accredited as defined by the Securities Laws of the United States. The General Partners, in their sole discretion, may divide the Fund into multiple partnerships concentrating on raising capital from different markets, such as Japan, Taiwan and China.

THE GENERAL PARTNERS

Mr. Liebman is the Managing Partner of Coe, Nordwall & Liebman, LLP, based in Seattle, Washington. The firm maintains offices in Tokyo, Taipei, Los Angeles, and Vancouver BC. The firm maintains affiliated offices in Hong Kong and Helsingborg, Sweden.

Mr. Liebman manages several commercial/warehouse properties located in the Seattle, Washington area, on behalf of other general and limited partnerships. Mr. Liebman was also instrumental in organizing the ASPI Group, Moses Lake Washington, Regional Center project. The most important properties managed by Mr. Liebman are described below;

7th Ave and Everett Mall Way,
Everett, Washington - 40,000 square foot shopping center

7th Ave and Everett Mall Way,
Everett, Washington - 77,000 square foot warehouse property

3rd Ave and Pike St.,
Seattle Washington - 22,000 square foot office, warehouse, retail building located in downtown Seattle.

2410-20 1st Ave So.,
Seattle Washington - 54,000 square foot warehouse located near the Kingdome, in downtown Seattle.

JAPAN MARKET



(b)(6)

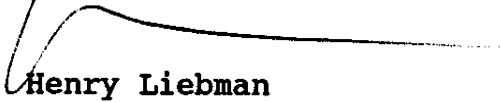
TAIWAN MARKET



Thank you for your attention to this matter. Please contact the undersigned if you require further information.

Sincerely,

COE, NORDWALL & LIEBMAN, LLP

By  Henry Liebman

HGL:kp



COLLIERS
MACAULAY NICOLLS

COLLIERS
INTERNATIONAL

WELCOME TO THE REAL WORLD

Colliers International Property Consultants is a commercial real estate corporation with 167 offices in 32 countries. We specialize in matching buyers with sellers, owners with tenants and projects with capital. We use local knowledge to provide local solutions worldwide.

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ON TX INDIANAPOLIS IN LOS ANGELES CA LOUISVILLE KY MEMPHIS TN MIAMI FL MILWAUKEE WI MINNEAPOLIS MN NEW YORK NY
VA SILICON VALLEY CA WASHINGTON DC EUROPE AUSTRIA VIENNA BELGIUM BRUSSELS CZECH REPUBLIC PRAGUE FRANCE PARIS GER-
LJANA MORIBOR SPAIN BARCELONA MADRID SEVILLA VALENCIA TURKEY ISTANBUL UNITED KINGDOM ENGLAND BIRMINGHAM LEEDS
MELBOURNE PERTH SYDNEY CHINA BEIJING DONGGUAN GUANGZHOU HANGZHOU SHENZHEN TAIPEI HONG KONG TAIWAN
INDONESIA



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Your work is in the hands of a seasoned professional. Our shareholders average 22 years in the profession. Our professionals average ten years.

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THE BENEFITS OF LONG TERM RELATIONSHIPS

We understand the issues and objectives of our clients, whose needs dictate our central office activities, not the reverse.

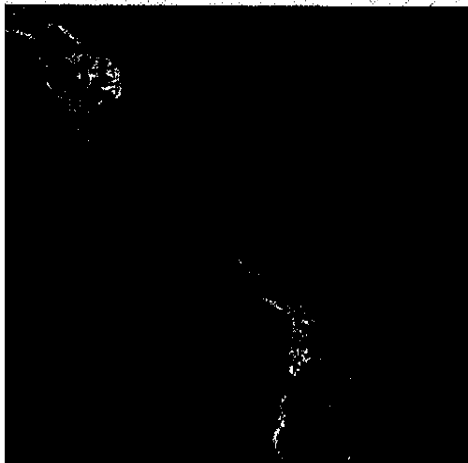


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- OFFICE SALES & LEASING
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- PROPERTY MANAGEMENT
- CONSULTING
- TENANT REPRESENTATION
- SITE ACQUISITION
- VALUATION & APPRAISAL
- FINANCIAL SERVICES
- CORPORATE SERVICES

NO BOUNDARIES NOR LANGUAGE BARRIERS

Single point of contact in your market supported by English-speaking Project Managers in each trading bloc if needed.



A FEW WHO HAVE REALIZED VALUE THROUGH COLLIERS

*Hughes Aircraft • Walmart
Lockheed • Martin Marietta
McDonnell Douglas • Northrup
Rockwell • TRW • Mobil
Chrysler Corporation •
Daimler Benz • Dunlop Tire
Firestone • Fiat
Ford Motor Company
Mitsubishi • Avon • Dupont
American Gas Association
British Petroleum • AT&T
GAF Corporation • MCI
GTE • Loews Corporation
Northern Telecom
20th Century Fox • Amdahl
Apple • Canon • Digital
Hewlett Packard • IBM • Oracle
Xerox • C. Itoh • General Electric
Gerber • General Foods
James River • RJR Nabisco
Levi Strauss • Mattel Inc.
Proctor & Gamble • Purina Mills
Toys 'R US • Johnson Controls
Raytheon • Aetna Life & Casualty
CIGNA Corporation
Equitable Life Assurance
Prudential • Bank of America
Ernst & Whinney • Circuit City
Price Waterhouse • Kodak
Sovran Corporation
Sumitomo Life • Best Product
Anheuser-Busch • Beatrice Foods
Coca Cola • Kroger • Humana
Upjohn • Mandarin Hotels •
Ritz Hotels • Law Offices of Baker
& McKenzie • Home Depot
Jones, Day, Reavis, Pogue
Mitsui Group • Brown & Root
Blockbuster Entertainment
Celanese Fibers • Colgate
Palmolive • Dow Corning*



A FULL SERVICE CORPORATION

- OFFICE SALES & LEASING
- INDUSTRIAL SALES & LEASING
- INVESTMENT SALES
- RETAIL SALES & LEASING
- PROPERTY MANAGEMENT
- CONSULTING
- TENANT REPRESENTATION
- SITE ACQUISITION
- VALUATION & APPRAISAL
- FINANCIAL SERVICES
- CORPORATE SERVICES

TESTIMONIALS

"When you are working with Colliers...you are comfortable in the knowledge that you are represented by honest, hard-working professionals who understand the client's requirements... it's a privilege to be considered a reference..."

CHRYSLER

"We have used Colliers... with rewarding results... exceptional efforts in locating properties... evaluating options and particularly in negotiating lease terms... the new contract certainly kept us competitive..."

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"The timetable was a tight one... but Colliers made the process work smoothly... high standards shows in the finished product..."

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"Your knowledge of the market helped us make a decision which should prove beneficial to our business plan for many years."

JOSEPH E. SEAGRAM & SONS, INC.

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THE AMERICAS

A FEW WHO HAVE REALIZED VALUE THROUGH COLLIERS

*Hughes Aircraft • Walmart
Lockheed • Martin Marietta
McDonnell Douglas • Northrup
Rockwell • TRW • Mobil
Chrysler Corporation •
Daimler Benz • Dunlop Tire
Firestone • Fiat
Ford Motor Company
Mitsubishi • Avon • Dupont
American Gas Association
British Petroleum • AT&T
GAF Corporation • MCI
GTE • Loews Corporation
Northern Telecom*

EUROPE

*20th Century Fox • Amdahl
Apple • Canon • Digital
Hewlett Packard • IBM • Oracle
Xerox • C. Itoh • General Electric
Gerber • General Foods
James River • RJR Nabisco
Levi Strauss • Mattel Inc.
Proctor & Gamble • Purina Mills
Toys 'R US • Johnson Controls
Raytheon • Aetna Life & Casualty
CIGNA Corporation
Equitable Life Assurance
Prudential • Bank of America
Ernst & Whinney • Circuit City
Price Waterhouse • Kodak
Sovran Corporation
Sumitomo Life • Best Product
Anheuser-Busch • Beatrice Foods
Coca Cola • Kroger • Humana
Upjohn • Mandarin Hotels •
Ritz Hotels • Law Offices of Baker
& McKenzie • Home Depot
Jones, Day, Reavis, Pogue
Mitsui Group • Brown & Root
Blockbuster Entertainment
Celanese Fibers • Colgate
Palmolive • Dow Corning*

ASIA PACIFIC



COLLIERS MACAULAY NICOLLS

CANADA

CALGARY

Suite 3700 Bankers Hall
855 Second Street SW
Calgary, Alberta T2P 4J8
TEL 403-265-9180
FAX 403-265-6495

EDMONTON

3155 Manulife Place
10180-101 Street
Edmonton, Alberta T5J 3S4
TEL 403-420-1585
FAX 403-424-7830

MONTREAL

1801 McGill College Avenue
Suite 760
Montréal, Québec H3A 2N4
TEL 514-849-1661
FAX 514-849-9742

OTTAWA

55 Metcalfe Street
Suite 240
Ottawa, Ontario K1P 6L5
TEL 613-567-8050
FAX 613-567-8035

TORONTO

1 Queen Street East
Suite 2200
Toronto, Ontario M5C 2Z2
TEL 416-777-2200
FAX 416-777-2277

TORONTO - NORTH

245 Yorkland Boulevard
Suite 200
Toronto, Ontario M2J 1R1
TEL 416-492-2000
FAX 416-492-0100

TORONTO - WEST

115 Matheson Boulevard West
Suite 100
Toronto, Ontario L5R 3L1
TEL 905-568-1990
FAX 905-568-1998

VANCOUVER

16th Floor, Granville Square
200 Granville Street
Vancouver, B.C. V6C 2R6
TEL 604-681-4111
FAX 604-681-7468

VICTORIA

977 Fort Street
Victoria, B.C. V8V 3K3
TEL 604-388-6454
FAX 604-382-3564

WINNIPEG

202-140 Bannatyne Avenue
Winnipeg, Manitoba R3B 3C5
TEL 204-943-1600
FAX 204-943-4793

USA

BELLEVUE

10900 NE Fourth Street
Suite 1510
Bellevue, WA 98004
TEL 206-453-4545
FAX 206-453-4540

PHOENIX

2036 East Camelback Road
Phoenix, AZ 85016
TEL 602-957-5400
FAX 602-955-4904

SEATTLE

Seafirst Fifth Avenue Plaza
Suite 3900
800 Fifth Avenue
Seattle, WA 98104
TEL 206-223-0866
FAX 206-223-1427

Colliers Macaulay Nicolls is a shareholding owner of Colliers International Property Consultants

**THE AMERICAS ARGENTINA BUENOS AIRES CANADA CALGARY EDMONTON MONTREAL OTTAWA TORONTO VANCOUVER VICTORIA WASHINGTON DC
CINCINNATI OH CLEVELAND OH COLUMBIA SC DALLAS TX DENVER CO DETROIT MI EL PASO TX FT LAUDERDALE FL HARTFORD CT HOUSTON TX
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LONDON NORTHERN IRELAND BELFAST SCOTLAND GLASGOW ASIA PACIFIC AUSTRALIA ADELAIDE BRISBANE CANBERRA DARWIN HOBART
SINGAPORE SIA JAKARTA SURABAYA JAPAN OSAKA TOKYO MALAYSIA KUALA LUMPUR AUSTRALIA SYDNEY AND AUCKLAND CHRISTCHURCH WELLINGTON SINGAPORE**



The Economic Development Council of Seattle & King County
2510 Columbia Street Center
701 Fifth Avenue
Seattle, Washington 98104

Telephone 206-388-5361
Fax 206-388-7821

December 18, 1995

Michael Straus
Adjudication Division
Immigration and Naturalization Service
425 I Street, NW
Washington, D.C. 20536

Dear Mr. Straus:

The topic of this correspondence is an Immigrant Investor Fund being proposed for areas of high unemployment in the greater Seattle region.

It is our understanding your agency will qualify investment pools funded by immigrants that invest in areas where the unemployment rate exceeds 1.5 times the national average. These investment pools will develop or renovate properties for sale or lease to manufacturing/export oriented companies. The intending result will be increased employment opportunities in economically depressed areas and enhanced infrastructure which is necessary to encourage new business development.

The Economic Development Council of Seattle & King County has recently learned about an immigrant investor fund affiliated with the Seattle law firm of Coe, Nordwall & Leibman. We are not familiar with the details of their proposed fund and therefore cannot endorse this particular plan. However, we do endorse the concept of an immigrant investor fund which would encourage business development opportunities in economically depressed areas of King County. The mission of the EDC is to create and retain family wage jobs. A well-managed, reputable immigrant investor fund would be an excellent tool to assist us in accomplishing our mission.

Michael Straus
December 18, 1995
Page Two

If you have any questions, please do not hesitate to contact me. I can be reached directly at (206) 386-7828.

Sincerely,



Deborah Knutson
Vice President

ROGUE VALLEY

From the publishers of Oregon Business magazine

'An
Ample
Economic
Quilt'



COURTESY: PASS/DWP

LOOKS LIKE IT WILL FLY

Rogue Valley International Airport may finally be breaking through on price and service.

Last year Rogue Valley International Airport Director Bern Case gave about 60 presentations imploring members of local civic organizations to quit driving to other airports.

"The crux of the presentation was how much it was costing them to drive to Eugene, Portland, Sacramento, San Francisco or Redding to get cheaper air fares," says Case. The chart he used as a visual aid hammered not only on expense but on such points as vehicle wear and tear, stress and strain of driving and the inconvenience one could cause one's friends or relatives. Case plans to leave his chart behind when speaking to groups this year.

"There's no longer a reason for people to drive elsewhere to get reasonable air fares," says Case. "My message is going to be we've had excellent fares since April. I'm amazed at how long it takes to shake the negative. People remember good for about 30 minutes and bad for 10 years."

It's no secret fares at the Rogue Valley International Airport have been outrageous. Short-notice round-trip flights to the Bay Area cost as much as \$700 during 1994. Just about everybody who flies has a price-gouging horror story, and some Rogue Valley business leaders believe the often-prohibitive cost of flying has hurt economic development. Case believes those days are over. Why?

Competition. Five carriers now serve the airport and Case thinks there's enough business for all to survive.

"All five airlines can survive if people fly from here," says Case. "Fares are now competitive, so the reason to use other airports is gone. The reason to drive is also gone for many destinations."

Some skepticism is in order, however. The survival rate for airlines competing with United Airlines has been dismal.

Having five carriers and enough customers means service will be more stable and affordable.



MARY KORBUCIC

Bern Case says Rogue Valley International Airport has already turned a corner — now if people would only notice.

Since United began service to Medford in 1929, 14 airlines have come and gone, nine of those since 1980. One lasted just one month, and another three months. The latest casualty was Reno Air Express which started up in October 1994, and went out of business February 1995. Only Horizon Air and United Express have held steady. Reno Air's departure was different, however, says Case.

"Reno flew out of eight cities," he says. "Some of the others were unprofitable and the company went out of business, but Medford was profitable for them. They were a proving ground for us. I can show numbers rather than projections. Before, it was kind of a paper battle."

What usually happens is a new airline comes in with an introductory low fare and United drops prices to compete. Customers desert the new airline for United's usually larger planes, or travel to another airport for better fares, Case explains. Airlines

dropped like flies and high fares continued for Rogue Valley air travelers. Why does Case believe the new carriers, Funjet Express and Sierra Air Expressway, can break the cycle?

"Strategies have changed," Case says. "The goal is not to go head to head with United. Compete where United is not."

Funjet, which began offering \$69 daily flights from Medford to Las Vegas in April, has generated more activity than the airport has seen in years, Case says. Funjet travelers can connect with Southwest Airlines out of Las Vegas and travel to Los Angeles, Phoenix and elsewhere for far less than before.

"June was the busiest June since 1987 and the busiest month since 1992," says Case. "It was even busier than Christmas."

Southern Oregon travel manager Cynthia Bernal confirms that Funjet has had a dramatic effect on volume and prices.

"Fare wars are more frequent and every day prices are more like what they used to be during fare wars," observes Bernal. "This competition is the best thing that's happened. Our air fares are no longer a negative."

Sierra Expressway Airlines, not yet in operation as this is written in early August, plans to offer five flights daily to Oakland beginning soon. Fares will be \$89 to \$109 one way. ■

FLYING

The Rogue Valley International Airport is a Jackson County entity but as an enterprise fund must operate on its own revenue. The recently acquired "international" in its title is because Ore-Cal Trade Corp. in 1994 gained federal approval for a foreign trade zone at the airport, and at several other Jackson County locations. The airport is a U.S. Customs Port of Entry.

A 1991 airport master plan written by Airport Technology and Planning Group Inc. outlined the airport's role in the Rogue Valley's economy.

Direct employment:	282 jobs
Indirect employment:	4,300 jobs
Induced jobs:	2,994
Total jobs either directly or indirectly created:	7,500
Estimated payroll:	\$217 million
Total economic impact:	\$499 million

Air traffic in and out of Rogue Valley International rose significantly between 1994, and 1995. Airport Director Bern Case notes that even with an additional airline, numbers were up for all airlines over 1994.

	July 1994	July 1995
United Express	1,477	2,358
United Airlines	17,891	19,515
Horizon Air	10,427	11,843
Funjet	none	3,164
Total, July	29,795	36,880
Total, YTD	167,788	191,518

FORM CD 480-47
REV. 01-1981
DAO 203-28



GRANT COOPERATIVE AGREEMENT

FINANCIAL ASSISTANCE AWARD

ACCOUNTING CODE
095701600291010

RECIPIENTS NAMES **Jackson County, City of Medford, Medford Water Commission, Bear Creek Valley Sanitary Authority**

AWARD NUMBER
07-39-03556

STREET ADDRESSES **10 South Oakdale**

FEDERAL SHARE OF COST
\$ **1,208,486**

CITY, STATE, ZIP CODES **Medford, Oregon 97501**

RECIPIENT SHARE OF COST
\$ **350,000**

AWARD PERIOD
From date of approval to 30 months after approval

TOTAL ESTIMATED COST
\$ **1,558,486**

DEPARTMENT OF COMMERCE OPERATING UNIT
Economic Development Administration

AUTHORITY (42 U.S.C. 3121, et seq.) **Public Works and Economic Development Act of 1965, as amended:**
Title IX -- LTED: **42 USC Section 3243(a)(1)(B)**

PROJECT TITLE **Foreign Trade Zone Utilities, Infrastructure and Inspection Building**

This Award approved by the Grants Officer is issued in five copies and constitutes an obligation of Federal funding. By signing the five documents, the Recipients agree to comply with the Award provisions checked below. Upon acceptance by the Recipients, one signed Award document shall be returned to the Regional Director and the second through fifth documents shall be retained by the Recipients. If not signed and returned by the Recipients within 15 days of receipt, the Grants Officer may declare this Award null and void.

- EDA Standard Terms and Conditions--Construction Program, dated 7/95
- Special Award Conditions
- Line Item Budget
- 15 CFR Part 24, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- OMB Circular A-87, Cost Principles for State and Local Governments
- 15 CFR Part 29a, Audit Requirements for State and Local Governments

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER	TITLE	DATE
	A. Leonard Smith Regional Director	11-13-95
TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE
	MEDFORD WATER COMMISSION	12-4-95
TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE
	Medford Water	12-6-95
TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE
	Medford - Jackson County	12-6-95
TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL	TITLE	DATE
	County Administrator Jackson County	12-7-95

Information Required for
EPA Certification as to Adequacy of Treatment

Section 106, PWEDA Act of 1965, (as amended)

Applicant: Jackson County, City of Medford, Medford Water Commission, Bear Creek Valley Sanitary Authority

EDA Project No. 07-39-03556

Contact: Craig Baldwin Telephone: (541) 776-7216

Project Description: Construction of Jackson County Foreign Trade Zone #1 at Rogue Valley International - Medford Airport. Improvements will include an inspection building, security perimeter fencing, common utility trench, storm drainage system, water and sewer line extensions.

Sanitary Sewage Contribution

Estimate of flows: 25,000 g/d

Type of sewage: Domestic

Storm Sewer Contribution

Estimate of flows: 90 cfs

Projection of Type of Tenants for Industrial Developments:

Type of Tenants: Light Industrial

Quantity of flows: 25,000 g/d

Strength of flows: Domestic

Receiving Sewage Treatment Plant:

Name of Receiving Plant: Regional Water Reclamation Facility

NPDES Number: 100985

Design Capacity: Approximately 20 Mgd

Current Flows: Approximately 15 Mgd

Return to: Kristine Skrinde, Project Manager
Economic Development Administration
915 2nd Avenue, Room 1856
Seattle, Washington 98174
Phone (206) 220-7700
FAX 220-7669



GENE J. ABELL, ARCHITECT, AIA

107 EAST MAIN STREET • MEDFORD, OREGON 97501 • (503) 779-9686

MASTER PLAN DESIGN STANDARDS

FOREIGN TRADE ZONE GENERAL PURPOSE ZONE SITE NO. 1 MEDFORD-JACKSON COUNTY AIRPORT MEDFORD, OREGON

A. General:

1. **Building Types:** Basic building types considered for this master plan shall be office or industrial/warehouse facilities.
 - a. **Office Buildings:** A building shall be considered an office facility if the majority (51%) of the space is office use.
 - b. **Industrial/Warehouse Buildings:** A building shall be considered a warehouse facility if the majority (51%) of the space is warehouse use.
2. Each site shall be used only for manufacturing, processing, storage, office, laboratory, professional, research and development activities; and there shall not be permitted any junk or salvage yard or any other use which will be offensive to the neighboring sites by reason of odor, fumes, dust, smoke, noise or pollution or will be hazardous by reason of danger of fire or explosion.
3. Hazardous waste materials shall not be permitted or stored on any site.
4. The exterior of all structures and all walks, driveways, lawns and landscaping on each site shall be maintained in good order, repair and condition; and all exterior painted surfaces shall be maintained in first class condition and shall be repainted at least once in every four (4) years.
5. **Exterior Building Surfaces:** All exterior wall surfaces, roof surfaces, and window and skylight glazing shall be non-reflective.
6. **Exterior Lighting:** All exterior lighting shall be down-lighting.

7. Exterior Signage: Exterior signage shall not exceed ten (10) feet in height and shall not exceed thirty-two (32) square feet.
8. Architectural Review: All building designs are subject to a site plan and architectural review by Ore-Cal Trade Corporation, their architect, Gene J. Abell, Architect, AIA and the FAA prior to submission for building permits.
 - a. Site and Building Design: Site and building design shall conform with the conditions of the city approved Foreign Trade Zone Master Plan.
 - b. Landscaping: Landscaping shall meet the requirements set forth in the city approved Foreign Trade Zone Master Plan.
 - 1) Landscaping abutting public right-of-ways shall meet the requirements of the Medford Development Code and the requirements set forth in the city approved Foreign Trade Zone Master Plan.
 - 2) A minimum ten (10) foot landscaped and irrigated planting strip shall be provided adjacent to interior office space of buildings and all public access areas as approved by architectural review process.
 - c. Parking: Parking shall be provided for each site in accordance with the city approved Foreign Trade Zone Master Plan.
 - d. Samples and Colors Submittals: Samples of exterior finish materials and colors shall be submitted to Ore-Cal Trade Corporation and their architect, Gene J. Abell, Architect, AIA for review and approval prior to submission for building permits.
9. Building Height: Building height shall not exceed that allowed by the Medford Development Code and the Imaginary Surfaces Plans approved by the FAA.

B. Allowable Exterior Building Materials and Finishes:

1. Office Buildings:
 - a. Roofing: Roofing shall not be exposed to ground level view, except for preformed metal roofing materials at a pitch of 4-in-12 or greater.
 - 1) Preformed Metal Roofing
 - 2) Built-Up Bituminous Roofing
 - 3) Single-Ply Membrane Roofing
 - b. Walls:

- 1) Cast-In-Place Concrete
- 2) Precast Concrete Panels
- 3) Brick Masonry
- 4) Concrete Unit Masonry
- 5) Exterior Insulation Finish System
- 6) Preformed Metal Wall Panels
- 7) Metal Composite Building Panels
- 8) Lath and Plaster
- 9) Ceramic Tile

2. Industrial/Warehouse Buildings:

a. Roofing:

- 1) All of the roofing materials described in office buildings above are approved for use in industrial/warehouse buildings.
- 2) Pre-Engineered Metal Building Roofing Systems:
 - a) All roof/wall intersections shall have a continuous gutter with matching fascia trim at rakes edges and high eaves.

b. Walls:

- 1) All of the wall materials described in office buildings above are approved for use in industrial/warehouse buildings.
- 2) Pre-Engineered Metal Building Wall Systems:
 - a) Pre-Engineered metal building wall panels shall have a uniform high/low profile with a 1-1/2 inch depth and 2 inch minimum to 5 inch maximum flat face surfaces without intermediate breaks. Return faces not to exceed a 1/2 inch offset. Corner trim and accessories to be flush with upper or outer surface face of wall panel.



ROGUE VALLEY INTERNATIONAL - MEDFORD

FORMERLY KNOWN AS MEDFORD-JACKSON COUNTY AIRPORT

November 16, 1995

Mr. R. Michael Miller
Acting Assistant Commissioner
Adjudications
Immigration & Naturalization Service
425 I Street N.W.
Washington, D.C. 20536

Dear Mr. Miller:

We are writing this letter of support on behalf of the Regional Center project proposed by the Rainbow Freedom Investment Fund. I am the Director of the Rogue Valley International-Medford Airport. Our airport recently received foreign trade zone status as well as customs and immigration services. We recently leased land with runway access to Ore-Cal Trade Corp. for purpose of promoting development of an air cargo facility.

Ore-Cal. and Mr. Liebman, of the Rainbow Freedom Investment Fund, engaged in preliminary discussions to develop an air cargo warehouse. As the lessor of the property, we have an interest in seeing the property developed. We believe that our location is very desirable for air cargo development. There is a shortage of developed air cargo facilities in our area and more importantly, air cargo produces one of the higher job multipliers of the industry. This is so because reasonable freight and transportation attracts business to the area.

We have been hard hit by the down turn in the timber industry. Therefore, we, as a region, are looking for alternative industries. The development proposed by the Fund and by Ore-Cal. is an important first step. We estimate unemployment in our area, seasonally adjusted, exceeds 8.5%. During the summer months, unemployment dips to the 6% level, in the winter months, unemployment exceeds 12%.

Our research indicates that each air cargo job, rural areas, such as Jackson County, supports 15 additional jobs in supporting industries and 10 additional jobs in industries that indirectly benefit from the air cargo job. For this reason, we heartily support the proposed joint venture between the Fund and Ore-Cal for development of an air cargo facility in our foreign trade zone.

Page 2.

We will be doing all that we can to support the Fund's activities in our area. We hope you will certify the Fund as a Regional Center.

Thank you for consideration in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Bern E. Case".

Bern E. Case A.A.E.
Airport Director

\jpt
A:\LETTERS\BEC.098

ENCLOSURES

Officers

Warren Wheeler, Chair
Charles Hopkins, Vice Chair
James Kendall, Secretary
Bradley Kirschner, Treasurer
Peter J. Fraser, President

**PACIFIC CORRIDOR
ENTERPRISE COUNCIL**



November 9, 1995

TO: INS REGIONAL CENTER PROGRAM

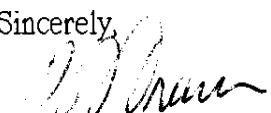
We hereby offer this letter to support the Rainbow Freedom Fund (Fund) application for Regional Center Status. PACE, the Pacific Corridor Enterprise Council, is nonprofit organization composed of some 200 independent businesses located in the Northwestern United States and Western Canada. PACE assists the two nation business community in tearing down the barriers to free trade.

The recent "open skies" accord between the US and Canada opens direct flights between most Canadian and US cities. Several airlines are adding new routes. For example, there are now direct flights between Seattle and Calgary, and Seattle and Edmonton. BC AIR and Horizon Airlines both plan to offer direct flights between Portland and most major Canadian cities. BC AIR is now beginning its negotiations to open passenger and cargo links to the new, Jackson, County (Medford, Oregon) International Airport.

The Rainbow Freedom Fund proposes to utilize immigrant investor funds to develop air cargo/export promotion facilities for the new Jackson County Airport, as well as in other areas of high unemployment. We, at PACE, arranged meetings between the principals of the Fund and the Jackson County Airport. As a result of our involvement in this matter, we were able to facilitate a deal between the County, the fund, and a private land owner whereby the fund will build and operate an international air cargo facility astride the Jackson County Airport.

This facility opens up a heretofore untapped cargo and passenger market connecting Southern Oregon and Northern California to Canada. We believe many Canadian and US companies will take advantage of the low operation costs offered by Jackson County Airport and Foreign Trade Zone to manufacture and assemble merchandise for export to Canada. The Fund's project is a key piece of the infrastructure puzzle in an area hard hit by the downturn in the forest products industry. In the interest of expanding international trade and benefiting an area that has been left out of the action, we strongly urge you to grant the Fund Regional Center status.

Sincerely,


Peter Fraser, President

For more information contact:

TCC, Inc.

Michael J. McCulloch

President

40 Lake Creek Loop

Eagle Point OR 97524

(503) 826-3350

Ore-Cal Trade Corporation

Dr. Ralph Wehinger

President

1322 E. McAndrews Road, Suite 201

Medford OR 97504

(503) 826-6800

Summit International

Trade Services, Inc.

S.E. (Sid) Gould

Special Projects Manager

3777 Marine Way

Burnaby B.C. V5J5A7

Toll Free 1-800-663-4080

Summit Trade Specialists (U.S.), Inc.

A Division of Summit International Trade Services, Inc.

Dennis E. Schrank

President

4621 Grumman Drive

Medford OR 97504

Toll Free 1-800-460-7271

Trade Containment Centre

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trophy and plant materials
clearance and storage facility**

A Summit CITES

Medford Program participant

Trade Containment Centre

Trade Containment Centre, Inc. is an Oregon corporation building trade facilities at the Medford/Jackson County (International) Airport in Southern Oregon. This ideal location is halfway between Canada and Mexico on I-5 and within a Foreign Trade Zone.

Cold Storage

7,680 cubic feet of cold and freezing storage will be on line in January 1995. The cold storage is environmentally equipped for humidity control to accommodate animal or plant material needs.

Cold storage and handling rates as of January 1, 1995 (subject to change):

.05¢ per cubic foot per day

or

.03¢ per cubic foot per day per month

Handling costs:

7¢ per kilogram up to 45 Kg

(approximately 100 lbs.) package weight

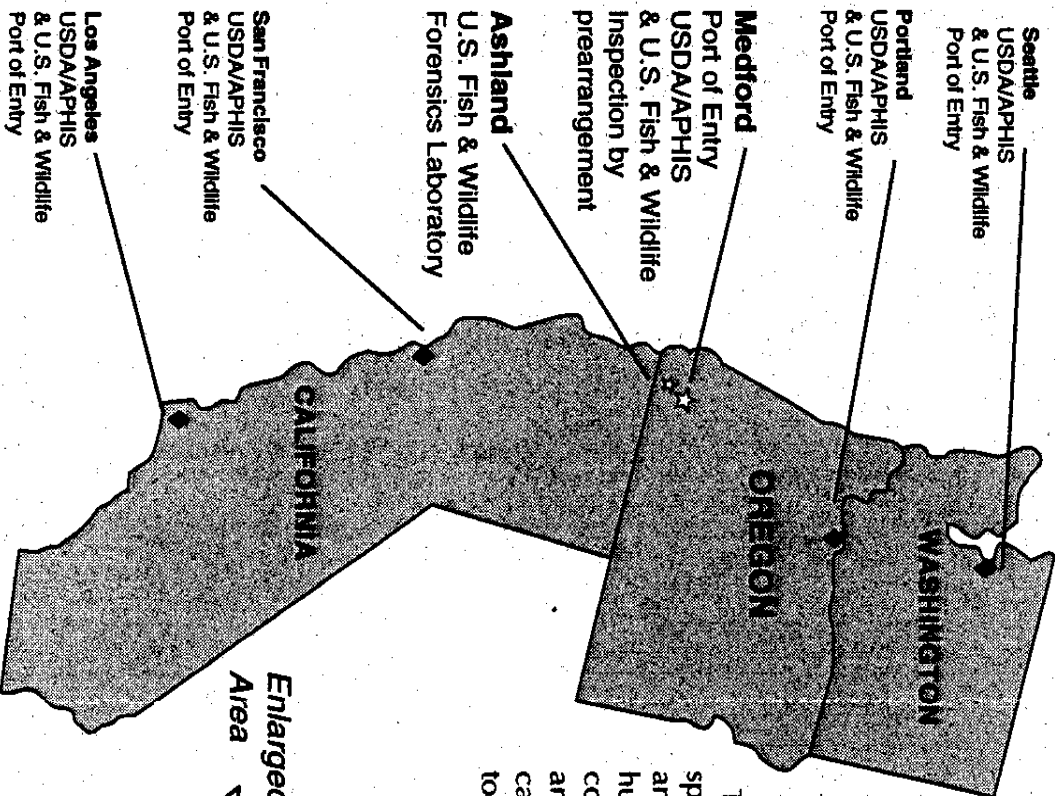
or

14¢ per kilogram over 45 Kg

Special rates can be negotiated for cold storage by prearrangement through Summit Trade Specialists (U.S.) Inc., of Medford, Oregon, by contacting Mr. Dennis E. Schrank, toll free 1-800-460-7271.

Markets

TCC, Inc. is committed to providing specialized quality handling services to facilitate your shipping needs from and to all points of the globe — at a competitive price — from our Medford Trade Containment Centre.



Federal Inspection Facilities

From game trophies to fresh flowers, a new Federal Inspection Center for United States Department of Agriculture and the United States Fish and Wildlife Service inspection-required cargo is under construction. The center, scheduled to be on line by June 1995, will provide a spacious environmentally controlled inspection location away from the congestion of larger ports of entry.

Trade Containment Centre, Inc., in association with Summit International Trade Service of Burnaby B.C., offers a specialized clearance, handling, inspection and storage services for trophy and game hunting enthusiasts. Full service single point contact, including document processing and transportation can be arranged by calling Mr. Sid Gould, at Summit Canada, toll free 1-800-653-4080.

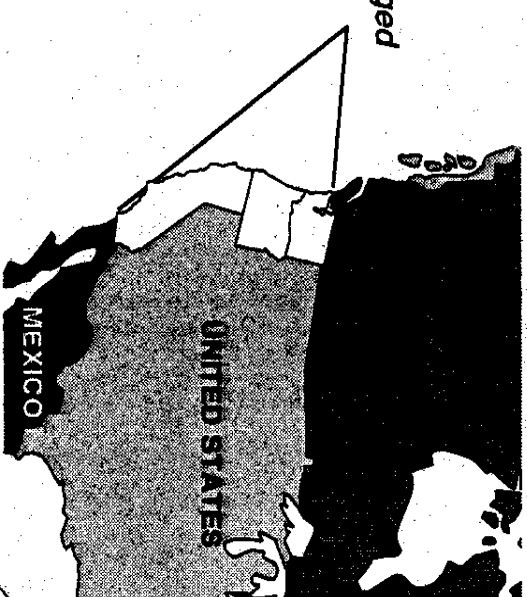


Table 1

Regional Economic Strategy

Summary Analysis of Sectors by Five Criteria: Matrix of Data

	Criterion #1 Employment & Wages		Wages	Criterion #2 Benefits to Econ Disadvantaged High, Medium, Low	Criterion #3 Multiplier Effects 4-County		Criterion #4 Export Activity		Criterion #5 Environmental Impact High, Medium, Low
	Employment 1992	Employment Growth by 1988			Jobs	Value Added	Outside State	Foreign	
Aerospace	110,200	-21%	\$45,900	M	2.21-2.28	.51-.53	81%	47%	H
Health Services	98,200	24%	\$26,200	H	1.21	0.82	4%	0%	M
High Tech									
Biotechnology & Research	4,500	122%		L	.99-1.89	.52-.93	12-18%	0-1%	L
Communications & Information	18,700	-5%	\$39,500	L	1.38-2.07	.59-.73	81-86%	7-21%	L
Electronics/Instruments	18,000	10%		L	1.41-2.34	.63-.96	69%	29%	L
Software & Computers	15,000	n/a		L	2.01	1.12	55%	18%	L
International Trade									
	55,800	14%	\$25K-\$44K	M	1.27-2.67	74-1.08	41-86%	10-21%	M
Maritime									
	25,000	5%	\$24K-\$80K	M	1.00-2.01	78-1.18	8-55%	3-21%	H
Other Manufacturing									
Food Processing	15,600	10%	\$30,900	M	.06-5.94	.06-.93	14-55%	2-20%	M
Industrial Machinery	9,800	15%	\$34,500	M	1.22-1.9	0.54	44-78%	3-25%	M
Misc. Manufacturing	13,900	5%		M	1.78-3.52	.52-1.12	18-83%	0-12%	M
Paper & Allied Products	5,000	-6%	\$38,800	M	1.42-2.62	.3-.38	54-95%	15-62%	H
Printing & Publishing	15,900	11%	\$27,900	M	1.68	0.9	16%	1%	M
Textiles & Apparel	5,400	4%	\$17,400	M	1.33-1.41	.61-.95	69-73%	2-5%	M
Professional Services									
Legal, Financial, Business	133,400	21%	\$31K-\$72K	L	.81-1.1	.8-1.10	12-20%	1%	L
Environmental Svcs	10,000	n/a		L					L
Tourism									
	31,000	n/a	\$14,400	H	.82-1.05	.82-1.05	12-77%	1-18%	L

SPONSORED SUPPLEMENT - PORT OF SEATTLE

Port works to generate jobs for a strong economy

OCTOBER 13-19, 1995

By RON JUDD

Mention the Port of Seattle to the person on the street and he probably knows it has something to do with international trade.

But the story of trade is a testimony to the men and women who contribute to the business of commerce every day, every hour in every corner of our region.

Besides being a fine network of infrastructure from seaport to airport, the Port of Seattle is an economic engine for the region, a significant generator of family wage jobs for our community.

Together with organized labor, education, business and the public sector, the Port of Seattle has forged a successful partnership as an economic catalyst.

In 1994 the Port of Seattle experienced record growth in container and passenger volumes. With this growth set to continue, the Port of Seattle will be working with its partners to develop strategies that will take the region into the 21st century as a leader in international trade.

A recent economic impact study of Port of Seattle activities found that the Port is a significant generator of jobs: 90,000 jobs are directly supported by marine and airport activity (including the airport industry), while a total of some 275,000 within the regional economy are impacted by Port activities.

"This report underscores the fact that trade creates jobs that otherwise would not exist in our region," says Port Commissioner Patricia Davis.

"Equally important is the fact that the 25,500 direct jobs generated by the marine and aviation activity received an average annual salary of \$37,800," says Davis. "That's more than 20 percent greater than



A leading container port in the United States, the Port of Seattle is responsible for the increased value of direct jobs generated by its marine terminals and, in turn, a proliferation of local induced jobs.

of intermodal exports and imports has increased, while less-than container-load cargo decreased.

Also, the productivity of handling containerized cargo and chill cargo increased over the six year period.

As a result, the jobs directly generated by marine cargo activity declined by about 200 jobs. However, the average earnings per job increased from \$29,000 in 1987 to \$40,000 in 1993.

Local business received \$7.5 billion of sales revenue as the result of the Port's marine and airport activities.

State and local governments received more than \$475 million in tax revenue from the Port's marine and airport activities.

Key structural changes have occurred at the seaport between 1993 and 1987, when the last study was conducted. The amount

As a result of the increase in the value of a direct job generated by the Port's marine terminals, each direct job generated in 1993 supported a greater number of local induced jobs than was the case in 1987.

Despite a 4.4 million increase in passenger traffic and a 30 percent increase in air cargo at Sea-Tac since 1987, direct employment at the airport remained nearly flat. However, the composition of the direct jobs generated at Sea-Tac changed.

Employment with airlines declined, while employment with airport retail concessions increased. Airline jobs are typically higher paying than jobs with concessions.

As a result, the earnings per direct job declined from \$36,245 to \$33,885 between 1987 and 1993. However, the \$33,885 average earnings per job still is greater than the \$31,000 average earnings received by King County residents.

The growth in passenger traffic resulted in an increase of more than 17,000 direct jobs with the Seattle area's visitor industry since 1987.

The strength of our local economy is tied directly to the Port's primary mission to be a leader in providing services and facilities to accommodate the transportation of cargo and passengers by air, water and land.

The men and women of organized labor who work in partnership with the family would like you to remember the family wage jobs created by the activities of the Port of Seattle and the importance of the Port as it relates to our everyday lives.

Ron Judd is executive secretary of King County Labor Council.

Port works to generate jobs for a strong economy

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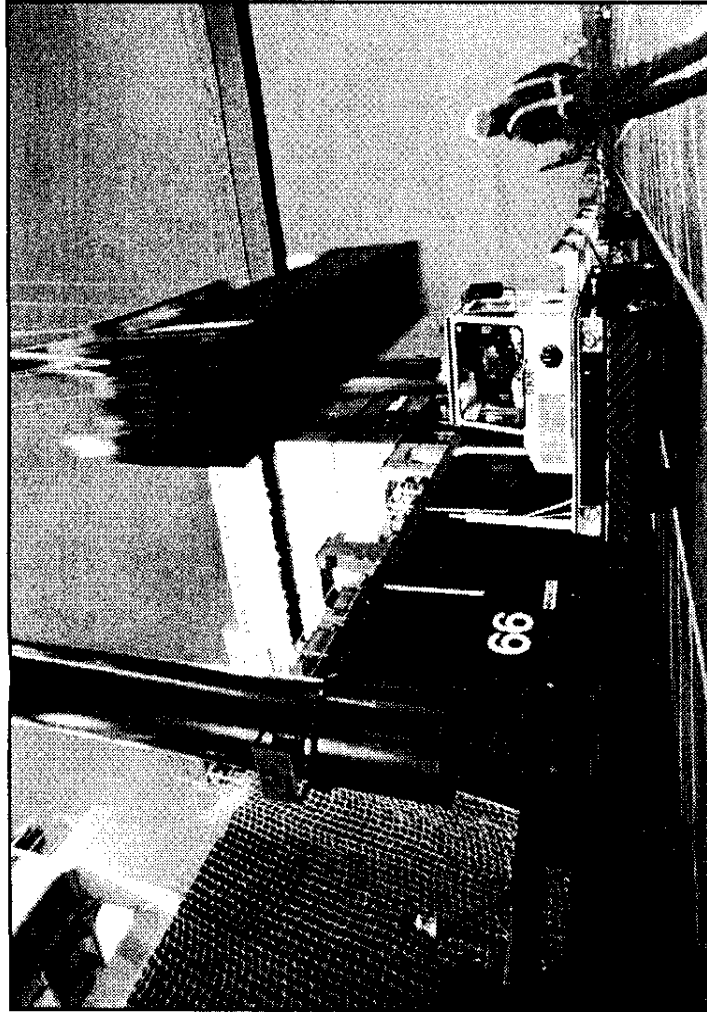
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"Equally important is the fact that the 25,500 direct jobs generated by the marine and aviation activity received an average annual salary of \$37,800," says Davis. "This is more than 20 percent greater than the \$31,000 average earnings per employee for King County."

Davis is quick to add that the Port's ability to succeed in its role as a catalyst for re-



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ees of the University of Washington and the 7,500 employees of Microsoft.

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Our gold is better at Terminal 041

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Davis is quick to add that the Port's ability to succeed in its role as a catalyst for regional economic activity depends upon a collaborative effort among the private and public sectors, labor and management, education and business.

"The importance of the Port cannot be overlooked in understanding the economic health of the region," said Virgil Fassio, former publisher of the *Seattle Post-Intelligencer*, who chaired an oversight citizen's committee. "The study's results underscore our Port's efforts to create and sustain jobs."

Key findings of the study, conducted by Martin O'Connell Associates, include:

Of the 275,000 jobs in the regional economy impacted by the Port, nearly 90,000 were directly supported by marine and airport activity at the Port's marine terminals and Sea-Tac International Airport (including 64,000 within the airport visitor industry).

Because of local purchases by those in the 90,000 directly generated jobs and the firms in which these individuals are employed, 27,000 induced and indirect jobs are supported in the local economy. The remaining 158,000 jobs are with local and regional companies using marine facilities for export and import activity and with local air cargo shippers using Sea-Tac.

Excluding the 64,000 direct jobs in the regional visitor's industry that are supported by the spending of the 3.9 million air visitors to the Puget Sound region, the remaining 25,500 direct jobs generated by the Port of Seattle's marine terminals and Sea-Tac can be compared to other major employer in the region, such as the 89,000 employees of Boeing, the 15,000 employ-

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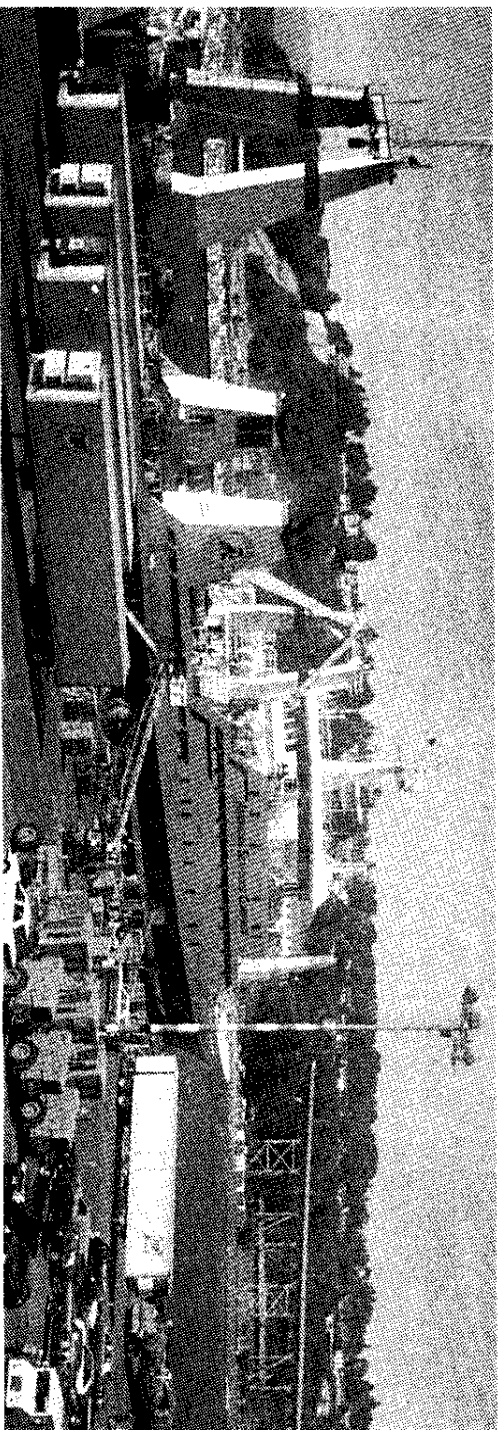
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Port projects seek to clean up environment

Over the past century, the Puget Sound region has experienced explosive growth in population and industrial activity.

Although the economic benefits have been substantial, growth has had many costs, including substantial pollution of Puget Sound.

One sign of this pollution is the widespread contamination of Puget Sound sediments and its adverse effects on the fish and other organisms that live in and eat sediments.

The Port of Seattle has taken the initiative in its projects to clean up the environment and to return the land to productive use.

The Southwest Harbor Cleanup Redevelopment project to expand Terminal 5, located in West Seattle, is one of the state's largest environmental cleanup projects underway.

The land that was required for the expansion had been the victim of years of industrial uses which deposited large amounts of toxic chemicals into the ground and water table.

One of the sites had been designated a Federal Superfund site. The Port is dedicated to cleaning up contaminated land and aquatic areas.

Contamination of sediments occurs because many toxic pollutants bind to sediment particles as they are washed into Puget Sound. The primary sources of toxic pollutants are unpermitted discharges of pollutants, stormwater runoff and raw sewage discharges from combined sewer overflows.

Contamination of sediments may affect the entire food web, far beyond the actual location of the contamination. Humans consuming fish and shellfish may be exposed to dangerous levels of contaminants concentrated in the edible tissues of these animals.

The topography of the Puget Sound

comes."

Riveland chose the Port of Seattle's Southwest Harbor Cleanup and Redevelopment project as the location for the press conference and as an example of the teamwork that will be necessary to clean up and maintain our state's environment.

In 1991, the Port of Seattle initiated the Southwest Harbor Cleanup and Redevelopment Project, a combined marine terminal development and industrial property cleanup which has been extraordinarily successful in meeting site cleanup and habitat mitigation and enhancement.

Now, four years into the process, the project is on schedule and within budget. The first four phases of the site cleanup segment of the project are complete, and major facility construction starts in the fall of 1995.

The success of this project is an outstanding example of a port providing the impetus for redevelopment of vacant and underutilized contaminated industrial sites and recycling areas with important marine facility attributes to sustain economic development and improve environmental conditions.

The Southwest Harbor Project is an example of how port marine infrastructure development can achieve multiple coincident public benefits — providing economic growth and catalyzing environmental cleanup and restoration, including public open space and recreational facilities while avoiding and minimizing potential adverse urban impacts.

In the fall of 1991, the Port initiated the environmental impact assessment of the Southwest Harbor area for container terminal use.

the Duwamish Waterway are used by tribal and commercial fishermen.

The goal of the Southwest Harbor Redevelopment Project is to clean up and redevelop five large contaminated sites, including a former shipbuilding and ship repair yard and adjacent wood treatment plant (industrial facilities with an 80 year legacy of contamination), as well as a series of small-contaminated sites in the southwest harbor area of Elliott Bay.

The redeveloped sites, together with the adjacent existing Terminal 5, will form a new modern container shipping terminal and intermodal rail yard designed to meet the business needs of APL.

The facilities, while located within the Port and City of Seattle in King County, Washington, will serve and contribute to marine shipping activities from the Puget Sound region to the rest of the nation.

Because the project dealt with substantive issues concerning aquatic and upland contamination in addition to aquatic habitat restoration and economic

redevelopment, a joint federal-state EIS, combined with a state feasibility study, was prepared under supervision of three joint lead agencies: the U.S. Army Corps of Engineers (lead federal agency under NEPA); the Washington Department of Ecology, and the Port of Seattle (the nominal lead agency under SEPA, the State Environmental Policy Act).

Other agencies such as the EPA, the City of Seattle, and the state Department of Natural Resources were "cooperating agencies."

As an example of the Port's level of commitment to this process, the Port's EIS project manager presented project informa-

mately 145 acres of contaminated industrial properties including a wood treating facility (a Federal Superfund site); a shipyard, municipal landfill, and slag and scrap steel yards (State Superfund sites); a small foundry; a chemical distribution warehouse; a railroad switching yard; and several industrial and commercial establishments.

The Southwest Harbor Project also required planning for sediment cleanup under the most stringent sediment cleanup characterization and cleanup standards in the nation. The Port spent \$1.2 million evaluating sediment quality for ship berth and navigational dredging that were proposed as part of the project.

Using advanced evaluation techniques such as modeling of confined sediment disposal, the Port was able to outline sediment cleanup alternatives that are linked to future navigational improvements. Dredging for these improvements would require the cleanup of sediments associated with the submerged areas of the former shipyard.

The Port developed plans for a Submerged Nearshore Facility which would provide a multi-source contaminated sediment disposal site and approximately 19 acres of clean subtidal and intertidal habitat area near the mouth of the Duwamish River. This would be accomplished by on-site containment of contaminated sediments and capping with clean sediments.

The Southwest Harbor Project will provide a number of environmental benefits and design elements, including:

- Cleanup of more than 180 acres of industrial property, and the fastest ever return of a Federal Superfund site to beneficial use;

- New dock construction offset by 1.3 acres of new intertidal habitat and up to 17 acres of new intertidal habitat coincident

pollutants are unpurified discharges of pollutants, stormwater runoff and raw sewage discharges from combined sewer overflows.

Contamination of sediments may affect the entire food web, far beyond the actual location of the contamination. Humans consuming fish and shellfish may be exposed to dangerous levels of contaminants concentrated in the edible tissues of these animals.

The topography of the Puget Sound Basin results in the bulk of sediments remaining within the ecosystem, instead of being flushed out into the open ocean.

The Washington State Department of Ecology held a press conference this past April to release a report on the state of Washington's air, water and land.

"Maintaining our quality of life and solving environmental problems will require more than just governmental and industrial efforts," said State Ecology Director Mary Riveland.

"Each extra mile we drive, every ounce of excess fertilizer on our lawn, each time we buy a disposable rather than reusable product — all of these decisions will make up a big part of what our environment be-

comes. The Southwest Harbor Project is an example of how port marine infrastructure development can achieve multiple coincident public benefits — providing economic growth and catalyzing environmental cleanup and restoration, including public open space and recreational facilities while avoiding and minimizing potential adverse urban impacts.

In the fall of 1991, the Port initiated the environmental impact assessment of the proposed redevelopment of the Southwest Harbor area for container terminal use.

The scope of the environmental impact statement (EIS) and supporting technical studies was designed to provide information needed under the various federal, state, and local laws that apply to the project, and used the environmental guidelines as the guiding principles for the environmental assessment process.

The Southwest Harbor Project is located in Puget Sound in southwest Elliott Bay, west of the West Waterway of the Duwamish River. The overall area comprises port, industrial, and natural resource uses. The shoreline has been designated as a "shoreline of statewide significance" under the State Shoreline Management Act. Adjacent aquatic areas in Elliott Bay and

joint task agencies, the City of Seattle, the Port of Seattle, and the State Environmental Policy Act).

Other agencies such as the EPA, the City of Seattle, and the state Department of Natural Resources were "cooperating agencies."

As an example of the Port's level of commitment to this process, the Port's EIS project manager presented project information at more than 190 meetings and workshops involving more than 75 community and interest groups and more than 50 federal, state, and local agencies.

The agency and community level of interest was such that more than 1,300 agency and citizen comments were received and responded to during the EIS process.

This level of public involvement assured that citizens and agencies actively participated in the early stages of project planning and design, helping to shape the project to meet the multiple objectives of port infrastructure development, environmental cleanup and restoration, and minimization of urban impacts.

The support and cooperation of the EPA, Washington Department of Ecology and permitting agencies were essential to the success of this project. The cooperation of the joint lead agencies streamlined the administrative process and reduced the costs of preparing the EIS and related technical studies.

Timely completion of the proposed marine terminal required the acquisition, cleanup and redevelopment of approxi-

and capping with clean sediments.

The Southwest Harbor Project will provide a number of environmental benefits and design elements, including:

- Cleanup of more than 180 acres of industrial property, and the fastest ever return of a Federal Superfund site to beneficial use;
- New dock construction offset by 1.3 acres of new intertidal habitat and up to 17 acres of new intertidal habitat coincident with sediment cleanup;
- Opportunity for area-wide sediment cleanup;
- Public use improvements including 13.3 acres of open space and public use facilities;
- 2,950 feet of paved pathways, pier and deck walkways, and elevated ramps and viewing platforms; and 1,650 linear feet or 5.8 acres of shoreline access and habitat area;
- Landscaped public use and buffer areas surrounding the project site, including 0.8 miles of pedestrian and bicycle paths;
- Minimization of lighting effects through innovative lighting system design;
- Avoidance and minimization of noise effects through terminal design, selection of equipment, and use of noise walls and buffer areas;
- Minimization of traffic impacts through new access roads and coordination of rail and truck traffic.

Completion of the Southwest Harbor Cleanup and Redevelopment Project will result in the retention of 1,500 regional jobs and the creation of 1,500 additional jobs.

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- Regulatory Analysis
- Safety and Risk Assessment
- Strategic Planning and Management Support

However, other economic and technological trends will affect long-term aerospace employment and could weaken Boeing's traditional ties to the Puget Sound region. Consolidation and restructuring in the industry continues as Boeing responds to growing international competition. New production partnerships with other manufacturers could reduce the local labor component of future Boeing aircraft. Cost reduction and quality control initiatives that streamline the production process will likely reduce labor per unit produced.

International Trade

Our deep-water harbors, the region's close proximity to the Pacific Rim and the location of world-class basic industries whose products are in demand around the world have driven the growth of the international trading sector in the central Puget Sound region. At the heart of this sector are the ports of Seattle and Tacoma, which together form the second largest container load center in the nation. Activities of the ports have attracted a host of transportation services including foreign and domestic shipping and freight companies, airlines, railroad and trucking companies, terminal operation and maintenance firms and the many warehousing and storage businesses that occupy the Kent Valley.

The ports also stimulate demand for related businesses such as passenger services, brokerage, banking, legal and insurance services. Additionally, the Boeing Company, Weyerhaeuser, Microsoft, the electronics and instrument sectors and the wheat and apple growing regions of Eastern Washington are producing goods that are in demand in external markets and that create the need for export services and infrastructure.

According to the U.S. Bureau of the Census, the total value of goods and services exported abroad from Washington State in 1993 was approximately \$27 billion. This number represents only a portion of the value of international trade to the region, since it does not include goods from other states that are trans-shipped through Washington ports, nor the value of foreign imported goods which also create a significant number of jobs locally.

Taken together, this cluster of businesses associated with the export and import of goods through our region's marine and airports and related ground transportation and distribution activity accounted for 55,800 jobs in the four-county region in 1992. This number is projected to grow to 63,800 jobs by 1998, a 14% increase, and does not include a very large number of additional jobs directly and indirectly related to the trade activities of other sectors.

The international trade sector supports the regional economy in several ways. Average wages are relatively high and are attainable by individuals without college degrees. Roughly two and one-half jobs are generated in the regional economy for every job in marine and air transportation, a jobs multiplier that is among the highest of any sector.

Servicing the Northwest and the World

Service industries provide added resilience and opportunities to the region's economy. Following the trend in most advanced economies, the service sector has been responsible for most of the new jobs in this region over the past few years. Engineering, architecture, advertising, finance and other professional service firms serve the needs of the region's producers and add value to their output. Health care employment is projected to continue growing dramatically even as the industry restructures under pressure to control costs. As the region attracts more visitors and residents, the expanding tourism business is providing jobs in several areas of high unemployment in the region and adding significantly to the economic base of many rural areas. Higher education and research are more important than ever as the demand for a highly educated work force increases across many industries.

While these service industries will continue to primarily serve the needs of the local economy, the region's assets provide a competitive advantage for attracting business from outside the area. The cluster of medical research and treatment centers in Seattle draws patients and research funding from outside the region and abroad. Research conducted in other

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To: Kathy Lohr
From: Henry Liebman
Re: EB5 Processing Freeze

January 13, 1998

I'm the President of the Golden Rainbow Freedom Fund a regional center project in Washington State and Oregon.

I'm happy that INS is finally trying to do something to curb abuses to the EB5 program. I'm not happy that this is happening to cases that have already been approved. Sudden flip flops in policy make us all look incompetent.

Its unfortunate that you don't publish new regulations. The current regulations are so vague and incomplete that almost every program qualifies. To the extent your new guidelines deviate or add to the existing regulations INS may loose in court. It would have been better to let current cases go forward and focus on writing new rules.

A few suggestions for the future.

Small Deposit Programs with promissory notes:

In the real world of the market place the only money available for investment is the down payment. Your recent adjudication guidelines actually legitimize a small deposit program of \$125,000.

This means that there is a deposit of \$125,000 from which fees and expenses are deducted. Where does the balance come from? It could come from the alien, an independent bank or financial institution or from the fund promoter.

The person joining a small deposit program does so to minimize financial risk. This person isn't going to put any more money into the program. This leaves banks/financial institutions and the EB5 promoter.

Small deposit program don't benefit the US economy and encourage fraud. Most of the EB5 programs don't have enough of an investment asset base to arrange loans for their clients. In many cases the EB5 program itself will have to put up the balance rotating the same money through several investors. This isn't what you have in mind.

In most cases banks are not a viable source of alien investor financing. A bank will only lend the alien money if the bank is secured. A US bank won't rely on the aliens financial statement alone. This is general rule not only for PRC but for the entire world. Very few US banks are equipped to take overseas property as collateral.

Small deposit programs make no economic sense. Assume a down payment of \$125,000. Assume fees and costs of \$50,000 leaving \$75,000. Could you buy a \$500,000 house with a down payment of \$75,000 or even \$125,000. Probably not without additional collateral. Purchase of a business even requires a higher ratio of equity to debt.

The benefit to the US economy comes from the foreign equity. The foreign equity or the down payment is the only new money on the table. In reality the bank loan isn't based on the alien's financial status. The bank loan, if any, is based on an existing US asset.

(b)(4) An aside, We require At least our investors can afford to pay the loan if they have to. Many programs requires \$500,000. This creates a ridiculous scenario where a bank would be loaning about \$400,000 to an investor with a net worth of only \$500,000. There isn't enough left for the alien to live, let alone repay the bank. No bank would make that loan.

The down payment should be at least \$250,000 or half the required investment amount. Under this scenario the alien has enough equity in the deal to induce a bank to make a loan to the alien based on the aliens financial statement. The alien has enough to loose so that they will pay the balance due.

Using EB5 Property to Secure the Alien:

The only security available to the alien should be the assets of the enterprise. This is the system in Canada. This induces alien investors to put all their money in the enterprise rather than relying on third party guarantees. Third party guarantees cost money, the only source of money is the alien's deposit. Thus the guarantee reduces the funds available for investment.

If the alien is secured by the enterprise's assets that's where the money goes. The alien is encouraged to put all his money in the commercial enterprise. The person who suffers from the foreclosure is the EB5 promoter, he loses his profit. The hard assets still remain in the US.

Redemption:

The regulations don't address redemption of the aliens investment. The only requirement seems to be that the alien's investment be at risk for the two year conditional period. INS seems to be requiring redemption at fair market value after full payment. I agree that redemption should wait until after full payment. I don't understand the logic of the fair market value redemption.

Assume alien gives EB5 promoter money on condition that he gets his money back, or less after 2 years. The money goes to EB5 promoter who places the funds in an a profit making at risk investment. The EB5 promoter keeps the profit, alien gets a green card and his money back, or less, after removal of conditions and after he's paid in full. There is no other security except the EB5 promoters contractual obligation to redeem. The alien risks the default of the EB5 program. This is real risk if the money is placed in an at risk investment.

Does the alien's intent have to be profit making or is it sufficient that the business be profit making? I think the existing regulations permit the latter.

Note that the regulations permit the alien to make unsecured loan's to the EB5 enterprise. Security means that specific assets are set aside to repay the loan in event of default. A loan is no different than the above scenario. The only risk is default by the borrower, in this case the EB5 business.

As long as the funds are placed in an at risk investment and as long as redemption occurs, say at least six months after payment in full, why does INS care about the redemption price? It would make sense for INS to assure aliens pay in full and that the money is placed in an at risk business, either as equity or debt. Determining the redemption price seems to go beyond the government's interest in the EB5 program and unnecessarily interferes with arms length business negotiations.

I'd appreciate your thoughts on this issue.

The EB5 program could be enormously beneficial as a real investment program. A few simple changes would go a long way to erasing the current sleazy image.

Kindest Regards,



Henry Liebman

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November 6, 1997

Paul Virtue,
Acting Executive Associate Commission for Programs
Immigration and Naturalization
425 Eye Street NW
Washington, DC 20536

Re: Bender's Immigration Bulletin/October 15, 1997

Dear Mr. Virtue:

This letter is to respond to "The Role of Commercial Organizations in the EB-5 Employment Creation Process", by Mr. Vazquez-Aspiri, an article in the above issue of Bender's Immigration Bulletin.

Mr. Vazquez-Aspiri's article warns of the evils of the "commercial enterprises." Most knowledgeable immigration lawyers already know most EB5 programs border on the ridiculous. Rather than repeat what most of us already know, let's discuss how to fix the problems.

I manage one of the "commercial organizations." The Golden Rainbow Freedom Fund, with some eighty investors, may be the largest of the Regional Center programs. I am also an immigration attorney with eighteen years experience.

We make great efforts to cooperate with Consuls to curb abuses to the EB5 program. I have yet to detect any willingness from INS to get educated let alone promulgate meaningful regulations.

Mr. Vazquez-Aspiri, without disclosing names, describes the American Immigration Services, (AIS), American Export Partners (AEP), and other programs similarly modeled and originally created by Mr. Mike Inman. It is interesting to note that a former INS General Consul and a former Director of INS represent the programs that most abuse the EB5 program. Unfortunately, Mr. Vazquez-Aspiri would have the reader believe every EB5 program on the market follows the same model. This is simply not the case.

I manage a program that:

i. Requires its investors to invest the full

(b)(4)

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ii. Invests all of the money in the approved Regional Center project; and

(b)(4) iii. Offers audited financial statements to assure our investors and INS that every penny of each investor's [redacted] is available for investment.

We fear that unchecked abuses to the system will cause Congress to stop the EB5 program which would be a shame because a properly managed program would be of great benefit to our country.

We have only scratched the surface of a substantial source of capital and we are just learning how to channel this money into socially responsible projects. It is much more difficult to place the capital than to sell green cards.

Well thought out regulations would go a long way to curbing abuse as well as to channel this treasure trove of foreign capital to projects that benefit our country. Some ideas, based on observation and experience, follow:

Securing the Investor

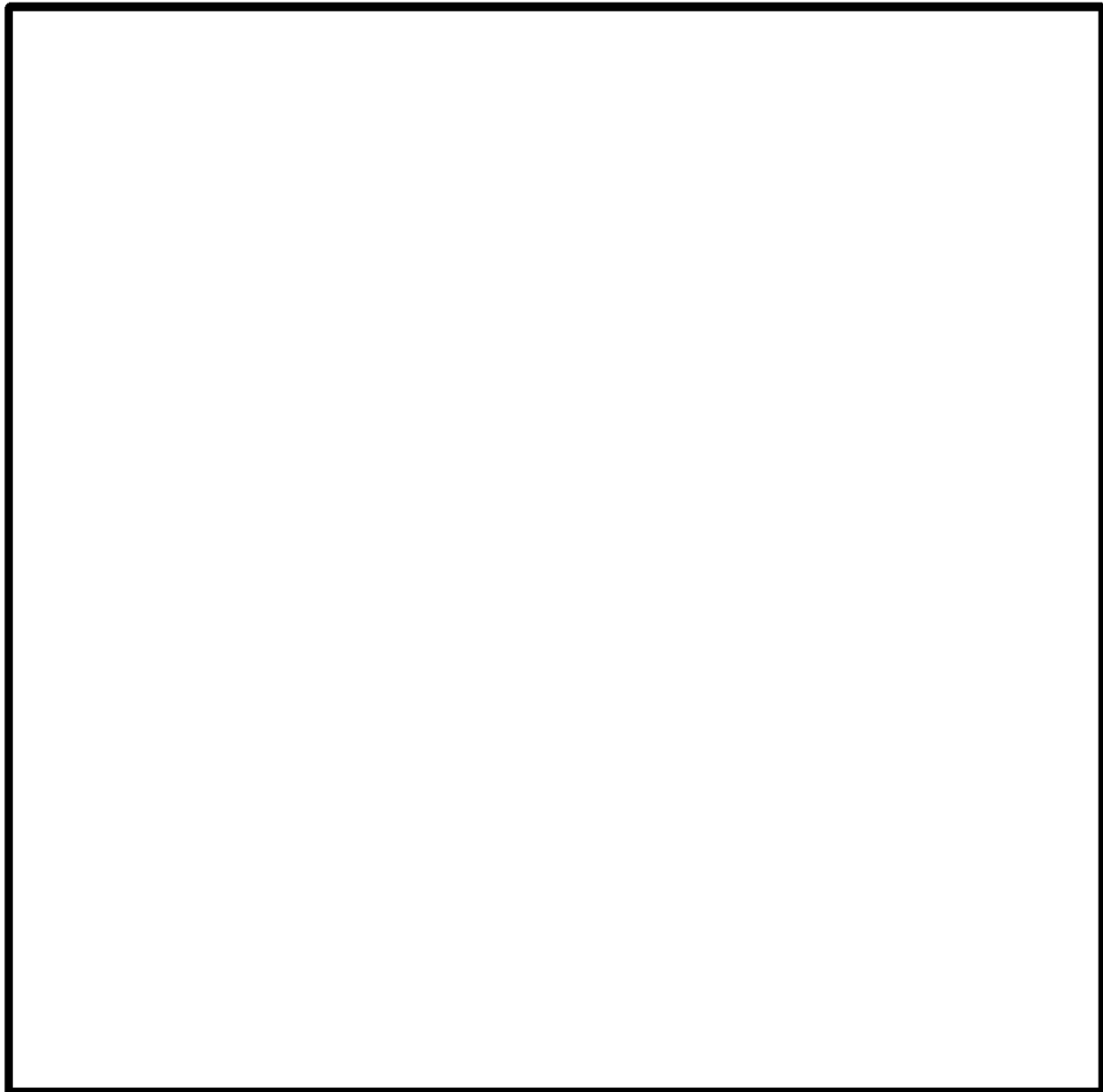
The regulations prohibit EB5 programs from using assets purchased with the investors' money to provide security for repaying the investor. The investors require some form of security. Although the funds to secure repayment to the investor can come from anywhere but the EB5 assets, the only money on the table is the investors' money.

(b)(4) [Large redacted area]

GRFF offers two options

(b)(4) i. [redacted] down, invested in industrial facilities, for

(b)(4)



The regulations actually create a disincentive to invest in the EB5 project because some funds must be set aside to secure repayment of the invested capital, or, [REDACTED]

(b)(4)

What would happen if the regulations said that the only security available to the investor is the assets purchased with the investors money? (This was the rule in Canada when they had privately run programs.) All of a sudden, the incentive is to put all the money into EB5 commercial enterprise assets.

Assume the "commercial enterprise" goes broke. All the assets would belong to the investors. So what?! The investors aren't likely to pack up companies or buildings and ship them back abroad. INS should concern itself with the use of the money, not with who ultimately owns the assets.

Minimum Capital

To set things absolutely right, INS needs to adopt rules for minimum capital contribution, say \$250,000, and a mandated two year payment term so that everybody pays up before conditions are removed. It is difficult to monitor who did or didn't pay once conditions are removed.

The best way to eliminate the investors' risk is to reduce the amount of the investors' capital. This is the AIS approach. The competitive market place encourages "commercial enterprises" to continue to reduce the amount of capital required in order to increase market share. The result is that there will be nothing left to invest after the promoter takes fees and pays bills.

Ten Employees

The ten employee requirement encourages fraud. Neither \$500,000 nor \$1,000,000 in capital support ten employees. Most "commercial enterprises" use stratagems to purchase employees from target businesses. We have evidence that a particular "commercial enterprise" purchased employees for \$2,000 a head.

The Regional Center system eliminates the employee problem. Congress should be satisfied that if the money comes into the country and goes to an approved project that employment increases. A rising tide lifts all boats.

Regional Center Issues

The Regional Center program shouldn't be restricted to export job creation. Why limit the scope of investment to exports when there are more than enough slums to go around. In all seriousness, there are plenty of socially responsible places for the immigrant investor capital that have nothing to do with exports.

The biggest problem with the Regional Center program is that it is limited to a definite period. Congress offered the program between August 1995 and Oct 1998. I am being told to make all the money I can within three years. This hardly encourages long term thinking and encourages opportunism. If the program is extended, do it without a termination date.

Large projects require conventional financing to supplement immigrant investor money. What bank, pension fund or insurance company will make a loan to a company slated for extinction in October of 1998?

As a practical matter, Congress can change the law whenever it wants anyway. Everybody lives with that reality. Most of us will get cancer or a heart attack at some point in our lives. You might act differently if you knew it was going to happen in three years.

Require [redacted] in one cash payment?

(b)(4)

We are finding ever increasing interest in our [redacted] cash program. There is a part of the market place that will accept a reduced return for a green card but still requires some return. The customer is generally a more sophisticated investor that feels uncomfortable investing in a program that merely resulted in the purchase of a green card.

This is the type of individual we, as a country, want to attract. The higher the minimum capital, the more likely the investor will require a return, thus increasing the quality of the entire program.

Carefully thought out, our regulations will go far to encourage responsible "commercial enterprises"

I welcome calls from you to discuss this matter further. I also offer Mr. Vazquez-Aspiri a chance to discuss the matter from a different perspective.

Respectfully submitted,


Henry G. Liebman

cc/wo enc: A. James Vazquez-Aspiri, Attorney and Author

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THE ROLE OF COMMERCIAL ORGANIZATIONS IN THE EB-5 EMPLOYMENT CREATION PROCESS

by A. James Vázquez-Azpiri*

The Fifth Preference Employment-Creation immigrant category ("the EB-5 category") remains the ugly duckling of the immigrant visa family. Although almost seven years have elapsed since the EB-5 category's introduction in 1990, it continues to receive stiff criticism from a variety of quarters. A frequently voiced complaint, which has haunted the category since the days of its congressional debate, is that it reduces permanent residence in the United States to a marketable commodity. This had led some lawmakers and commentators to term the EB-5 category, unkindly but not inaccurately, as a "cash for a green card" program that allows well-heeled foreigners to buy their way into the United States. Certainly, the nucleus of the EB-5 category is a transparently commercial transaction between the United States and the alien investor, with permanent residence the consideration for making the requisite investment in this country. Why this should be objectionable in a nation whose overriding social imperative continues to be the accumulation of monetary wealth is not clear.

In any event, the EB-5 category stands apart from the other immigrant

categories provided by U.S. immigration law as the only one (with the obvious exception of the Diversity Visa Programs) that requires nothing of alien applicants in the way of personal or professional accomplishment or skills, or of family ties to the United States, and therefore ignores traditional and lofty notions that permanent residence should somehow be earned by meeting one of these criteria. More pragmatic critics of the EB-5 category have focused on its procedural complexities, onerous monetary and documentary requirements, and granting of only conditional permanent residence as factors militating against the use of the category. Some of these critics also astutely point out that a wealthy alien investor who desires to emigrate to the United States could do so through the less exacting process of establishing a business in his or her home country and a related business in this country, and then transferring from the foreign business to the U.S. business after a year in First Preference managerial/executive status.¹

Whatever the reasons, the EB-5 category has proven a decidedly unpopular channel through which to obtain permanent residence in the United States. In each of the six years since its introduction, the number of immigrant visas granted in this category has never reached even 10% of the annual allocation of 10,000. Despite this unpopularity (or perhaps because of it), a number of commercial organizations dedicated to shepherding alien investors through the EB-5 category's application process has recently emerged. Although these organizations employ lawyers, and profess an expertise in the relevant areas of immigration law, they appear to distance themselves carefully from the

* A. James Vázquez-Azpiri practices immigration law in the San Francisco office of Cooley Godward LLP. He is very grateful to Dr. Vedat Milor of Stanford University and the World Bank, and to his colleague, Lance Nagel, for their invaluable and erudite help in the preparation of this article.

legal profession, preferring to project themselves as business enterprises. In return for a minimum fee of about \$10,000, such organizations typically promise the aspiring investor that they will invest the alien's funds in a new or established U.S. business, and will structure that investment so that the requirements of the EB-5 category are met and a green card is granted.

This article will briefly review the EB-5 category and the services offered by these organizations, with a view to examining whether or not they help further the objectives of this category, and whether or not they appropriately promote an alien investor's interests.²

A. The EB-5 Category

1. Basic Provisions

Section 203(b)(5) of the Immigration and Nationality Act (INA), 8 U.S.C. § 1153(b)(5), establishes a fifth preference category of employment-based immigrants entitled "Employment Creation." To qualify for permanent resident status under this category, an alien must seek to enter the United States to engage in a "new" commercial enterprise (1) that the alien has established; (2) in which the alien has invested at least \$1 million dollars (or, if the investment is located in a "targeted employment area," at least \$500,000); and (3) that will benefit the U.S. economy and create full-time employment for at least ten U.S. citizens, permanent residents, or other aliens authorized to be employed in this country.³

The regulations define a "new" commercial enterprise as one established after November 29, 1990. 8 C.F.R. § 204.6(e). This commercial

enterprise must consist of: (1) the creation of an original business; (2) the purchase of an existing business and simultaneous or subsequent restructuring or reorganization of this business, such that a new commercial enterprise results; or (3) the expansion of an existing business, so that a 40% increase results in either the net worth of the business or the number of employees employed by that business. 8 C.F.R. § 204.6(h). The regulations further define a commercial enterprise as "any" for-profit activity formed for the ongoing conduct of business, including, but not limited to, a sole proprietorship, partnership (limited or general), holding company, joint venture, corporation, business trust, or other privately or publicly owned entity. 8 C.F.R. § 204.6(e). Noncommercial activities such as owning and operating a personal residence will not qualify as commercial enterprises. *Id.* To "invest" for purposes of the EB-5 program, an alien must contribute capital to the commercial enterprise. *Id.* A capital contribution in exchange for a note, bond, convertible debt, obligation, or any other debt arrangement between the alien and the commercial enterprise is impermissible. *Id.* The capital to be invested by the alien investor is defined with similar breadth by the regulations. Such capital may be "cash, equipment, inventory, other tangible property, cash equivalents, and indebtedness secured by assets owned by the alien entrepreneur." *Id.* The regulations make clear, however, that the alien investor must be personally and primarily liable for the indebtedness, and that the commercial petition upon which the EB-5 petition is based may not be used to secure this indebtedness. *Id.* Permanent resident petitions filed under

the EB-5 category must also include evidence that the investor's capital has been placed "at risk" in order to generate a return, and has been actually committed to the investment. 8 C.F.R. § 204.6(j)(2). Evidence of prospective investment arrangements that indicate no present commitment of capital will not suffice. *Id.* Although the regulations do not define the meaning of "at risk," this can reasonably be interpreted to mean that the alien's contributed capital is vulnerable to diminution or loss. The regulations also require that EB-5 petitions include evidence that the alien will be engaged in the management of the commercial enterprise, either through the exercise of day-to-day managerial control or through policy formulation. 8 C.F.R. 204.6(j)(5). Finally, an alien is not allowed to maintain a purely "passive" role with respect to this enterprise. *Id.*

Under INA § 216A, permanent resident status granted under the EB-5 category will expire after a two-year period of conditional residence. The policy behind this limitation closely parallels that behind INA § 216, which governs the granting of conditional permanent resident status to alien spouses of U.S. citizens. If the commercial enterprise underlying the investment is still in existence, the Attorney General may remove the conditional nature of this status. In order for this to occur, the alien investor must show that he or she has in "good faith" and "substantially" met the capital investment requirement, has maintained the investment over the past two years, and has created, or can be expected to create, ten full-time jobs for United States workers. 8 C.F.R. § 216.6(a)(4)(iii), (c)(iii). The regulations

do not elucidate the meaning of "good faith" in this context.

2. EB-5 Practices And Strategies

The rigid black letter framework provided by the statute and the regulations does little to address adequately the sophisticated financial practices and strategies that exist in today's international business community. In order to take account of such practices and strategies, the Service has, in the course of the past few years, issued a number of advisory letters and memoranda that refine the EB-5 category by discussing whether or not certain business practices and strategies may be legitimately used by alien investors. The most important of these practices and strategies are discussed below.

(a) Promissory Notes

A promissory note is a legally binding document through which a debtor promises to pay a lender a given amount of cash by a certain date in return for value received. A failure to pay the amount on the due date exposes the debtor to legal liability. The Service has expressed the opinion that promissory notes may be used by alien investors to meet the capital contribution requirements of the EB-5 category. This reflects a common business practice of avoiding large up-front payments of cash in favor of leveraged financing arrangements. To qualify a promissory note as a valid capital contribution under the EB-5 category, however, a promissory note must be secured, *i.e.*, its issuer must be able to have a claim on certain assets of the debtor in the event

of a default. An unsecured promissory note is not acceptable for EB-5 purposes. Legal Opinion from INS Office of the General Counsel, June 27, 1995 ("June 1995 Opinion").⁴ An alien investor must secure the indebtedness by his or her own assets, not those of a third party, and must remain personally and primarily liable for this indebtedness. *Id.*; 8 C.F.R. § 204.6(j)(2)(v). No part of the commercial enterprise upon which the EB-5 petition is based may be used to secure the promissory note. *Id.* The assets that do secure a promissory note must have a fair market value greater or equal to the amount of the indebtedness during the two-year period of conditional residence. June 1995 Opinion. Any indebtedness that exceeds the value of these assets will be considered unsecured to the extent of this excess, and is therefore unacceptable for EB-5 purposes. *Id.*

There is some compassion with respect to the date by which an alien must pay the promissory note in full. The Service's June 1995 opinion notes that there is no requirement that the alien investor repay all of the capital received under the promissory note before the end of the two-year period of conditional residence; the only requirement is that the capital be "at risk" during this period. A promissory note therefore remains a valid contribution of capital even if its payment date is after the end of the conditional residence period. An undated advisory letter from Michael Straus, Acting Chief of the Immigrant Branch in the Service's Office of Adjudications ("Straus Letter")⁵ responding to a December 7, 1995, inquiry, also states that there is no requirement that an alien investor make all the required payments on a

promissory note within the two-year period of conditional residence, and affirms explicitly that a promissory note remains a valid contribution of capital even if its payment date or dates extend beyond this period. The Service has stated, however, that, where all or part of the requisite capital for EB-5 purposes consists of a promissory note, an investor may not exercise a sell option (and thereby exit the investment) until the promissory note is paid in full. INS Field Memorandum, HQ 70/8.5 (December 16, 1996) ("December 1996 memorandum").⁶ In addition, high-ranking Service officers have consistently expressed their opinion that promissory notes should be paid in full before the removal of the conditions on an EB-5 investor's permanent resident status. At the 1996 AILA National Conference, for instance, Michael Straus voiced his opinion in this regard, stating that the Service found difficult to determine whether or not an investor would pay off a promissory note when a large balloon payment is due well after the removal of these conditions.⁷

In spite of the Service's guidance with regard to the use of promissory notes by EB-5 investors, certain unresolved issues remain with respect to the availability of promissory notes to such investors. One of these issues concerns the amount of the investor's capital contribution that may be financed through such a note. Specifically, the Service has been silent as to what constitutes an acceptable debt/equity ratio for promissory notes used to satisfy the capital contribution requirement of the EB-5 category. In the absence of such guidance, it is likely that officers adjudicating EB-5 petitions involving capital contributions financed by promissory notes at either the Service

Centers or the consulates will continue to adopt differing standards as to what monetary amount constitutes an acceptable down payment on such contributions.

A further unresolved issue involves the acceptability of promissory notes governed by the laws of other countries, and therefore enforceable only in such countries. It has been the experience of some practitioners that consulates reviewing approved EB-5 petitions often deny visa applications for applicants whose capital contribution is financed by promissory notes that are unenforceable in the United States.⁸

The June 1995 opinion states that the Service's ability to police loan transactions in the EB-5 context will generally be limited to determining whether the capital investment was obtained through lawful means. Nevertheless, the uncertainties surrounding such transactions means that the Service's interest is likely to increase.

(b) Third-Party Guarantees

In the context of a business transaction, a guaranty is generally defined as an undertaking or promise that is collateral to a primary or principal obligation, and that binds the guarantor to performance in the event of a failure to perform by the principal obligor. Applied to an EB-5 investment enterprise, such a guaranty would take the form of agreement by a third party, generally a bank or a similar financial institution, to reimburse an alien investor, in whole or in part, if the investment enterprise becomes insolvent or if the enterprise sponsor fails to meet its obligations to the investor. Although such a protective arrangement would

appear to undermine the regulatory requirement that an alien investor's invested capital remain "at risk", the Service has explicitly endorsed the use of third-party guarantees for EB-5 investment purposes. In a lengthy and detailed memorandum, the Service's Office of the General Counsel has expressed its opinion that the "at risk" requirement should not be construed to refer to an absolute risk, and that third-party guarantees are not at variance with this requirement. Legal opinion from INS Office of the General Counsel, September 10, 1993 ("September 1993 Opinion").⁹

The September 1993 opinion adopts a gratifyingly permissive approach to the EB-5 investment process, noting that alien investors, like any sensible investors, should not be required to engage in unsound or unorthodox business practices. The opinion goes on to declare that third-party guarantees and other similar protective arrangements should be available to alien investors. *Id.* The General Counsel's reasoning in support of this appears to be that, while such guarantees and arrangements reduce an alien investor's risk, they do not "completely" eliminate the commercial risk inherent in an investment of this type. *Id.* The opinion explains that the strength of such guarantees or arrangements depends on a wide variety of factors, including the financial solvency of the guarantor, the type of collateral supporting the guarantee, the extent of the guarantor's obligation, the extent of the failure of the investment, and the time period for reimbursing the investor. *Id.* Given these uncertainties, only a third-party guarantee issued by a federal, state, or municipal government or agency (for example, United States

Treasury obligations or municipal bonds placed in escrow) will be sufficiently ironclad to defeat the "at risk" requirement. *Id.* In the absence of such a guarantee, the General Counsel notes that an alien investor will never be entirely certain that he or she will be able to recover his or her capital investment in the event that the guarantor becomes financially insolvent or incapable of meeting its contractual obligation to the investor. *Id.* The acceptability of third-party guarantees for EB-5 investment purposes is therefore premised upon their inherent unreliability; only while chinks in a guarantee's armor exist can such a guarantee be lawful.

The Service has yet to express an opinion with regard to the legality of guarantees extended to the alien investor by persons other than third parties. It therefore remains unclear whether a general partner may guarantee a limited partner's investment in an EB-5 commercial enterprise.

(c) Redemption Agreements

It is a common business practice to grant parties to an investment agreement the right to redeem their interest in the investment after a given period of time, or after a given event has occurred. This allows such investors to sever all ties with the investment, and to be left in the same position they were in when they entered the investment.

The use of such a predetermined exit strategy on the part of EB-5 investors has been analyzed by the Service, and has been deemed permissible. The fullest elaboration of the Service's position with regard to redemption agreements appears in the September 1993 General Counsel's opinion cited

above. Although the EB-5 category appears to be designed to promote lasting investments in the United States, the Service notes in this document that there is no legal basis for requiring an alien investor to sustain his or her investment after the two-year conditional residence period has expired, and recognizes implicitly that the two-year point represents a rubicon beyond which no more can be required of the alien investor. The Service concludes, accordingly, that it is "entirely appropriate" for the alien investor to enter into an agreement with an investment fund whereby the fund repurchases the investor's funds upon removal of the conditional basis of the investor's permanent resident status. *Id.*

Despite its approval of the use of redemption agreements, the September 1993 opinion circumscribes the scope of such agreements. The opinion states that, in order to ensure that the invested capital is "truly" at risk during the two years of conditional residence, a redemption agreement must expressly provide that the price of the investment's shares to be resold at the time of repurchase may not exceed the fair market value of these shares at that time. *Id.* Thus, if the investment has performed poorly during that period and the value of the alien investor's shares has declined, the alien investor should accept the corresponding loss, and should not be protected by a redemption agreement that enables him or her to repurchase the shares at the value they had at the time of the original investment, or at any value higher than the value they hold at the end of the two-year period. As the Service legitimately points out, any other repurchase arrangement would shift the risk of loss away from the alien investor to the party

promising to repurchase the alien's interest in the investment. *Id.*

The June 1995 opinion elaborates upon the issue of the acceptability of redemption agreements. Referring to these as "loan buy-back agreements," the opinion repeats the September 1993 opinion's observation that such agreements are permissible, but adds the caveat that a buy-back agreement that allows the repurchase at fair market value of all or part of an alien investor's invested capital, following expiration of the two-year period of conditional residence, but before any payment on a promissory note is due, violates the "at risk" requirement, and is therefore impermissible, since it shifts the risk of loss from the alien borrower to the lender. *Id.*

B. Structuring An EB-5 Category Investment Through A Commercial Organization

A typical commercial organization dedicated to obtaining permanent resident status for alien investors through the EB-5 category operates as follows: the organization forms a partnership that creates an ownership interest in a new or existing business in the United States, such as a restaurant, hotel, manufacturing, agricultural, health care, or service company. The alien investor becomes a limited partner in this partnership, and the organization, or an affiliate of it, acts as the general partner. More than one alien investor may join in the partnership. To be admitted to the partnership, the alien is required to make a cash payment. The amount of this cash payment will depend on the investor, but at least \$125,000 is generally required by the organization. The investor's cash payment is

deposited by the organization in a trust or escrow bank account, and remains there until an immigrant visa is issued to the investor. Once the immigrant petition is approved by the Service and a visa is issued by the appropriate consulate, the funds in the account are released to the investment. The remaining \$375,000 or \$875,000 is financed by the investor through a structured promissory note secured by the investor's assets. The term of such notes is generally five or six years; this exceeds the two-year period necessary to remove the alien investor's conditional permanent resident status. Any interest earned on the account is returned to the investor.

As a limited partner, the alien investor is generally not expected by the organization to play an active role in the development of the investment. Indeed, most organizations explicitly emphasize the passive role to be played by the alien investor, impressing upon potential candidates for participation in their programs that they will not need to take any part in the management of the investment, may devote their undivided attentions to any other business concerns they may have, and may even remain outside the country during the process.

To attract risk-averse potential alien investors, some organizations offer a guarantee that their investment will be returned if the business enterprise fails or is otherwise unable to return the invested capital. Thus, these organizations promise to return to the alien investor all funds held in escrow if permanent resident status is not initially granted, and supplement this safeguard with the offer of a third-party "insurance policy" that guarantees to reimburse an alien investor all of his or her contributed capital if the conditional

permanent resident status is not removed because of the failure of the business enterprise. Such an insurance policy is of course distinct from the standard property, theft, or fire business insurance policy that alien investors, like any other investors, may purchase. Some organizations even offer bank-backed programs that guarantee sufficient cash to buy back an investor's interest for an agreed-upon price after all required investor contributions have been made.

Most organizations also allow alien investors to disengage from the investment once they have received unconditional permanent resident status. This disengagement generally takes place through the exercise of a "put" option. A put option allows an investor to sell his or her interest to the business enterprise after a certain period of time has elapsed or upon the occurrence of a given event. Such a period will generally be two years after the granting of conditional permanent residence; the given event will usually be the receipt of unconditional permanent residence. Organizations that allow the exercise of a put option by an investor invariably allow the exercise of a converse "call" option by the business enterprise. Such an option gives the business enterprise the right to buy back the investor's interest in the enterprise, again after a certain period of time or upon the occurrence of a given event. The inclusion of either or both of these options in an agreement between an organization and an alien investor is generally designed to allow the investor to abandon the investment as soon as unconditional permanent resident status is attained, or (although no organization admits this) to allow the organization to expel the alien so that he or she may be replaced by another.

Despite the clear advantages of using a commercial organization to structure an EB-5 investment, there are a number of reasons commending caution to the practitioner faced with the question of whether or not to advise his or her client to use the services of such an organization. These reasons concern, first, the legality of the services offered by these organizations, and, second, the business sense of using these services.

1. The Legality Of EB-5 Commercial Organizations

Although fully aware of the existence of EB-5 commercial organizations, the Service has made no official pronouncement concerning their lawfulness. Although Service officials have expressed their unofficial skepticism towards such organizations, a reading of the promotional material produced by most EB-5 commercial organizations does not immediately inspire doubts about the legality of the services they offer. Indeed, the brochures produced by the better organizations are the result of diligent legal research, and itemize in scrupulous detail the legal authority for every element of their investment programs. The programs employed by EB-5 organizations are not wholly invulnerable from criticisms concerning their legality, however. A troubling issue that arises from a reading of the marketing materials published by some EB-5 organizations is the license granted by some of these organizations to alien investors to disregard entirely the operation and management of the commercial enterprises in which the qualifying investment has been made. Some of these organizations explicitly promise the aspiring alien investor that

he or she will play a passive role in the enterprise; this will allow him or her to continue to engage in any other business he or she may have, to live where he or she pleases, and to enter and exit the United States without ever having to manage or even visit the enterprise. The justification used for this by these organizations is that naming an alien investor a limited partner in the enterprise disposes, for purposes of compliance with the law, of any obligation imposed upon the alien to become involved in the running of the enterprise.

Despite the apparent confidence of these organizations on this point, the issue of whether or not the holding of a position as a limited partner with no concomitant involvement of any sort in the business enterprise is sufficient to comply with the requirement that the alien be "engaged" in the enterprise and the prohibition on holding a "purely passive" role with respect to the investment remains unresolved. The regulations state clearly enough that an alien investor who is a limited partner and has the rights, powers and duties granted to limited partners under the Uniform Limited Partnership Act is considered "sufficiently engaged in the management" of the commercial enterprise. 8 C.F.R. § 204.6(j)(5)(iii). Nevertheless, the Service's position on this point has for some years been erratic. The Straus Letter reiterates the regulations and concludes that, if a petitioner is a limited partner in a commercial enterprise and has the rights, powers and duties normally granted to limited partners under the Uniform Limited Partnership Act, he or she is *ipso facto* considered to have satisfied the requirement of engagement in management and need not describe to

the Service the activities performed in such management. The September 1993 opinion, which the Straus letter does not explicitly overrule, reaches a contrary conclusion, however. Under the terms of this memorandum, the fact that an alien investor holds a position as a limited partner in a commercial enterprise does not, in spite of the language of the regulations, foreclose all further inquiry as to that alien's involvement in the management of the enterprise:

To ensure that a limited partner seeking benefits under section 203(b)(5) of the Act is not maintaining a purely passive role in regard to the investment, but is actually engaged in direct management or policy-making activities, the alien must not only establish that the limited partnership agreement provides him or her with such rights, powers and duties, but also that he or she: (1) actually has exercised, or is actively in the process of exercising, these rights and powers, and (2) actually has performed, or is actively in the process of performing, these duties.

Id.

The invitation extended by some EB-5 organizations to aspiring alien investors to eschew any involvement in the management of the commercial enterprise fails to take account of the unsettled nature of this issue, and exposes such investors to the danger of a denial of their permanent resident petitions.

Some EB-5 organizations make the further and equally perilous promise that alien investors may remain outside the United States during the period before the granting of unconditional permanent residence. An alien investor that takes this promise at face value and remains

outside the United States for two years will probably find, on his or her return to this country, that the Service legitimately questions his or her intention to maintain unrelinquished permanent residence in the United States. The Service's determination concerning this intention will be based on a number of factors, but the alien's lengthy absence from this country will weigh heavily in favor of a decision that the alien no longer maintains an unrelinquished permanent residence here, and should therefore lose his or her permanent resident status. Short of this, the returning absentee alien investor will at least find that any absence of over a year will render his or her conditional green card useless for entering the United States under 8 C.F.R. § 211.1(b)(1)(i).

2. The Business Sense Of Using An EB-5 Commercial Organization

(a) Third-Party Guarantees

As noted above, the Service's September 1993 opinion states that a capital investment backed by a third-party guarantee to reimburse the alien in the event the enterprise fails or the investment fund is otherwise unable to return the alien's capital, does not undermine the "at risk" nature of the capital investment required for obtaining immigrant status. Most EB-5 commercial organizations have seized upon this pronouncement with alacrity, and ensure that their programs make full use of this to offer a variety of guarantees to participating investors, thereby reducing their risk and increasing the attractiveness of their programs. However, neither the extent of these guarantees nor their cost to the

investor are specified in the promotional material published by these organizations. It is advisable for a prudent alien investor and his or her counsel to inform themselves about the extent of these guarantees, compare the cost of insurance offered by the business or financial institution selected by the organization with other similar institutions, and perhaps even contact legal counsel independently from the organization's mediation, to make sure that the immigrant status of the investor will not be jeopardized by the nature of the guarantees.

Even if an alien investor has fulfilled all of his or her obligations to the partnership by making the required capital contributions, \$500,000 or \$1 million, the Service may still refuse to grant unconditional permanent resident status because the investment has not created or maintained the necessary jobs. The promotional material offered by some EB-5 organizations promises to guard against such a contingency by providing a "Complete Guarantee" insurance program for the investor that is underwritten by an (unspecified) international insurance company and provides a complete refund of all legal fees up to \$25,000, as well as a "total return of the investment." There are two problems here. First, if the investment fails, this will generally be caused by the general partner's (*i.e.*, the organization's) failure in managing the investment. Shifting the costs of the insurance for legal fees to the alien investor who is a limited partner is therefore not entirely equitable. Second, the term "total return of the investment" is unclear. Presumably, a "total return of the investment" does not refer to a reimbursement of the total capital provided by the investor plus a certain

return, since such a guarantee would jeopardize the "at risk" requirement of the EB-5 category by allowing the investor a means of recuperating the totality of his or her invested funds, regardless of their market value at the time the investor exercises his or her rights under the guarantee. In any case, only commercial banks backed by the FDIC can guarantee a return of an investor's deposit plus a stated rate of interest, and no alien could ever qualify as an immigrant under this category by simply transferring \$1 million to a U.S. bank. It is therefore advisable for the alien investor to investigate fully the nature of guarantees provided to examine their legality, and to raise the question of why it is the investor, rather than the organization, that pays for the costs of the insurance, since the organization is at the helm of the management of the investment.

(b) Investment Agreements

The promotional material of many EB-5 organizations states that, after unconditional permanent resident status is granted and the investor has completed his or her financial obligations (*i.e.*, paying to the partnership all the monies promised in the promissory note), the investor can sell back his or her partnership interest to the partnership. This is of course fully consistent with the June 1995 opinion. Likewise, the partnership may exercise its contractual right to purchase the limited partner's interest for a price equal to the investor's total contributed capital, *i.e.*, the organization retains a call option. As discussed above, both such arrangements are considered permissible by the Service. There are nevertheless reasons for concern here

for the alien investor, not least of which is the striking asymmetry between the call and put options. Most organizations' promotional material states that the terms of the sell back, including the price, will vary with each investment. This should probably be interpreted to mean that, in accordance with the September 1993 opinion, the investor may only sell his or her shares for their market value or less, although most organizations stop short of admitting this. The terms of the call option, however, are generally said to be for a price equal to the investor's total contributed capital. This disparity works to the disadvantage of the investor. The reason for this is the following: if the investment is not doing well, the sell back option does not help the investor, since the price of the payback is not set (and cannot be set, given the Service's requirements) at the outset. The alien investor therefore assumes the downside risk. On the other hand, if the investment does well, the general partner, the organization, can exercise its call option and buy back the limited partner's share for a price equal to whatever the alien investor has invested. Therefore, it is only the organization that enjoys the upside appreciation of capital. Customarily, in financial deals, parties either split the downside risk and upside potential, or the party that enjoys the upside appreciation also assumes the downside risk. In view of this disregarded general principle, it is advisable for the alien investor to scrutinize the commercial organization's investor's agreement, and to negotiate with this organization to reach a more symmetrical deal that is nonetheless lawful before making any investment decisions.

(c) Conflict of Interest

The above issues stem not only from the need of these organizations to observe the law, but also from the inherent conflict of interest that exists between the general and the limited partners in a partnership. A general partner who manages an investment will try to raise capital as cheaply as possible from the investors, the limited partners, and will try to maximize his or her upside return while simultaneously minimizing his or her downside risk. The limited partners, on the other hand, would like to derive a high return for their investment, safeguard themselves against failure to the greatest extent possible, and seek participation in the profits if the investment proves to be successful. As a result of this antagonism, the two sides in a partnership agreement are generally represented by separate legal counsel. In general business practice, it is highly unusual to have one side draw up such an agreement and dictate its terms, given the conflict of interest between the general and limited partners.

Conclusion

The programs employed by most EB-5 organizations to serve their clients cannot be assailed to any significant extent with respect to their compliance with the law. As noted above, all of the stratagems employed by these organizations to alleviate the burdens on the alien investor have been explicitly ratified by the Service, albeit in a haphazard and sometimes contradictory manner. From a business perspective, the terms of some of the programs employed by these organizations may not be as generous to an investor as

those that are commonly found in investment agreements outside the EB-5 context, but they do not present any serious issues of a legal nature. The most significant criticism that can be leveled at EB-5 commercial organizations is that, for all their strenuous compliance with the letter of the law, they provide an avenue toward permanent residence that is far removed from that contemplated by Congress in creating the EB-5 category. By enabling alien investors to obtain this status by contributing only a fraction of the investment capital required by law, without having to engage in any way in the operation of the investment strategy, and with the preconceived intention of unburdening themselves of the investment the instant unconditional permanent resident status is granted, these commercial organizations have effectively stripped down the EB-5 category to the "cash for a green card" scheme denounced by critics of this category.

In the final analysis, there can be little doubt that the EB-5 commercial organizations provide a useful vehicle for alien investors to traverse the difficult channels required by this category. By fully exploiting every concession granted by the Service, these organizations do much to make this under-utilized immigrant category accessible and attractive to eligible aliens who might otherwise be intimidated by its discouraging requirements. To argue that these organizations bend the law as much as possible without breaking it and that they fail to uphold the spirit of the law may be churlish; first, by seeking to maximize every opportunity for their clients while keeping in technical compliance with the law, these

organizations are doing nothing more nefarious than a significant number of legal practitioners regrettably do on a daily basis. Second, it arguably is not the responsibility of these organizations to promote Congress' objectives in their practical application of the law; that task is left to the Service in its regulations and other pronouncements with respect to how the EB-5 category should operate in practice.

The unwary alien investor is nevertheless cautioned to think seriously before using the services of an EB-5 organization. The unsettled nature of the law concerning the operation of the EB-5 category means that any aspiring alien investor attracted to the services offered by EB-5 organizations is well advised to secure independent legal counsel to review the propriety of any arrangements proposed by such an organization. In addition, the likelihood that new regulations governing its use may soon be promulgated leaves the future uncertain for EB-5 commercial organizations. If these regulations restrict or invalidate some, or all, of the arrangements presently employed by these organizations, the ability of these organizations to function may be nullified.

Footnotes:

¹ See, e.g., Kaplan, *Immigrating as A Multinational Investor*, 1 Bender's Immigration Bulletin 15, 16 (July 1996). The legality of such an arrangement is suspect, however.

² Much of the substantive information about the operations of these organizations is drawn from the marketing materials produced by AIS, a

well-organized nationwide EB-5 category investment organization that describes itself as "the oldest, largest, and successful immigration company in the U.S." None of the calls made by the author to AIS' San Francisco office to inquire about this organization's services was returned.

³ The Immigrant Investor Pilot Program established in 1992 allows alien investors to invest in designated regional centers without employing ten U.S. workers, as long as ten or more jobs are indirectly created and regional productivity is increased. 8 C.F.R. § 204.6(m). A discussion of this program is beyond the scope of this article.

⁴ Reprinted at 72 Interpreter Releases 1191, 1220 (Sept. 1, 1995).

⁵ Reprinted at 73 Interpreter Releases 48, 55 (Jan. 10, 1996).

⁶ Reprinted at 2 Bender's Immigration Bulletin 185 (Mar. 1, 1997). The analogous State Department cable is reprinted at 2 Bender's Immigration Bulletin 146 (Feb. 15, 1997) and 74 Interpreter Releases 265 (Feb. 10, 1997).

⁷ See, e.g., Lau and Thomas, *Staying Alive in the EB-5 Minefield*, 1997-98 AILA Annual Handbook, 133 n.3 (1997).

⁸ "Focus on Investors," alien investor panel discussion, 1997 AILA National Conference, Orlando, Florida.

⁹ Reprinted at 72 Interpreter Releases, 1191, 1209 (Sept. 1, 1995).

(b)(6)

(b)(5)

(b)(6)

GOLDEN RAINBOW FREEDOM FUND

1325 S. Spokane St.
Seattle, WA 98134
Tel: 206-292-5534/Fax 206-292-
5536

MAGNESSGROUP
Worldwide Marketing Office
11F-2, 2 Fuhsing North Road
Taipei, Taiwan
TEL: 011-886-2-776-3577
FAX: 011-886-2-776-3665

Memo

To: Kathy Lohr

From: Henry Liebman

Date: 1/24/98

Re: Golden Rainbow Freedom Fund

Fax#: *mail*

#Pages *2*

Dear: Ms. Lohr

We recently received your letter denying our request to combine the Dharma Fund and the Golden Rainbow Freedom Fund. We decided not to pursue the matter. We more than likely would not invest in Eastern Washington and the Port of Seattle is already included in our Regional Center.

To clarify:


1. Our Regional Center does not include Port Districts out side of the Port of Seattle which were included in the Dharma Fund.
2. Our Regional Center includes The City of Seattle State of Washington Neighborhood Reinvestment Area and the City of Seattle Federal Enterprise Community. These two designations include virtually identical areas. The State Zone includes the Federal zone except the state Zone does not contain the twenty or so block area shaded in red on the Federal zone map. Our regional center consists of the combination of both zones.

Please find attached maps of the areas and the original letter sent to Mr. Strauss by the City of Seattle in support of our Regional Center application as well as most recent unemployment statistics for the entire regional center. The City of Seattle refers to both the State and Federally designated Zones.

3. Our Regional Center includes the Jackson County Oregon Foreign Free Trade Zone. You mentioned that you prefer to see the Seattle and Oregon projects separated. We don't object to separating these areas in to two Regional Centers. If you want, I can write you a letter requesting that the areas be separated and give you a name for each Regional Center. If we can accomplish this by a simple letter requesting the division of the Regional Center's we are happy to oblige. (b)(4)

For your information we have placed about [REDACTED] Our audited financial statements will be ready in about 30 days. Ill send you a courtesy copy.

Kindest Regards,

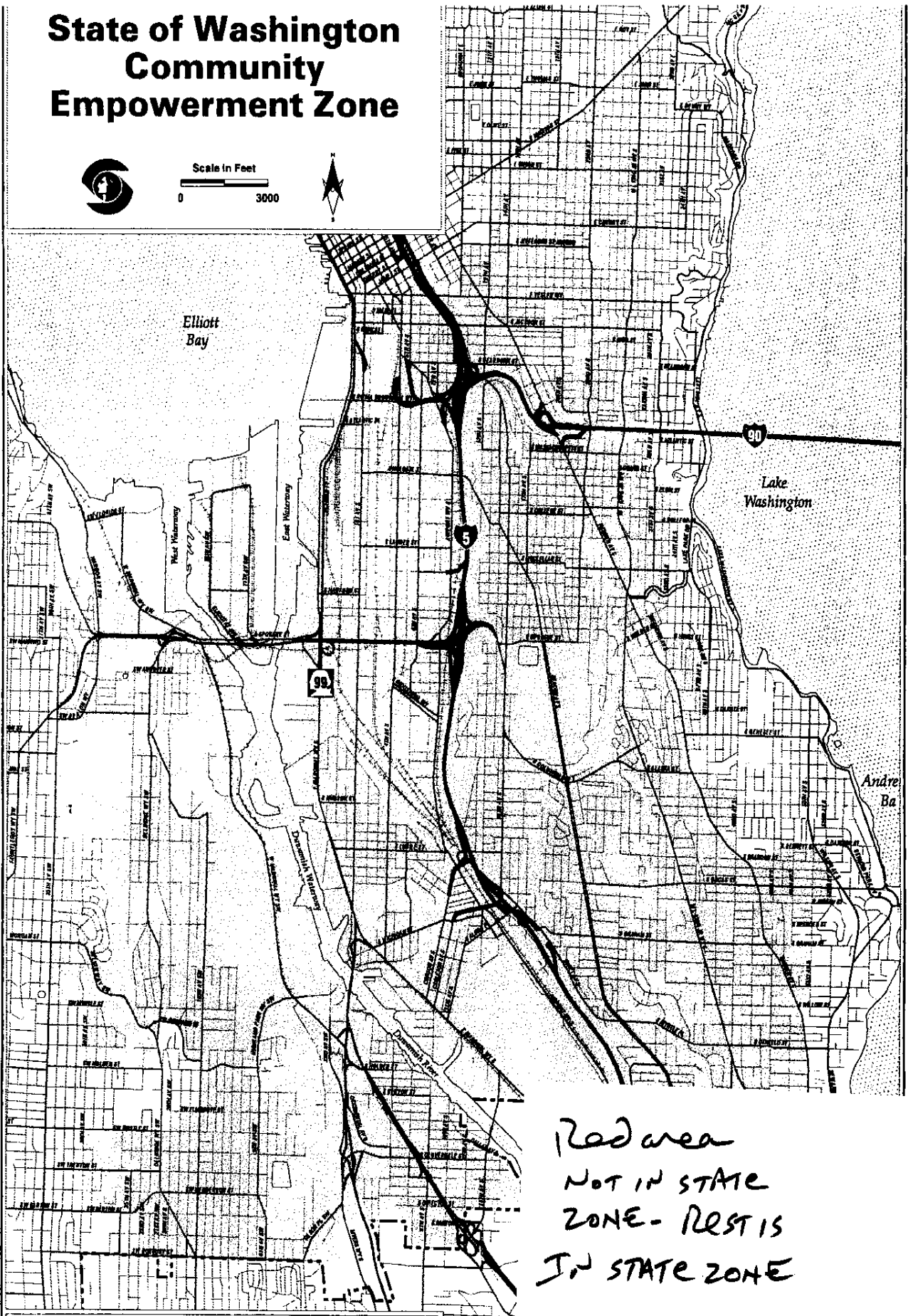


Henry Liebman

State of Washington Community Empowerment Zone



Scale in Feet
0 3000



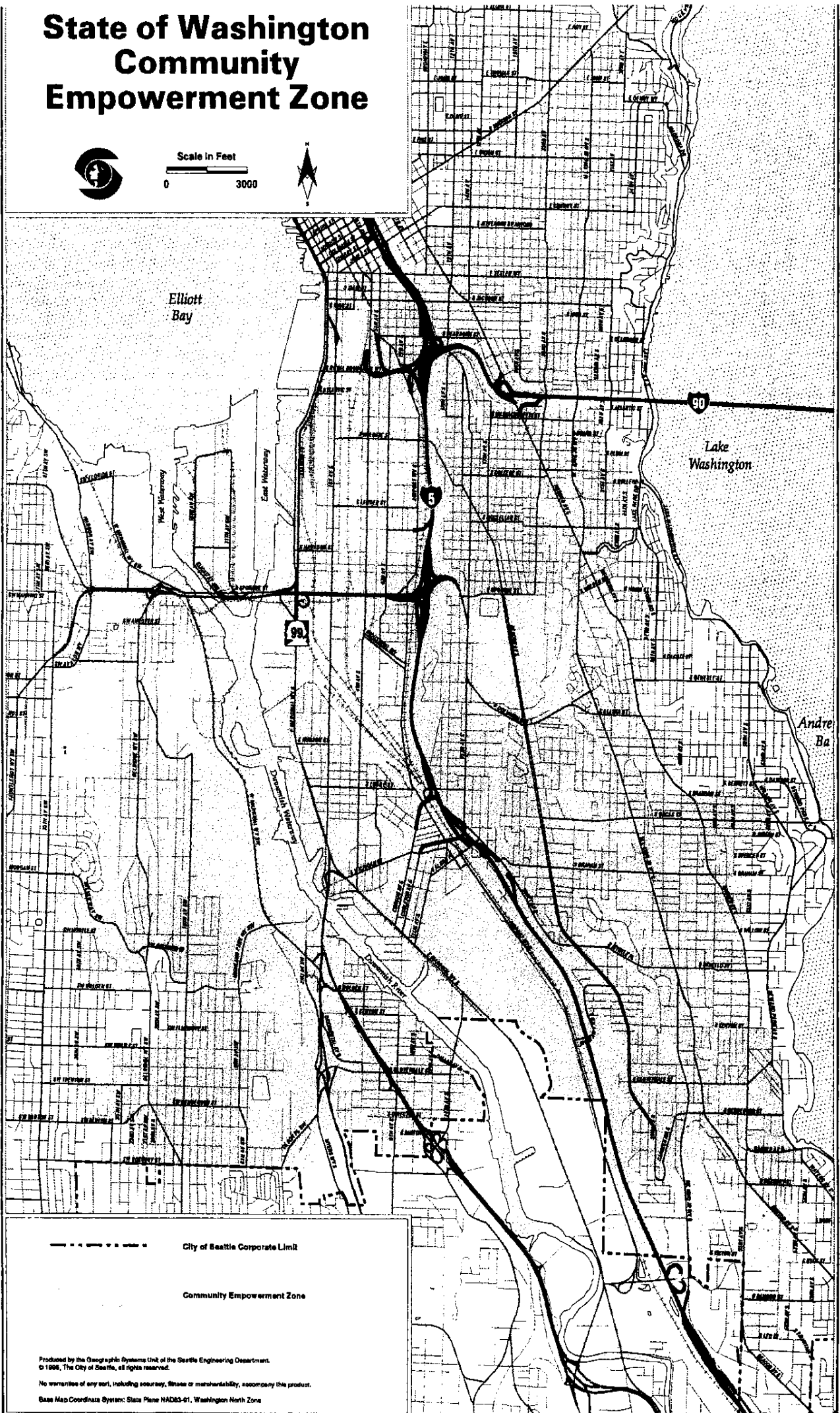
----- City of Seattle Corporate Limit
----- Community Empowerment Zone

Produced by the Geographic Systems Unit of the Seattle Engineering Department.
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No warranty of any sort, including accuracy, fitness or merchantability, accompanies this product.
Base Map Coordinate System: State Plane NAD83-01, Washington North Zone

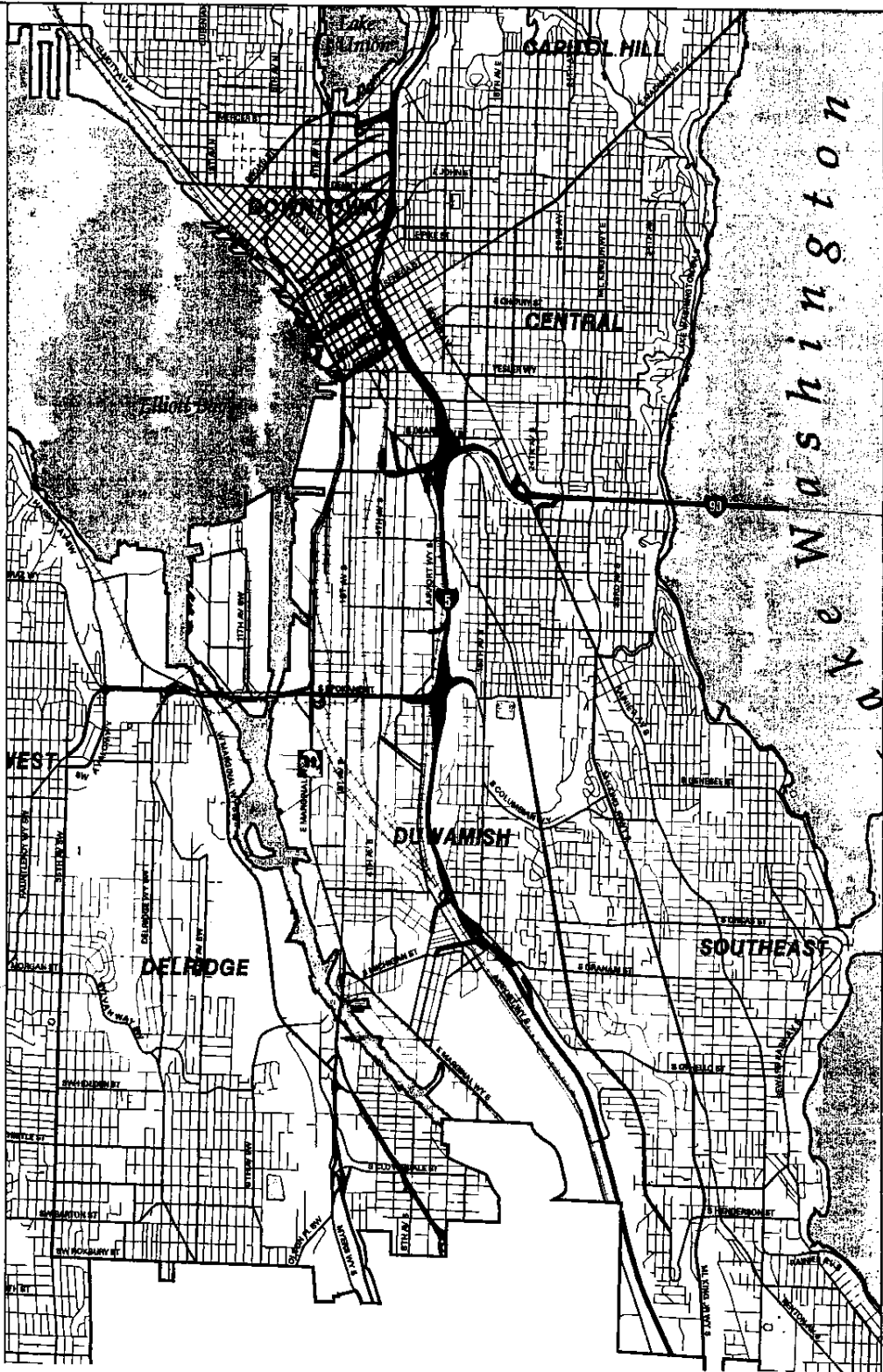
State of Washington Community Empowerment Zone



Scale in Feet
0 3000

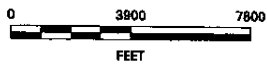


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Base Map Coordinate System: State Plane NAD83-41, Washington North Zone



**City of Seattle
FEDERAL ENTERPRISE COMMUNITY BOUNDARIES**

Enterprise Community
 N Neighborhood Boundaries



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No warranties of any sort, including
accuracy, fitness or merchantability,
accompany this product.



Data Sources: 1990 U.S. Census of Population and Housing Summary Tape File 3a and King County Assessor's Office
Asatou/mapprod/thema/thhalec_mapa.aml

Produced by the Seattle Engineering Department,
Geographic Systems on November 13, 1995

City of Seattle

Executive Department—Office of Economic Development

Man. Jean Fyfe, Director
Norman E. Rice, Mayor



September 5, 1996

Michael Straus
Adjudications / Pilot Program
Immigration and Naturalization Service
425 I Street N.W.
Washington D.C. 20536

Dear Mr. Straus.

I am writing you in support of the Regional Center project proposed by the Golden Rainbow Freedom Fund and the Gateway Freedom Fund. I am the Director of the City of Seattle Office of Economic Development. My office is charged with overseeing the operation of the City's economic development finance programs, as well as economic revitalization of the Enterprise Community (EC), a federally designated distressed community encompassing many areas of Seattle's Central Area, Southeast Area, Duwamish and Deldrige Areas. There is also a State designated Empowerment Zone (EZ) which encompasses much of the same area as the EC (see maps).

The Duwamish area is home to thousands of small manufacturers. Each diversified manufacturing job in the region creates or sustains an average of more than 2 other jobs in the regional economy. Each dollar of output from the diversified manufacturing industry generates approximately \$0.70 in output from the rest of the economy. Seattle is an international port city which also houses many exporting companies in the Duwamish area.

The City of Seattle welcomes the opportunity to work with the Golden Rainbow Freedom Fund and Gateway Funds as additional sources of capital for small business. The City has been using various federal funding resources to help finance small businesses that do not qualify for traditional bank financing or need a more flexible financing structure to make a project financially feasible for a number of years.

We are currently privatizing our business financing program and using our federal funds to capitalize a Development Lending Company (DLC) which will operate as an independent not-for-profit corporation with its own board of directors. There will be a contractual relationship between the City and the DLC that will specify expected outcomes and target market including: creating / sustaining a minimum of 200 small businesses annually; placing a minimum of 50 financing transactions annually with the DLC, banks or equity investors; create / retain a minimum of 500 jobs for low and moderate income people by the third year of operation.

The Funds will have to negotiate specific lending criteria and reimbursement arrangements with the CEO of the DLC. However, we expect mutually agreeable arrangements can be solidified. The Funds present the opportunity for the DLC to have an additional lending tool with a good interest rate incentive and is targeted to already identified priority target markets.

The City historically has had a policy of supporting growth and expansion of export related businesses and therefore is interested in the opportunity for the DLC to work with these funds that are targeted to export companies in the EC/EZ areas. We are excited about the prospect of working with these two funds. We view the funds as a novel source of financing and investment capital that assist us with our goal of revitalizing the EC/EZ areas.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Jean Ryan", with a horizontal line extending to the right.

Mary Jean Ryan



STATE OF WASHINGTON
EMPLOYMENT SECURITY DEPARTMENT

PO Box 9046 • Olympia, WA 98507-9046

January 21, 1998

Dwight Prevo
Office of Economic Development
City of Seattle
600 4th Avenue #205
Seattle, WA 98104

Dear Mr. Prevo:

The unemployment rate for the total of all subareas as previously described by your office is 8.8% for 1996. This number is generated using methodologies that are linked to the 1990 Census and do not incorporate any changes in the relationships of employment or unemployment that may have occurred since 1990.

Estimates for 1997 will be available in April, 1998 after information has been revised. Please call me if you have any questions. My number is (360) 438-3163.

Sincerely,

Tim Norris

Area	1995			1996		
	Resident	Unemployment		Resident	Unemployment	
	Labor Force	Level	Rate	Labor Force	Level	Rate
All Areas Grand Total	74,804	7028	9.4	77103	6779	8.8
King County	924200	48000	5.2	932800	48300	4.9

City of Seattle

Executive Department—Office of Economic Development

Mary Jean Ryan, Director
Norman B. Rice, Mayor



Facsimile Cover Sheet

To: Henry Liebman
Company: _____
Phone: 624 5622
Fax: 625 9218

From: D. Pikevo
Company: OFFICE OF ECONOMIC DEVELOPMENT
Phone: 684 8248
Fax: (206) 684-0379

Date: 7/16
Pages including this cover page: 2

Comments:
Red your request

IF TRANSMISSION IS NOT COMPLETE, PLEASE CALL
(206) _____ OR FAX (206) 684-0379.

Washington State Community Employment Zone Criteria Summary

Sub-Area	HOUSEHOLD INFORMATION (1)			UNEMPLOYMENT INFORMATION (2)					
	Total Population	Total low/mod. Population	% low/mod. Population	Resident Labor Force	Unemployed	Unemploy. Rate	% of King Cnty Rate	% of Seattle Rate	% of Nat'l Rate
Central Area									
77 - BG 1,2,3,4	3,137	2,054	65%	2,254	147	6.52%	125%	111%	118%
79 - BG 1,2,3,4	2,777	1,830	66%	2,371	153	6.45%	124%	109%	115%
85 - BG 2,3	997	904	91%	438	90	20.55%	395%	348%	367%
86 - BG 1,2,3,4	1,722	1,433	83%	1,369	138	10.08%	194%	171%	180%
87 - BG 1,2,3,4,5	3,025	2,261	75%	2,284	361	15.81%	304%	268%	282%
88 - BG 1,2,3,4,5	3,142	1,881	60%	2,368	296	12.50%	240%	212%	223%
89 - BG 3,4,5,6	2,338	1,696	73%	1,482	143	9.65%	186%	164%	172%
90 - BG 1,2,3	1,683	1,229	73%	750	110	14.67%	282%	249%	262%
94 - BG 6	464	309	67%	259					
Sub-total	19,286	13,597	71%	13,576	1,438	10.59%	204%	180%	189%
International District									
91 - BG 1,2,3,4	962	926	97%	883	99	11.21%	216%	190%	200%
92 - BG 1	728	716	98%	309	58	18.77%	361%	318%	335%
Sub-total	1,690	1,642	98%	1,192	157	13%	253%	223%	235%
Pioneer Square									
92 - BG 2,3	458	348	76%	821	170	20.71%	398%	351%	370%
Sub-total	458	348	76%	821	170	21%	398%	351%	370%
Dunsmuir									
93 - BG 1,2,3,4,5,6,7,8	1,545	907	59%	1,718	104	6.05%	116%	103%	106%
109 - BG 1,2,3,4,5	1,193	839	70%	842	86	10.21%	196%	173%	182%
Sub-total	2,738	1,746	64%	2,560	190	7%	143%	128%	133%
Southeast Seattle (incl. Beacon Hill)									
94 - BG 1,2,3,4,5	4,203	2,505	60%	3,232	234	7%	139%	123%	129%
95 - BG 5,6,7,8	2,034	1,446	71%	1,315	196	15%	287%	253%	266%
100 - BG 1,2,3,4,5,6	5,883	3,521	60%	4,108	235	5.72%	110%	97%	102%
101 - BG 3,4,5	2,434	1,675	69%	1,636	183	11.19%	215%	190%	200%
102 - BG 3,4	1,539	847	55%	1,131	99	8.75%	168%	146%	156%
103 - BG 2,3,4,5	4,061	2,836	70%	2,863	378	13.20%	254%	224%	236%
104 - BG 1,2,3,4,5,6,7,8	7,731	3,598	47%	5,490	293	5.34%	103%	90%	85%
110 - BG 1,2,3,4,5	6,104	4,247	70%	3,211	448	13.95%	268%	236%	249%
111 - BG 3,4,5,6	5,373	3,137	58%	3,530	346	9.80%	188%	166%	175%
117 - BG 1,2,3	3,929	1,667	42%	2,910	167	5.74%	110%	87%	102%
118 - BG 3,4,5,6	4,478	3,346	75%	2,483	243	9.87%	190%	167%	176%
119 - BG 5	1,210	734	61%	912	46	5.04%	87%	85%	90%
Sub-total	48,966	29,559	60%	32,801	2,868	9%	168%	148%	158%
W. Seattle (Delridge/Highpoint)									
99 - BG 1,2,3,4,5,6	3,514	1,711	49%	2,893	235	8.12%	156%	138%	145%
107 - BG 1,2,3,4,5,7	5,362	3,942	74%	3,007	412	13.70%	263%	232%	245%
108 - BG 1,2,3	3,505	1,746	50%	2,596	154	5.93%	114%	101%	106%
112 - BG 1,2,3,4	2,703	1,788	66%	1,827	190	10.40%	200%	176%	186%
113 - BG 1,2,3,4,5	5,211	2,297	44%	4,210	138	3.28%	63%	56%	59%
114 - BG 2,3,4	3,679	2,230	61%	2,892	155	5.36%	103%	91%	96%
Sub-total	29,984	13,714	57%	17,425	1,284	7%	142%	125%	132%
1 - Estimates provided by Housing & Urban Development on 5/28/93									
2 - Estimates provided by Washington State Employment & Securities Department on 7/15/96									



City of Seattle

Paul Schell, Mayor

Executive Department - Office of Economic Development

Mary Jean Ryan, Director

February 9, 1998

Henry Liebman
Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101-1812

Dear Mr. Liebman:

I have worked with the Washington State Employment Security Department to attain unemployment data for the City of Seattle's designated Federal Enterprise Community and the Washington State Empowerment Zone. Refer to the attached documents which include:

- Maps that illustrate both the Federal and State designation.
- A chart which illustrates resident laborforce, unemployment and unemployment rate of each sub-area and all area grand totals for the census tracts and block groups within both the federal and state designation.

I hope this information meets your needs. If you require additional information feel free to contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "D. Prevo".

Dwight W. Prevo
Community Development Specialist

(b)(6)

(b)(6)

City of Seattle

Executive Department—Office of Economic Development

Mary Jean Ryan, Director
Norman B. Rice, Mayor



September 5, 1996

Michael Straus
Adjudications / Pilot Program
Immigration and Naturalization Service
425 I Street N.W.
Washington D.C. 20536

Dear Mr. Staus,

I am writing you in support of the Regional Center project proposed by the Golden Rainbow Freedom Fund and the Gateway Freedom Fund. I am the Director of the City of Seattle Office of Economic Development. My office is charged with overseeing the operation of the City's economic development finance programs, as well as economic revitalization of the Enterprise Community (EC), a federally designated distressed community encompassing many areas of Seattle's Central Area, Southeast Area, Duwamish and Deldridge Areas. There is also a State designated Empowerment Zone (EZ) which encompasses much of the same area as the EC (see maps).

The Duwamish area is home to thousands of small manufacturers. Each diversified manufacturing job in the region creates or sustains an average of more than 2 other jobs in the regional economy. Each dollar of output from the diversified manufacturing industry generates approximately \$0.70 in output from the rest of the economy. Seattle is an international port city which also houses many exporting companies in the Duwamish area.

The City of Seattle welcomes the opportunity to work with the Golden Rainbow Freedom Fund and Gateway Funds as additional sources of capital for small business. The City has been using various federal funding resources to help finance small businesses that do not qualify for traditional bank financing or need a more flexible financing structure to make a project financially feasible for a number of years.

We are currently privatizing our business financing program and using our federal funds to capitalize a Development Lending Company (DLC) which will operate as an independent not-for-profit corporation with its own board of directors. There will be a contractual relationship between the City and the DLC that will specify expected outcomes and target market including: creating / sustaining a minimum of 200 small businesses annually; placing a minimum of 50 financing transactions annually with the DLC, banks or equity investors; create / retain a minimum of 500 jobs for low and moderate income people by the third year of operation.

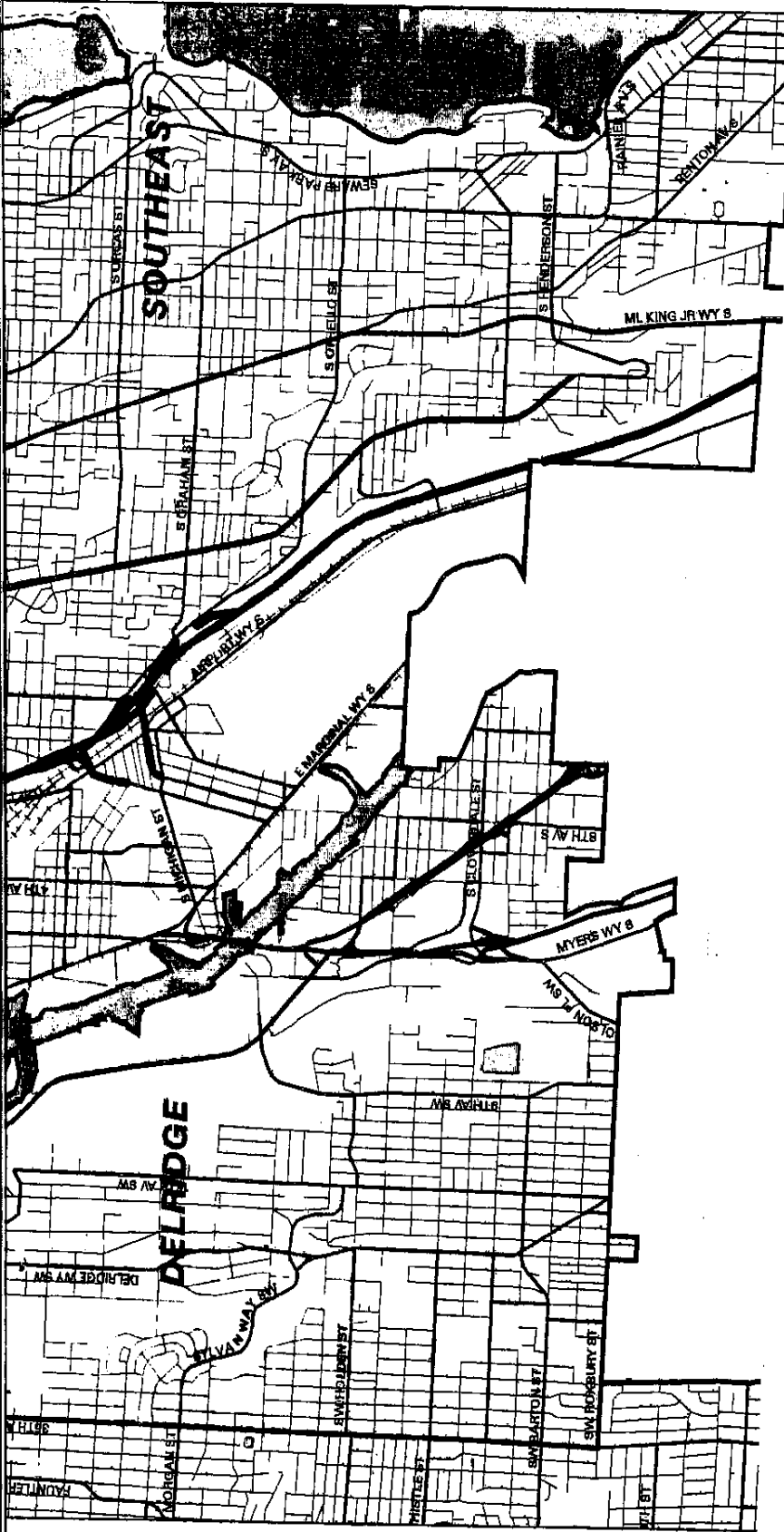
The Funds will have to negotiate specific lending criteria and reimbursement arrangements with the CEO of the DLC. However, we expect mutually agreeable arrangements can be solidified. The Funds present the opportunity for the DLC to have an additional lending tool with a good interest rate incentive and is targeted to already identified priority target markets.

The City historically has had a policy of supporting growth and expansion of export related businesses and therefore is interested in the opportunity for the DLC to work with these funds that are targeted to export companies in the EC/EZ areas. We are excited about the prospect of working with these two funds. We view the funds as a novel source of financing and investment capital that assist us with our goal of revitalizing the EC/EZ areas.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Jean Ryan" with a stylized flourish at the end.

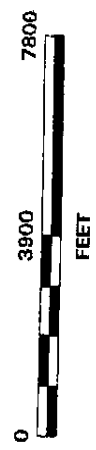
Mary Jean Ryan



City of Seattle FEDERAL ENTERPRISE COMMUNITY BOUNDARIES

Enterprise Community
 Neighborhood Boundaries

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No warranties of any sort, including accuracy, fitness or merchantability, accompany this product.



Data Sources: 1990 U.S. Census of Population and Housing Summary Tape File 3a and King County Assessor's Office
http://seattle.gov/mapping/themes/dh/eco_mapseam1

Produced by the Seattle Engineering Department,
Geographic Systems on November 13, 1995



WASHINGTON

CAPITOL HILL

CENTRAL

WEST

SUMMARY OF MAJOR CHANGES Tax Deferrals for Investment Projects in Distressed Areas

Background

Engrossed House Bill 2664 amends chapter 82.60 RCW, Tax Deferrals for Investment Projects in Distressed Areas. The following summarizes key changes affecting Neighborhood Reinvestment Areas only; the bill contains additional changes affecting other aspects of the program which are not described below. The changes are effective July 1, 1994

Major Changes

Taxes need not be repaid if all program requirements are met. This includes sales and use tax on construction materials, machinery and equipment. Current law only provides for nonrepayment of sales tax on construction labor.

The amount of investment on which taxes may be deferred is increased to \$750,000 for each new full-time employment position created. Under current law a business must create one new full-time position for every \$300,000 of investment.

There is no longer a requirement to construct a new building or lease a newly constructed building in order to qualify. A business may qualify by purchasing or leasing an existing structure.

Cogeneration projects that are both an integral part of a manufacturing facility and owned at least fifty percent by a manufacturer can qualify for deferral. Under the current law, a project undertaken by light and power business does not qualify.

The business need not be physically located within the Neighborhood Reinvestment Area, but may locate anywhere in the county which contains the Neighborhood Reinvestment Area.

Businesses located in a Neighborhood Reinvestment Area, or in a county which contains one, must fill at least 75% of the new qualified employment positions with residents of the Neighborhood Reinvestment Area by December 31 of the year in which the project is operationally complete, and maintain the required percentage for each of the seven succeeding years.

For any year in which the business fails to meet the 75% resident employment requirement, the business will immediately owe 12.5% (i.e. 1/8th) of the total deferred taxes with interest retroactive to the date of the deferral, but not penalties.

For More Information

Contact Ron Rosenbloom, Department of Revenue, at (206) 753-1971.



Henry -

DAVID DEAN

I believe the attached will meet
your needs.

Please find out if you need a separate
address for the building.

Thanks
David Dean

To David Dean
From Henry Liesman

Thanks





Port of Seattle

Memorandum for Henry Liebman

From: David J. Dean

Subject: Draft Letter to INS on Gateway Freedom Fund

Date: 26 August 96

Henry:

Comments on your draft letter to INS:

para 3 Port of Seattle Development

Suggested Rewrite:

Some Port of Seattle property lies within the CEZ. For example, the Port is redeveloping a portion of its Harbor Island property to handle additional container storage and loading space. There are about 50 businesses on Port property, many of them export related, which must relocate. The Port would put these businesses in touch with the Funds so the businesses could determine if financing through the Fund would be advantageous. The Funds will either lend to the businesses referred by the Port, or build to suit for those businesses. The Harbor Island project will commence sometime in 1997. See.....

In addition, the Port is preparing to market Port-owned property in the vicinity of SeaTac International Airport. The Funds would be included in marketing efforts to secure businesses to lease the property near SeaTac. The Port anticipates that many of these businesses will very likely be involved in international trade, especially in the areas of air cargo handling, value added distribution facilities, light manufacturing, and freight consolidation and forwarding. The Port will lease its land to the end user. The Funds will lend to or build to suit for the end user. This is the same program as we use now for the Medford, Oregon Free Trade Zone.

Employment creation:

First four sentences are OK. Then: From the point of view of the Funds, the most relevant parts of the Port of Seattle survey concern marine cargo and air cargo. This is so because current Port expansion projects (Harbor Island and airport land) will likely involve cargo-related customers. The job.....

Regional benefit:

OK

P.O. Box 1209
Seattle, WA 98111 U.S.A.
(206) 728-3000
TELEX 703433
FAX (206) 728-3252





Michael Straus
Adjudication/Pilot Program
Immigration and Naturalization Service
425 I Street NW
Washington DC 20536

August 26, 1996

Dear Mr. Straus,

Mr. Henry Liebman has described to me the operational details of the proposed Gateway Freedom Fund. The proposal seems to offer extraordinary financing opportunities for qualified businesses in the Seattle area. It is my understanding that, from your point of view, a business is "qualified" if it is engaged in international trade and is located in an economically disadvantaged area.

The Port of Seattle leases a good deal of its property to businesses needing direct access to a seaport or airport--many of these businesses are involved in international trade. Some of these businesses are located in high unemployment or economically distressed areas. We occasionally also must ask businesses to relocate as a result of infrastructure expansion of our facilities. In the near future, about 50 businesses located on our property will be relocating as a result of expanding container handling facilities. In addition, we hope sometime in 1997 to begin marketing property near SeaTac International Airport to businesses involved in international trade. Some of the businesses being relocated or recruited may be interested in the financing possibilities offered by the Gateway Freedom Fund. While the Port will not endorse any specific financing program, we are interested in letting our customers know of financing opportunities which may benefit them. If the Gateway Fund is approved, we will let our current and future customers know of its existence and encourage them to determine if the Fund is appropriate for their financing needs.

If you have any questions or need additional information concerning the Port of Seattle's economic development programs, please give me a call at 206-728-3894.

Sincerely,

A handwritten signature in dark ink, appearing to read "David J. Dean".

David J. Dean, Senior Manager
Economic and Trade Development

P.O. Box 1209
Seattle WA 98111 U.S.A.
(206) 728-3000
TELEX 703433
FAX (206) 728-3250





Gateway
Freedom
Fund

ゲートウェイ・フリーダム・ファンド 安全な投資と グリーン・カードの保証

ゲートウェイ・フリーダム・ファンド（以下「ファンド」）は、貴殿に対し、安全な投資を通じてグリーン・カードを提供いたします。

なぜファンドがグリーン・カードを約束できるのか？

〈INS は地域センターとしてファンドを承認しました。〉

〈INS はファンドの全投資プロジェクトを事前承認しました〉

米国の貿易を促進する「地域センター」に投資する見返りとして、投資者は事実上保証されたグリーン・カードを受け取ります。米国移民帰化局（INS）は、ファンドを「地域センター」として承認しました。全ての地域センターは米国内地域からの貿易を通じて雇用を創出するINS承認のプロジェクトに投資しなければなりません。ファンドは50万ドルの最低投資額の資格を得るためには、高失業率地域又は過疎地域へ投資する必要があり、さもなければ、最低投資額は100万ドルということになります。

更に情報が必要な場合は、当方では米国移民帰化局よりの関係法及び規則、並びにゲートウェイ・フリーダム・ファンド承認書を提示いたします。

投資には何が含まれるのか？

2年間有効の保証された条件付きグリーン・カード

2年の終了時点で条件が取り除かれ、終身グリーン・カードを持つことの保証

安全な投資

貴殿のグリーン・カード取得及び条件付きグリーン・カード身分の除去に必要な、出張費用を除く、全ての移民関連法律業務。

ファンドはどこへ投資する予定か？

ファンドはメドフォード＝ジャクソン郡国際空港に隣接するメドフォード＝ジャクソン郡国際自由貿易ゾーンの開発の資金を融資します。メドフォード＝ジャクソン郡国際空港はオレゴン州南部及びカリフォルニア州北部における唯一の国際空港で、アメリカ合衆国で最も急成長を続けている地域に位置しています。

ファンドは特に、国際線ターミナル、税関及び移民局事務所、航空貨物用倉庫、国際便厨房及びごみ処理施設の建設に融資する企画を持っています。

貴殿のご興味があれば、当方はオレゴン州運輸局のオレゴン州航空システム計画書、自由貿易ゾーンの組織文書及び用地計画書を提示いたします。

新規のプロジェクトは、適宜公表されます。

投資はどの程度安全なのか？

ファンドは、ファンドが建物の所有権を取り、ジャクソン郡とオレゴン州・カリフォルニア州の賃貸契約を引き継ぐことを許可する各建物の委託権利証書を受け取ります。

典型的な建物が持つ5千平方フィートの金属枠骨組を建設するには、1平方フィート当たり20ドル、又は10万ドルの費用がかかります。郡当局では用地を20年間、年1フィート当たり17セント、又は月1フィート当たり1.42セントで賃貸します。賃借人は一般的に月1平方フィート当たり40セントから50セントを払います。開発業者が債務不履行となった場合には、ファンドは郡当局との賃貸契約を引き継ぎ、賃借人となります。

債務不履行の可能性は極く僅かと考えていますが、債務不履行が起きたとしても、現在市場では1フィート当たり賃貸料約31セントとなりつつあり、ファンドは十分に保護されていると言えます。全ての建設用地は、信用するに足る賃借人を有する主要な場所にあり、建物の多くは米国政府を賃借人としています。

投資者保護#1

ファンドの資産はローンを確実にし、投資者のリミテッド・パートナーシップ・ユニットを償還するための信頼のおける資金源を供給します。賃貸人としてのファンドは、建物とその土地の賃貸によって保証されます。土地の賃貸は空港の開発を促進するために市場よりかなり低率で供給されます。ファンドの投資は十分に保証され、リファイナンスが容易です。

投資者保護#2

ファンドは適当な投資先を見つけるより速く資金を調達しています。ファンドでは更に、投資者の資金をタイムリーに返還する資金源を確保するために、格付けAの債権を未使用のキャッシュで購入し、投資者を保護いたします。このように、ファンドは3年の期間が終了後、ファンドを止めたいと希望する投資者に償還する十分な予備金を準備します。

以上を要約すると、ファンドは、要求される3年の期間のみファンドにとどまることを希望する投資者に償還するために、資産をリファイナンスするか、追加融資を受けるか、あるいはキャッシュの予備金を引き出すことができます。

ファンドは本プログラムを可能な限り法律的に安全なものにしました。しかし、ファンドは投資者に償還する用意はできますが、償還の保障を提供することはできないことにご注意ください。このためにも債権は間違いなくファンドの財産になるわけです。

なぜ他の方法によらずにファンドへの投資によってグリーン・カードを取るべきなのか？

雇用

<ファンド投資者は10人を雇用する必要がありません。>

個人投資者の場合はは100万ドル或は50万ドルを投資し、その上に2年の条件付き期間が終了するまでに10人を雇用しなければなりません。

ファンド投資者は、外国で10人の雇用者を雇い入れ、管理する心配をする必要がなく、又2年後に10人の雇用者を持つことに失敗する危険を冒す必要もありません。

承認された地域センターは、投資者一人につき10人を直接雇用する代わりに、産業が複合的に雇用を増加させるという統計に依存することができます。INSは地域センター認可手続きの一環として、ファンドの雇用増率法を事前承認します。

保証付きグリーン・カード

〈支払いはグリーン・カードを受け取ってからです。〉

個人投資者は、投資を行った後グリーン・カードを申請しなければなりません。ファンド投資者は、グリーン・カードが許可されるまで資金を銀行のエスクロウ口座に預けます。個人投資者は、投資をしてもグリーン・カードを受け取れない可能性があります。ファンド投資者は、グリーン・カードを受け取ってから投資をします。

ビザ事務処理のスピード

〈地域センターの投資者へは、ビザの事務処理が最も速く行われます。〉

地域センターのプロジェクトは、INSによって事前に承認されています。つまり、個々の申請は基本にある投資を調査されることなしに、承認され得るということです。通常、グリーン・カード申請は手続きに3ヶ月から4ヶ月を要しますが、ファンドによる申請は45日以内に承認されます。

費用

〈ファンド投資は自己のビジネスを始めるよりずっと費用がかかりません。〉

ファンド投資に費やすのは5万ドルと、3年間に投資金50万ドルに発生する利息分です。これは、自分でビジネスを始めるよりずっとコストがかからず、更に、移民ビザの結果もより確実に迅速に得られます。

ファンドにはどのような人が投資すべきか？

ファンドはどなたにも向いているというわけではありません。ファンドは次のような方々のために企画されています。

- グリーン・カード取得を可能にする親族がいない。
- 管理職からの滞在資格変更をすることができない。
- 顕著な技能を持っていない。
- 労働省から労働許可を得られる職にない。
- 自己のビジネスを始めたり、自己の投資を管理したりしたくない。

当方は、50年以上の経験を持つ、プロフェッショナルなビザ・コンサルタントです。プロフェッショナルなスタッフが貴殿の状況に最も適した方法でグリーン・カード取得の手続きをいたします。

良い話したが、投資とグリーン・カード取得にはどのような手続きが必要か？

ビザ申請手続きと事務処理期間

ステップ I ファンドへの加入

以下の書類に署名、記入完了の上、当方の事務所までご提出ください。

1. 購入申し込み契約書
2. 弁護士雇用契約書
3. エスクロウ契約書
4. INS フォーム I-526 及び G-28

ステップ II ビザ手続きのための書類

ビザ手続きのために以下の書類を準備し、当方にご提出ください。

1. 学歴、職歴を詳細に記載した履歴書

2. 財務諸表
3. 口座残高の書かれた銀行計算書
4. 評価額の記載のある不動産保有証明書
5. 会社株式の保有及び評価証明書
6. 貴殿の家族の戸籍謄本

ステップ III 投資の実行

エスクロウ契約書の指示に従って、内金をコマース・バンク・オブ・ワシントン(The Commerce Bank of Washington) に電信送金します。

INSによりグリーン・カード申請が承認される日まで、全ての利息は投資者の利益のために発生し、当該時点を以って、貴殿の投資金は解放され、ファンドへ移行します。

ステップ IV グリーン・カードの申請

上記ステップ I, II 及び III により必要とされる情報を受領し次第、当方の移民法弁護士が貴殿のグリーン・カード申請書を用意し提出いたします。INSによる事務処理には60日程かかる見込みです。

ステップ V インタビュー

いずれの領事事務所又はいずれのINS事務所が貴殿のケースを取り扱うかにより、インタビューの手続きは異なります。当方は、INSが貴殿のグリーン・カードを承認し次第、貴殿のインタビュー手続きについて貴殿に連絡をいたします。インタビュー手続きは、一般に、完了するまで4ヶ月から6ヶ月を要します。

当方は、貴殿の手続きを進めるうえで必要な全ての情報を受領後12ヶ月以内に貴殿のグリーン・カードについてINSの承認を得られない場合、貴殿の金銭を返還いたしますが、貴殿のグリーン・カードが、真実にして正確な情報を提供しなかったこと、又は医学上の理由により拒否された場合は、この限りではありません。その場合、当方は、当方の法務コスト及び手続き費用として5万

ドルの取扱手数料を差し引いて、貴殿の投資金を返還いたします。

ファンドの管理をするのは？

ヘンリー・リーブマン弁護士は移民法に15年以上の経験を持ち、コー・ノードウォール・アンド・リーブマン法律事務所のマネージング・パートナーです。当法律事務所は、台北、東京、ロサンゼルス及びシアトルにも事務所を持っています。リーブマン弁護士のプロフェッショナルな資格等につき、更に情報を入手されたい時は、インターネットの <http://www.usa-immigration.com> までお問い合わせください。

リーブマン弁護士は1982年以来不動産投資を行っており、現在は10万平方フィート以上の倉庫、並びに数ヶ所の開発用地を管理しています。リーブマン弁護士の投資哲学は、長期にわたって資産を保持し、収益を生み出そうというものです。現在リーブマン弁護士が管理している不動産は、キャッシュ・オン・キャッシュで、最も新規に入手したものが年12%、古いものでは年55%の利息を生み出しています。キャッシュ・オン・キャッシュの配当というのは、あるプロジェクトに現金で投資した分に対する配当ということです。

レイ・クライン氏は日本在住6年、外国資本またハイ・テク企業の日本へのアクセス開拓に従事してきました。クライン氏はマカフィー・アソシエーツ、ソフト・キー・インターナショナルなど主要企業の代理も行い、更に、日本人投資家を募り、米国のハイ・テクノロジーへの資金を調達した経験も有しています。

購入申し込み契約書、委任状、投資契約書、及び表明書

(Subscription Agreement, Power of Attorney, Investment Agreement & Representation Letter)

(仮訳)

投資契約書

(Investment Agreement)

1. **投資** 貴殿は、3年間50万ドルを投資する。この3年の期間は、貴殿の資格変更申請がINS（移民帰化局）により承認された時点、又は貴殿の移民ビザがアメリカ合衆国大使館により承認された時点、のうちいずれか早い方から開始する。貴殿は、3年間何ら利息を受け取らない。
2. **管理費** 我々は、INSが貴殿のI-526申請を承認し、貴殿の投資金がエスクロウから解放された時点で、ジェネラル・パートナー宛に支払われるべき5万ドルの管理費を請求する。
3. **償還のオプション** 貴殿がパートナーシップ契約書又は購入申し込み契約書の全ての条項に違反していない場合、貴殿は3年の期間が満了した時点で、貴殿のパートナーシップ・ユニットを45万ドルでファンドに売却することができる。貴殿のパートナーシップ・ユニットを売却するためには、貴殿は3年間の満了の少なくとも90日前までにジェネラル・パートナーに書面による通知を行わなければならない。ファンドは貴殿の通知書の日付から当該取り引き完了まで最長90日を有する。当該取り引き完了時点で、貴殿はファンドに対し何らの権益も有しないものとする。
4. **投資の継続** 貴殿が償還期間を超えてのファンドへの投資を希望される場合、貴殿は、貴殿が当初の投資額からファンド管理費用を差し引いたものを取り戻すまで、全ての分配可能なファンドのキャッシュ・フローを受領する。その後は、ファンドがその資産を清算するか又は貴殿がファンドに対する貴殿の権益を売却するまで、貴殿は、ファンドの全ての分配金のうち貴殿に割り当てられる部分を受領する。リミテッド・パートナーは、償還期間後、ファンドの全ての利益及び損失の50%を引き受ける。ファンドは償還期間後、年利1%の資産管理費用を請求する。

投資者署名

投資者署名

8/25

1

OK 弁護士

購入申し込み契約書

(Subscription Agreement)

1. 購入申し込み 後記署名者はここに、ワシントン州リミテッド・パートナーシップであるゲートウェイ・ファンド#1（以下「パートナーシップ」）のリミテッド・パートナーシップ権の1ユニット（以下「ユニット」）の購入を申し込み、総購入額（50万米ドル）をパートナーシップに対し、小切手、マネー・オーダー又は銀行電信送金にて支払う。当該支払金は利息付きエスクロウ口座に預託される。当該支払金は移民帰化局が貴殿のグリーン・カードを許可するまでエスクロウ口座に据え置かれる。エスクロウ口座で発生した利息は後記署名者に帰属する。

各パートナーシップは、最高10のリミテッド・パートナーシップ・ユニットから成る。各パートナーシップは、特定の資産に投資を行い、他のファンド投資から独立して管理される。

2. 適性基準 後記署名者は、マネージング・ジェネラル・パートナーが、公認投資家ではない購入申し込み者からの、又は単独で若しくはその購入代理人と共に本契約書に定める適性基準及び見識要求に適合しない購入申し込み者からの購入申し込みを拒絶することができることに同意する。後記署名者は、当該の購入申し込みが拒絶されたかどうかにつき、實際上可能な限りにおいて速やかに通知を受ける。後記署名者による購入申し込みが拒絶された場合、同人が拠出した金額の小切手又はその他の資金は、利息を付することなく、實際上可能な限り速やかに返還される。

3. 購入申し込みの受理 購入申し込みが受理された時点で、本契約書と共に提供された小切手又はその他の資金は、パートナーシップ契約書に定める目的のため、パートナーシップの銀行口座に預託される。後記署名者は、購入申し込みが当初受理された場合といえども、マネージング・ジェネラル・パートナーが、その単独の裁量において行使し得る購入申し込みの全部又は一部を拒絶できる権利を留保していることを了承し、これに同意する。後記署名者による購入申し込みがマネージング・ジェネラル・パートナーによって受理された場合、マネージング・ジェネラル・パートナーは、後記署名者によって提出された購入申し込み契約書に署名をし、そのコピーを受理通知書と共に返還する。

4. リミテッド・パートナーシップとしての承認 後記署名者は当該契約書に署名し、要求される資金を納入し次第パートナーシップのリミテッド・パートナーシップとして認められることを了承し、これに同意する。ジェネラル・パートナーは、その後リミテッド・パートナーシップ契約書のスケジュール A に後記署名者の氏名を加える。

5. 撤回不能購入申し込み 後記署名者はここに、法律に定める場合を除き、本購入申し込みが撤回不可能なものであること、後記署名者が本契約又は本契約における後記署名者の合意事項を解約、解除ないし取り消すことができないこと、並びに本契約及びかかる合意事項が後記署名者の死亡ないし廃疾後も存続するものであることを、了解し、これに同意する。

下記署名者はここにリミテッド・パートナーシップ契約書の真実かつ正確なコピーを受領したことを認め、その条件に拘束されることに同意する。

購入申し込み金額： 50万米ドル

ユニット数： 1口

権限保有方法： _____

投資者署名

投資者署名

表明書

(Representation Letter)

1. 一般表明 パートナーシップ及びマネージング・ジェネラル・パートナーによる当該購入申し込みの受理を促すべく、後記署名者はここに、パートナーシップ及びマネージング・ジェネラル・パートナーシップに対し、以下の通り、表明及び保証をし、並びにこれらに同意する。

(a) 後記署名者は、財務諸表を読み、解釈することができる。

(b) 後記署名者は、個人である場合、年齢21歳以上である。

(c) 後記署名者は、ユニットへの投資についての経済的リスクを負担する財政能力を有し、当面の必要事態及び人的な偶発事故に対処するだけの適当な手段を有し、当該投資を清算する必要性がなく、並びに当該投資の完全な損失に対応することができる。

(d) 後記署名者は、同人が望ましいと考えた範囲において、税務および法律の顧問並びに投資アドバイザーと共に、ユニットに対する投資のメリットについて検討した。

(e) 後記署名者は、パートナーシップ契約書の条項を読み、これを理解しており、かつ当該規定に拘束されることに同意する。

(f) 後記署名者は、当該募集の条件及びパートナーシップの事業に関してジェネラル・パートナーに質問をし及びその回答を受けること、並びに後記署名者に提供された情報の正確性を検証するための追加情報又は後記署名者がユニットに対する投資を評価するために求めるその他の情報を得ることについて、完全な機会を与えられ、かつ、かかる全ての質問は、後記署名者が完全に満足するように回答されている。

(g) 後記署名者は、いかなる連邦ないし州の機関も、ユニットへの投資の公正さについていかなる認定や決定も下しておらず、又いかなる推奨や支持もしていないことを了承する。

(h) 本書に別段の指摘がある場合を除き、後記署名者は、本書において購入の申し込みをしたユニットを、真実専ら同人自身の計算において投資目的のために取得しようとするものであり、全部又は一部においても、他者のため、又は他者への分配、転売若しくは他者の計算において、取得するものではない。更に、後記署名者は、ユニットを投資物として保持し続ける考えであり、後記署名者をして、本書において購入の申し込みをしたユニットの売却を試みさせるような、状況の変化又はその他特別の機会若しくは事態を予測させる事由をもたない。

(i) 本書に記載の後記署名者による各表明及び並びに後記署名者からのマネージング・ジェネラル・パートナーに提供された全ての情報は、全ての点において真実で、正確でかつ完全なものである。

(j) 二人以上の者が本契約書に署名する場合は、本書における各表明、保証及び了承は、当該各人による連帯的な表明、保証及び了承となる。後記署名者がパートナーシップ、法人、信託又はその他の法主体である場合、後記署名者は更に、(1)本契約書に署名をする個人が、後記署名者のために本契約書に署名をし交付する完全な能力及び権限を有していること、(2)後記署名者が、本書の条項に従ってその義務を履行する完全な権利及び能力を有していること、を表明し保証する。

(k) 上記に列挙の、又は、本書に添付され、これにより本書の一部となる財務諸表を含む、本書において企図されている取り引きに関連して後記署名者により交付された文書又は書類における、全ての表明及び保証は、ユニットの発行日及びその日付において、全ての点において真実で、正確でかつ完全なものであり、クロージング及びユニットの発行後も、かかる表明及び保証は存続する。

(l) 後記署名者は、本契約書及びパートナーシップのパートナーシップ契約書に含まれる表明及び保証の意味と法的帰結を理解しており、本契約書、パートナーシップ契約書若しくはその他の購入申し込み書類に含まれる、後記署名者による表明若しくは保証に不正確若しくは違反があったこと、後記署名者が本書若しくはそれらにおける約款若しくは合意事項の履行を怠ったこと、又は、後記署名者が、1933年の証券法、1934年の証券取引法及びその他適用ある州の証券法に違反してユニットの売却若しくは分配を行ったこと、に起因して発生

する全ての損失、損害又は責任から、パートナーシップ、各ジェネラル及びリミテッド・パートナー並びにそれらの関係者を免責し、何ら害を及ぼさせないことに同意する。

2. 財政上の表明 後記署名者は、同人が次のいずれかに該当するものであることを表明し保証する。

(a):

- 1) 単独で若しくは配偶者の分を合わせた正味財産額が100万ドルを超える個人である。
- 2) 若しくは、後記署名者は、配偶者の分を含めない今年度の個人所得を20万ドルと合理的に予測し、並びに外国税非課税所得及び全ての資本利得ないし損失を含む、過去2年分の各年度の個人所得額が20万ドルを超えている個人である。
- 3) 若しくは、後記署名者は、ユニットを少なくとも額面金額15万ドルで購入しようとしており、かつ当該購入申し込み金額が後記署名者単独での若しくは配偶者の分も合わせた正味財産額の20%を超えない。
- 4) 若しくは、後記署名者は、その全ての持分保有者が上記のいずれかの基準に適合する法主体である。

又は、

- (1) 単独で若しくは配偶者の分をあわせて、ユニットに対する投資額（約束手形があれば、その額を含める。）の少なくとも3倍の正味財産（家屋、家財道具及び自動車を除く。）を保有している。
- (2) 単独で若しくは後記の購入者代理人（それが存在する場合）と共に、金融上及びビジネス上の事項について、ユニットに対する投資の利点とリスクを評価できるだけの知識と経験を有している。

後記署名者は、購入者代理人を使用する場合、購入者代理人が別途の購入者代理人質問事項及び購入者了解事項書の記入を完了し、かつ後記署名者がこれを検討し了解しなければならず、更にこれをユニットの後記署名者への販売に先立ってパートナーシップに折り返し提出しなければならないことを了承する。

投資および財務の経験

A. 下記の質問に、該当箇所をチェックする方法でお答えください。

株式、債権又はその他の証券の取引がありますか。

はい _____ いいえ _____

不動産に投資したことがありますか。 はい _____ いいえ _____

事業に投資したことがありますか。 はい _____ いいえ _____

B. 下記の追加質問に、該当箇所をチェックする方法でお答えください。

1. 上記記載のような投資をするときは、ご自身、単独で決定しますか。

はい _____ いいえ _____

2. 投資の知識やアドバイスは主にどこから入手しますか。（2つ以上を選択されても結構です。）

- _____ ビジネスで直接得た経験
- _____ 金融関係刊行物
- _____ 貿易・産業関係刊行物
- _____ 銀行関係者
- _____ ブローカー
- _____ 投資アドバイザー
- _____ 弁護士
- _____ 会計士

投資者署名

投資者署名

委任状

(Power of Attorney)

1. 委任状 後記署名者はここに、パートナーシップのマネージング・ジェネラル・パートナーに対し、パートナーシップ契約書に定める代理人としての権限を、撤回不可能な形で付与し、当該条項及び代理人としての権限は、これにより本契約の一部となる。

投資者署名

投資者署名

本契約は、後記署名者及びその承継人を拘束しかつ同人らの利益のために効力を発生し、後記署名者により、事前のジェネラル・パートナーの書面による承認なしに移転されることはない。本契約は、パートナーシップの利益のために効力を発生し、その受理により、パートナーシップ並びにその各承継人及び譲り受け人を拘束する。本契約並びに本契約当事者の権利及び義務は、抵触法に関する原則及び条項に拘わらず、ワシントン州の法律の適用を受け、同法に従って解釈及び執行される。

投資者は、投資者のビザ申請が投資者が真実ないし正確な情報を提供しなかったこと又は、医学上の理由により拒絶され、ビザが最終的に発給されなかった場合、5万ドルを没収されることを了承する。

当方は貴殿に対し、本契約書の証明付翻訳を提供した。英文と日本文間の不一致は、英文に有利に解決される。従って、貴殿が英語を理解されない場合、この書類を翻訳させるか又は信頼できるアドバイザーに検討させることをお勧めする。

私は、了承し英文を読了した。

投資者署名

私は、英文を理解できないので、この書類を私のため信頼できるアドバイザーに翻訳させた。

下記に貴殿のアドバイザーの氏名、住所及び電話番号を記入されたい。

以上の証として、下記署名者は、本19__年__月__日、本購入申し込み契約書、投資契約書、表明書、ゲートウェイ・フリーダム・ファンド#1・リミテッド・パートナーシップ契約書及び委任状に調印し、これに拘束されることに同意する。

購入申し込み者署名

連帯購入申し込み者署名

購入申し込み者氏名

連帯購入申し込み者氏名

ジェネラルによる購入申し込み者承認：

アメリカン・ライフ社

署名者： 社長

日付：

弁護士雇用契約書

(Agreement to Employ Attorney)

本契約書により、下記署名の依頼人は、パイロット・プロジェクト又は地域センター・プログラムによる米国永住権取得の申請に関する法律的サービスを得る目的で、コー・ノードウォール・アンド・リーブマン法律事務所（以下「弁護士」という）を雇用する。本契約の契約事項は下記の通りである。

1. 弁護士は、ゲートウェイ・フリーダム・ファンド(GFF)への投資によって永住権を取得するために必要な移民手続きに関して、専門的な法律的助言及び代理業務を依頼人に対して提供することに同意する。当該手続きは、I-526書式による申請書の提出、アメリカ合衆国のINS又は海外のアメリカ合衆国領事館への永住権取得申請の配慮、及び必要により行政上の不服申し立て手続きを含む。
2. 依頼人は、GFF が本件に関して、弁護士費用及び諸経費を支払うことを了承し、これに同意する。
3. 依頼人は、本件の手続きを進める上で要求される全ての情報を弁護士に提供することに同意する。当該情報には、財務諸表、資産証明書、身上書及び履歴書が含まれる。弁護士は、依頼人が要求された情報を期限までに提供しなかった場合、又は依頼人が虚偽の若しくは誤認を招きやすい情報を提供した場合には、本件の結果に責任を負わない。
4. 依頼人は、弁護士の代理業務は米国移民法の事項に限られることを了承する。弁護士は、依頼人のGFF投資に関する、又は連邦若しくは米国各州の有価証券法に関する助言は提供しない。依頼人のGFF投資に関する疑問点は、他の法律顧問に照会することが望まれる。
5. 依頼人は、本書を読み、これを理解することができる。あるいは、しるべき人に本書の翻訳及び説明をさせた。 _____ (イニシャル)

本契約書は、1996年 _____ 月 _____ 日 _____ にて調印された。

コー・ノードウォール・アンド・リーブマン法律事務所

依頼人

17/25 _____
ヘンリー・リーブマン
OK 1/25

○
4/17

エスクロウ説明書

(Escrow Instruction)

(仮訳)

1996年3月16日

宛先： コマース・バンク・オブ・ワシントン

本契約はゲートウェイ・フリーダム・ファンド#1リミテッド・パートナーシップ("GFF")とエスクロウ・エージェントのコマース・バンク・オブ・ワシントン("エスクロウ・エージェント")との間で行われ、結ばれるものである。

1. リミテッド・パートナーシップ・オファーリング： GFFは10ユニットを上限とするリミテッド・パートナーシップ("ユニット")を1ユニット50万米ドルで合計5百万米ドルをオファーし売却する("オファーリング")計画である。パートナーシップはエスクロウ・エージェントに、オファーリングに関してエスクロウの代理人として奉仕するよう要請し、エスクロウ・エージェントは本契約書の条件に基づき当該資格において奉仕することに同意した。

2. 別エスクロウ口座の設立：エスクロウ・エージェントはオファーリングに関連して、ファンドのエスクロウ口座となる別エスクロウ口座("エスクロウ口座")を設立し、オファーリングに関連して入金を受け得るものとする。エスクロウ口座は、パートナーシップ又はいかなる加入者によっても、あるいはために、設立された他の全ての口座から区別がつく方法で設立される。エスクロウ・エージェントは当該契約書に従う場合以外は、いかなる場合においても、エスクロウ・エージェントによって維持されている他のいかなる口座へも移転したり、或はいかなる者へも譲渡したりする目的で、資金がエスクロウ口座の貸し方に記入されることを許可しない。

3. 別エスクロウ口座への入金：エスクロウ・エージェントは当該オファーリングに関する限りにおいて送付された資金を受け取り、これをエスクロウ口座に入金する。当該資金は、支払い指図書、又は支払い保証小切手、又は電信為替の形で送付可能であり、支払い先は"The Commerce Bank, as Escrow Agent"とする。エスクロウ・エージェントは資金集金を可能にするた

めに支払いに適切な裏書きをする。エスクロウ・エージェントは資金を提供した者の氏名および住所を十分に証明する文書が添付されない限り、受領した資金を入金せずに留保する。納税者証明に関する情報は、現行の税法に従ったものでなければならない。

利子付きの各投資者の資金は、エスクロウ・エージェントが投資者の口座のために、以下を遂行した時、アメリカン・ライフ・インシュアランス（ジェネラル・パートナー）に移転される。

- (1) 投資家のために購入を行った時。
- (2) 移民帰化局が、フォームI-797による各個人投資家の永住者資格申請を許可した時。

上記の条件が投資家の投資金受領後一年、又は一年以前に満たされなかった時は、エスクロウ・エージェントは投資家に、全書類及びもしあれば発生した利子を付し、該当する源泉課税を納税した後の現金を返却するように指示を受ける。

4. エスクロウ・エージェントの義務：当該契約書は当事者間の全合意を記述し、又もしあれば以前の交渉、合意、了解の全てを併合し、さらにエスクロウの資産に関してここに述べられているもの以外には、表明及び保証は存在しないことを、表明及び保証において十全に明記する。エスクロウ・エージェントの権利と職務及び義務はエスクロウ契約書に明確に規定されている事項に厳密に限定され、エスクロウ・エージェントはいかなる含みある義務の下にもなく、又いかなる含みある責任をも負うものではない。エスクロウ・エージェントは、ここに明確に提示されている事項以外には、いかなる債務不履行、又はいかなる他の事柄に対しても注意を払うことを要求されず又拘束されず、さらに通知或は要求するこをも要請されず、かついかなる措置を取ることも要求されない。エスクロウ・エージェントは自己の重大なる過失又は故意の違法行為による時以外にはいかなる損失又は損害に対しても責任を負わない。

5. 口座開設の許可権限：当該契約書はこれにおいて十分な数の当事者によ

って執行され、各当事者の原署名のある契約書は、エスクロウ・エージェントによって保管される。当事者はエスクロウ・エージェントが完全に作成された契約書のファクシミリ、テレックス又はテレコピーを受領次第、口座を開設しそれを管理する権限を与える。

6. 通信方法：エスクロウ・エージェントは真正であると信じられる全ての手段又は署名を信頼して行動し、これに関する条項に関連して、いかなる通知を与え、又いかなる記述をも行ったと称するいかなる者もその権限を有するものとみなす。エスクロウ・エージェントは電話、ファクシミリ、テレックス又は他の電子伝送によって与えられるいかなる通信をも信頼し、それに従って職務を行うことを要請され権限を与えられるが義務を負わない。エスクロウ・エージェントは当該通信を完全に承認され、拘束力あるものとして取り扱う権利を与えられるが、それに拘束されず、さらに当該通信に関連して、又それを信頼して手段を講ずる権利を与えられる。

7. 投資の指示：資金はマネー・マーケット・ファンド（FDICの全体保険付き）、又はパートナーシップによって指示される他の投資先に投資される。エスクロウ口座において得られた利子は各投資家に分配され、貸方に記入される。ジェネラル・パートナーはファンドのために全ての投票権を行使する権利を有する。

8. 電信為替による支払い：当事者は本書に述べられている条件に従って電信による資金送金を要求することを選択できる。当事者は当該契約書に添付の図Aで示されている電信為替の安全保障手続きが商業的に正当であることに同意する。当事者は更にエスクロウ・エージェントが電信為替支払い要求を実行する前に、承認されていない要求を探知するためにこれらの手続きを使用すべきであることに同意し、更にこれらの安全保障手続きに応じてエスクロウ・エージェントによって措置をとられたいかなる要請も、許可を得ている、いなしに関らず、許可された要請であるとして取り扱われる。当事者はエスクロウ・エージェントが電信為替安全保障手続きを適宜変更する権利を有することに同意し、変更された手続きのいずれも行使することは、当事者が当該変更が商業的に正当性のあるものとして受容したことを証するものであると合意する。

9. 相互弁護の権利：本説明書によって説明されている財産或は資金に利

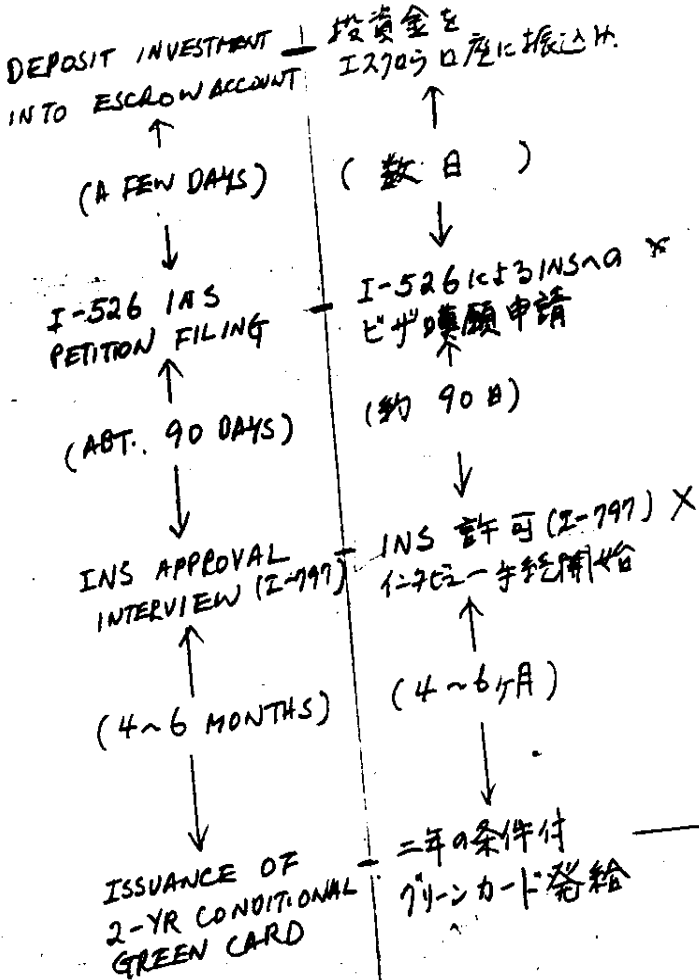
害関係を持つ関係者間で紛争が生じた場合には、エスクロウ・エージェントは全ての懸案事項を当該時に存在した状況のまま保留する選択権を有する。或は訴訟に参加或は訴訟を開始し、本書に言及されている金銭と文書を裁判所の登録に預託する選択権を有する。いずれの場合にもエスクロウ・エージェントは全ての責任から解放される。当該相互弁護が生じた場合、弁護士費用とエスクロウ・エージェント費用はエスクロウから支払われる事が出来る。エスクロウ・エージェントは投資家とジェネラル・パートナーが資金、資産、又は文書の処分に関連して作成したいかなる成文の説明書にも拠る事が出来る。

10. 手数料：エスクロウ・エージェントは提供したサービスに対して添付の料金予定表に従って支払われるものとする。全ての手数料に対する支払いはジェネラル・パートナーの第一の責任であり、未払い分はエスクロウに預託されている金額から差し引かれるものとする。エスクロウ・エージェントが、所有の財産に関して訴訟の当事者となった場合、又は相互弁護において訴訟を起こした場合、又は当該エスクロウの条件が速やかに満たされなかった場合、或はエスクロウ・エージェントが当該契約書と料金予定表に提供されていない、いかなるサービスをも供給するよう要求された場合、又は当該エスクロウの権利にいかなる譲渡又は変更もあった場合、エスクロウ・エージェントは当該の臨時のサービスに対して正当な報酬と全ての手数料、経費、債務及び弁護士料を含む費用の支払いを受ける権利を有する。

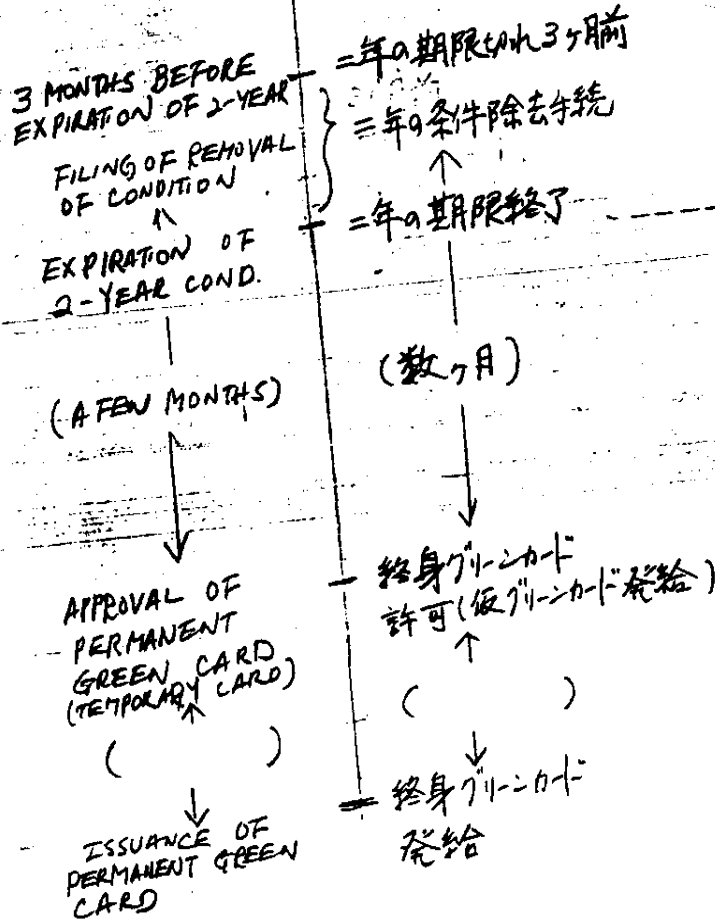
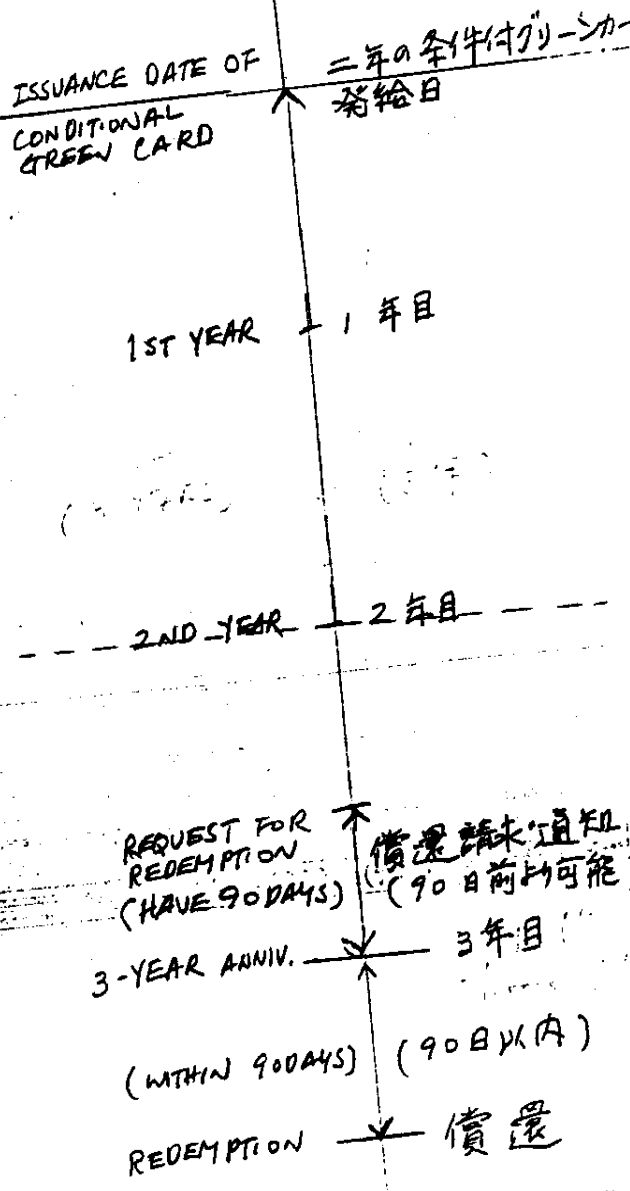
11. 辞任及び終了：エスクロウ・エージェントは書面による通知を以って15間の猶予期間を与えた上で、その職務を辞任させ、責任及び義務を終了させる事が出来る。エスクロウ・エージェントは15日以内に後任のエスクロウ・エージェントを通知されなかった場合は、後任エスクロウ・エージェント指名の要請を付して、管轄管区の裁判所に全資金を移譲する権利を有する。当該措置を提出し資産を送達し次第、エスクロウ・エージェントの義務と責任は終了する。同様に、ジェネラル・パートナーはエスクロウ・エージェントに書面を以って15日間の猶予を与えた上で、エスクロウ・エージェントを終了し後任エスクロウ・エージェントを指名する事が出来る。

12. 賠償：ジェネラル・パートナーとGFFは共同かつ別々に、エスクロウ契約書によって或は関連して生じたエスクロウ・エージェントに対する損失、

グリーンカード手続きスケジュール
GREEN CARD PROCEDURES



償還スケジュール
REDEMPTION SCHEDULE



通知がない場合は自動的に普及のりす。

損害又はいかなる要求に対してもこれを賠償し、損害を与えない。当該賠償は、エスクロウ・エージェントによって負担された全経費及び費用を含む正当な弁護士費用を含むが、それに限定されない。当該賠償はいかなる理由があっても当該契約の終了を超えるものとする。

13. 通知：当該契約書のもとに要求される全ての通知及び交信は書面によるものとし、下記に明記された住所、電話番号に第1種郵便、ファクシミリ、テレックス又はテレコピーによって配達された時は法的に有効に送達されたものとみなされる。

エスクロウ・エージェント宛：
(コマース・バンク・オブ・ワシントン)

The Commerce Bank of Washington N. A.
601 Union Street
Suite 3600
Seattle, WA 98101

電話： 206-292-4616
ファックス： 206-625-9457

ジェネラル・パートナー及び投資家：
(アメリカン・ライフ・インコーポレーテッド)

American Life Inc.
18024 13th NW
Seattle, WA 98177

電話： 206-542-3814
ファックス： 206-542-5275

いずれの関係者も書面による変更通知を行うことにより住所を変更することができる。

14. 修正：当該契約書は修正されることが出来、当事者間の書面による合意によって、並びに書面による合意のみによって、当該契約書のいかなる条件に対する遵守も放棄されることが出来る。当該契約書は全関係者が原本に署名した文書によって、随時に終了されることが出来る。

15. 発表：G F Fは、エスクロウ・エージェントがG F Fによる販売オファーに対する購入、価格又は払い戻しに関して裏書、推奨、或は保証を行ったと明言又は暗示するようないかなる表明も行っておらず、更に行わないことを表明しこれに同意する。G F Fは更に、オファーの将来の購入者に対して用意された、いかなる案内書、オファーのちらし、広告、購入契約書或は他の文書にも、G F Fが太字活字で下記の声明を挿入することに同意する。

「コマース・バンク・オブ・ワシントンはここに記述されているオファーに関連してエスクロウ・エージェントとしてのみ行動するものであり、当該の購入、価格又は払い戻しを裏書、推奨又は保証を行っていない。」

更にG F Fは当該の案内書、オファーのちらし、広告、購入契約書或は他の文書の写し一部を、債券の将来の購入者へそれらを配布する少なくとも5日営業日前にエスクロウ・エージェントに供給する。

16. 拘束力ある契約及び譲渡：上述の条項は当事者の譲渡人、後継者、個人的代理人及び遺産相続人に拘束力を有するものであり、更にエスクロウ・エージェントによって受諾された日より効力を持つものとする。エスクロウ・エージェントがその信託業務及び財産を合併、売却又は譲渡する可能性ある法人は誰でも、関係者の側の如何なる手段、又はいかなる一層の行動、行為、伝達をも提出することなしに、自動的に後任のエスクロウ・エージェントであり、エスクロウ・エージェントとなり、その前任者が与えられていた全ての能力を付与されており、付与されることとなる。

17. 文書の執行：いかなる文書も執行されれば完全に承認されたものとみなされる。

18. 副本：これらのクロージング・エスクロウ説明書は、全署名が一枚に

表れるのと同様の効果を持つ副本によって執行されることができる。

下記署名者は上述の事項を読み、完全に理解した。コマース・バンクは単にエスクロウ・エージェントとして行動するのみであり、パートナーシップの提案する事業又はリミテッド・パートナーシップ契約書に関して何らの判断又は裏書を与えるものではない。

署名：

アメリカン・ライフ・インコーポレーテッド
ゲートウェイ・フリーダム・ファンド#1
ジェネラル・パートナー

コマース・バンク・オブ・ワシントン

署名者： _____

肩書： _____

投資者の皆様への保護

ファンドでは更に、投資者の投資金を適時に償還出来るよう、「A」あるいはそれ以上の格付けの債券を購入して投資者を保護いたします。移民帰化局が投資者のグリーン・カードを許可次第、ファンドでは投資者のパートナーシップ・ユニットの償還資金を調達するために45万ドルのゼロ＝クーポン債券を購入いたします。

投資者のパートナーシップ・ユニットの償還に債券が確実に使用出来るよう、ファンドはコマース・バンク・オブ・ワシントンと次のような契約を結びます。

「コマース・バンク・オブ・ワシントンは上記タイトルの口座を開設した。ファンドの指示により、我々は、満期時に約45万ドルをパートナーシップに生み出す債券に投資を行った。当該債券は購入時に「A」又はそれ以上の格付けのものである。当該投資は購入時から数えて36ヶ月から40ヶ月で満期となる。当該口座はファンド及び上記に言及されている受取人の明示された許可なくしては譲渡されたり、変更されたりすることは出来ない。」

ファンドでは本プログラムを法的に可能な限り安全なものに致しました。ファンドでは投資者の皆様へ償還の用意をすることは出来ますが、償還の保証を提供することは出来ない場合もあります。

**SUBSCRIPTION AGREEMENT, POWER OF ATTORNEY,
INVESTMENT AGREEMENT & REPRESENTATION LETTER**

INVESTMENT AGREEMENT

1. The Investment. You invest [redacted] for three years. The three year period commences upon approval of your adjustment of status application by INS or approval of your immigrant visa application by the U.S. Embassy; which ever comes first. You will receive no interest during the three year period. (b)(4)

2. Management Fee. We charge a [redacted] fund management fee, payable to the General Partner upon release of your investment from Escrow, which occurs upon INS approval of your I-526 application. (b)(4)

3. Redemption Option. Assuming you are not in default of any of the terms of the Partnership or Subscription Agreements, you may sell your Partnership Unit to the Fund at the end of the three year period for the price of [redacted]. In order to sell your Partnership Unit you must notify the General Partner, in writing, at least 90 days prior to the end of the three year period. The Fund will have up to 90 days from the date of your written notice to complete the transaction. You will have no further interest in the Fund upon completion of this transaction.

4. Continuing Your Investment. If you wish to continue your investment in the Fund beyond the redemption period, you will receive all distributable Fund cash flow until you recover your initial investment less the Fund Management fee. Thereafter you will receive your allocable share of all Fund distributions until the Fund liquidates its assets or you sell your interest in the Fund. The Limited Partners receive 50% of all Fund profits and losses after the redemption period. The Fund will charge a 1% annual asset management fee after the redemption period.

INVESTORS SIGNATURE

INVESTORS SIGNATURE

SUBSCRIPTION AGREEMENT

(b)(4) 1. Subscription. The undersigned hereby subscribes for and tenders a check, money order or bank wire to the Partnership for the full purchase price of [REDACTED] [REDACTED] for one Limited Partnership Unit ("Units") of Gateway Fund #1, a Washington Limited Partnership (the "Partnership"). Said payment shall be placed in an interest bearing escrow account. Said payment will remain in the escrow until the Immigration & Naturalization Service approves your green card. All interest earned in the escrow account will accrue to the credit of the undersigned.

There will be a maximum of [REDACTED] Limited Partnership Units in each Partnership. Each Partnership will invest in specific properties and will be managed independently of other Fund investments.

2. Suitability Standards. The undersigned agrees that the Managing General Partner may reject any subscription from any subscriber who is not an accredited investor or who either alone or with his purchaser representative does not meet the suitability standards and sophistication requirements set forth herein. The undersigned will be notified as promptly as practicable as to whether this subscription has been rejected. If the undersigned's subscription is rejected, the check or other funds for the amount of his contribution, without interest, will be returned as promptly as practicable.

3. Acceptance of Subscription. Upon acceptance of a subscription, the check or other funds delivered herewith will be deposited in the Partnership's bank account for the purposes set forth in the Partnership Agreement. The undersigned understands and agrees that, notwithstanding the initial acceptance of a subscription, the Managing General Partner reserves the right, exercisable in its sole discretion, to reject all or any part of any subscription. If the undersigned's subscription is accepted by the Managing General Partner, the Managing General Partner will sign the Subscription Agreement submitted by the undersigned, and return a copy with a notification of acceptance.

4. Admittance as Limited Partner. The undersigned understands and agrees that he will be admitted as a Limited Partner of the Partnership upon signing this Agreement and upon making the required capital contributions. The General Partner will then add the undersigned's name to Schedule A of the Limited Partnership Agreement.

5. Irrevocable Subscription. The undersigned hereby acknowledges and agrees, except as provided by law, that this Subscription is IRREVOCABLE and that the undersigned is not entitled to cancel, terminate or revoke this Agreement or any agreements of the

undersigned hereunder, and that this Agreement and such agreements shall survive the death or disability of the undersigned.

The undersigned hereby acknowledges the receipt of a true and correct copy of the Limited Partnership Agreement and agrees to be bound by its terms.

AMOUNT OF SUBSCRIPTION:

(b)(4)

NUMBER OF UNITS: ONE

MANNER IN WHICH TITLE IS TO BE HELD: _____

INVESTORS SIGNATURE

INVESTORS SIGNATURE

REPRESENTATION LETTER

1. General Representations. In order to induce the Partnership and the Managing General Partner to accept the subscription made hereby, the undersigned hereby represents and warrants to the Partnership and the Managing General Partner, and agrees as follows:

(a) The undersigned is capable of reading and interpreting financial statements.

(b) The undersigned, if an individual, is 21 years of age or over.

(c) The undersigned has the financial ability to bear the economic risk of an investment in the Units, has adequate means of providing for current needs and personal contingencies, has no need for liquidity in such investment and could afford a complete loss of such investment.

(d) The undersigned has reviewed the merits of an investment in the Units with tax and legal counsel and with an investment advisor to the extent the undersigned deemed advisable.

(e) The undersigned has read and understands the terms of the Partnership Agreement and agrees to be bound by such provisions.

(f) The undersigned has been given a full opportunity to ask questions of and to receive answers from the General Partners concerning the terms and conditions of the Offering and the business of the Partnership, and to obtain additional information necessary to verify the accuracy of any information provided to the undersigned or such other information as the undersigned desired to order to evaluate an investment in the Units, and all such questions have been answered to the full satisfaction of the undersigned.

(g) The undersigned understands that no Federal or State agency has made any finding or determination as to the fairness of an investment in, or any recommendation or endorsement of, the Units.

(h) Except as otherwise indicated herein, the undersigned is acquiring the Units herein subscribed for in good faith solely for his own account, for investment purposes and not with a view to, or for distribution or resale or for the account, in whole or in part, of others. Further, the undersigned will hold the Units as an investment and has no reason to anticipate any change in circumstances or other particular occasion or event which would cause the undersigned to attempt to sell the Units subscribed for herein.

(i) Each representation and warranty of the undersigned contained herein and all information furnished by the undersigned to the Managing General Partner is true, correct and complete in all respects.

(j) If more than one person is signing this Agreement, each representation, warranty and undertaking herein shall be the joint and several representation, warranty and undertaking of each such person. If the undersigned is a partnership, corporation, trust or other entity, the undersigned further represents and warrants that (1) the individual signing this Agreement has full power and authority to sign and deliver this Agreement on behalf of the undersigned and (2) the undersigned has full right and power to perform its obligations pursuant to the provisions hereof.

(k) All representations and warranties set forth in any written statement or document delivered by the undersigned in connection with the transactions contemplated hereby, including the financial statement attached hereto and incorporated by this reference, will be true, correct and complete in all respects on and as of the date of the issuance of the Units and shall survive the Closing and the issuance of the Units.

(1) The undersigned understands the meanings and legal consequences of the representations and warranties contained in this Agreement and the Partnership Agreement of the Partnership, and agrees to indemnify and hold harmless the Partnership and each general and limited partner thereof, and any affiliate thereof, from and against any and all loss, damage or liability due to or arising out of any inaccuracy in or breach of any representation or warranty of the undersigned, whether contained in this Agreement, the Partnership Agreement or any other subscription document, or any failure by the undersigned to fulfill any covenants or agreements set forth herein or therein, or arising out of the sale or distribution by the undersigned of the Units in violation of the Securities Act of 1933, the Securities Exchange Act of 1934 and any applicable state securities laws.

2. Financial Representations.

The undersigned represents and warrants that the undersigned is either:

(a):

- 1) An individual whose individual net worth or joint net worth with his or her spouse presently exceeds [REDACTED] (b)(4)
- 2) Or the undersigned is an individual who reasonably expects an individual income, not including that of spouse, of [REDACTED] in the current year, and had an individual income in excess of \$200,000 in each of the last two years, including foreign tax exempt income and full amount of capital gains and losses; (b)(4)
- 3) Or the undersigned is purchasing at least [REDACTED] face value of Units and such subscription does not exceed [REDACTED] of the undersigned's net worth individually or jointly with the undersigned spouse.
- 4) Or the undersigned is an entity in which all the equity owners meet the standards of any of the above.

or

(b):

- (1) has a net worth, individually or jointly with his spouse (exclusive of home, home furnishings and automobiles), of at least THREE times the amount of his investment in the Units (including the amount of his Note, if any), and
- (2) has, either alone or together with the Purchaser

Representative named below (if any), such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the Units.

The undersigned understands that if a Purchaser Representative is used, the Purchaser Representative must complete, and the undersigned must review and acknowledge, a separate Purchaser Representative Questionnaire and Purchaser Acknowledgment, which must be returned to the Partnership prior to the sale of any Units to the undersigned.

INVESTMENT AND FINANCIAL EXPERIENCE

A. Please answer the questions set forth below by checking the appropriate box.

Do you trade in stocks bonds or other securities? yes no

Have you made real estate investment? yes no

Have you made investments in business? yes no

B. Please answer the following additional questions by checking the appropriate box:

1. Do you make your own investment decisions with respect to such investments? Yes No

2. What are your principal sources of investment knowledge or advice? (You may check more than one.)

- Firsthand experience with industry
- Financial publication(s)
- Trade or industry publication(s)
- Banker(s)
- Broker(s)
- Investment Adviser(s)
- Attorney(s)
- Accountant(s)

INVESTORS SIGNATURE

INVESTORS SIGNATURE

POWER OF ATTORNEY

1. Power of Attorney. The undersigned does hereby irrevocably grant to the Managing General Partner of the Partnership the power of attorney set forth in the Partnership Agreement, which provision and power of attorney are hereby incorporated by this reference.

INVESTORS SIGNATURE

INVESTORS SIGNATURE

This Agreement shall be binding upon and inure to the benefit of the undersigned and his successors but shall not be assignable by the undersigned without the prior written consent of the General Partners. This Agreement shall inure to the benefit of the Partnership and upon its acceptance shall be binding upon it and its respective successors and assigns. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of Washington, without giving effect to principles and provisions thereof relating to conflict or choice of laws.

The Investor understands that in the event Investor's visa petition is denied as a result of Investor's failure to provide truthful or accurate information or for medical reasons, and the visa is ultimately denied, Investor will forfeit \$50,000.

WE HAVE PROVIDED YOU WITH A CERTIFIED TRANSLATION OF THIS AGREEMENT. ANY INCONSISTENCIES BETWEEN THE ENGLISH AND THE CHINESE DOCUMENTS ARE RESOLVED IN FAVOR OF THE ENGLISH DOCUMENT. THEREFORE, IF YOU DO NOT UNDERSTAND ENGLISH PLEASE HAVE THIS DOCUMENT TRANSLATED OR REVIEWED BY A TRUSTED ADVISOR.

I UNDERSTAND and READ ENGLISH: _____
INVESTOR SIGNATURE

7/15

I DO NOT UNDERSTAND ENGLISH AND I HAD THIS DOCUMENT TRANSLATED TO ME BY A TRUSTED ADVISOR.

PLEASE SUPPLY NAME, ADDRESS AND TELEPHONE # OF YOUR ADVISOR BELOW:

IN WITNESS WHEREOF, the undersigned has(ve) executed and/or agree(s) to be bound by this Subscription Agreement, Investment Agreement, Representation Letter, Gateway Freedom Fund #1 Limited Partnership Agreement and Power of Attorney as of this ____ day of _____, 19__.

Signature of Subscriber

Signature of Joint Subscriber

Name of Subscriber

Name of Joint Subscriber

Subscriber approved by General:

American Life Inc.

By: _____ It's President

Date:

8/15

AGREEMENT TO EMPLOY ATTORNEY

By this Agreement, the undersigned client retains and employs the Law Office of Coe, Nordwall & Liebman, LLP (hereinafter referred to as "Attorney") to furnish legal services regarding

Application for U.S. permanent residence status pursuant to the Pilot Project or Regional Center program. The terms and conditions of this Agreement are as follows:

1. Attorney agrees to provide professionally qualified legal counsel and representation to Client in connection with the immigration procedures necessary to obtain permanent residence status by virtue of an investment in the Gateway Freedom Fund (GFF). Such procedures include filing the I-526 petition, taking care of application for permanent residence at INS in USA or through the Embassy in Japan, and administrative appeals, if necessary.

2. Client understands and agrees GFF will pay Attorney fees and costs, regarding this matter.

3. Client agrees to provide any and all information requested by Attorney to process this case. Such information includes; financial statements, verification of assets, biographical information, and resumes. Attorney will not be responsible for the out come of this case if Client fails to provide requested information in a timely manner or if Client provides false or misleading information.

4. Client understands that Attorney's representation is limited to matters of U.S. Immigration Law. Attorney is not providing advise regarding Clients investment in GFF or regarding the securities laws of the U.S. or any state of the U.S. Client is advised to seek other counsel regarding any questions relating to his or her investment in the GFF.

5. Client is able to read and understand this document or has had someone translate and explain this document. _____ Initial Here.

EXECUTED at _____ this ____ day of _____, 1996.

COE, NORDWALL & LIEBMAN, LLP

CLIENT

By: _____
Henry Liebman

9/15

(b)(4)

(b)(4)

(b)(4)

(b)(4)

(b)(4)

(b)(4)



425 I Street NW
Washington, DC 20536

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101

FEB - 5 1996

RE: Application for Designation as a Regional Center for the
Golden Rainbow Freedom Fund

Dear Mr. Liebman:

Pursuant to Section 610 of the Appropriations Act of 1993, the Golden Rainbow Freedom Fund (GRFF) has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the GRFF's project to develop an air cargo and manufacturing facility in Jackson County, Oregon.

Alien entrepreneurs who file petitions for commercial enterprises located within the GRFF project site must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies.

The designation by the Service of GRFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. All petitions for alien entrepreneurs who invest within the regional center will be adjudicated by the Service on a case-by-case basis and each petition must be fully documented. The individual petitions must be submitted to the Nebraska service center.

If you have any questions concerning GRFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus at (202) 514-3228.

Sincerely,

Michael L. Aytes
Acting Assistant Commissioner
Adjudications

(訳文)

米国移民帰化局
米国ワシントン特別区
北西 I 通り 425 番地

1995年2月5日

ヘンリー・リーブマン弁護士
ゴールデン・レインボー・フリーダム・ファンド
ワシントン州シアトル市オリーブ通り720番地1300号室

件名： ゴールデン・レインボー・フリーダム・ファンドの地域センター指定申請

拝啓

ゴールデン・レインボー・フリーダム・ファンド(GRFF)は、1993年歳出法第610条に従い、移民投資家パイロットプログラムの地域センターとして指定されました。本日を以って、移民投資家パイロットプログラムを通じて移民ビザ取得を求める外国籍者は、GRFFが行うオレゴン州ジャクソン郡での航空貨物及び製造施設開発プロジェクトの範囲内における事業計画へ参加する目的で、移民帰化局へ個人的に移民ビザ嘆願を申請することができます。

GRFFのプロジェクト用地内の事業計画に参加目的で移民ビザ嘆願を申請する外国籍事業家は、新事業計画が外国籍事業家の投資の結果として10名の新従業員を雇用したことを示す必要がないことを除いては、CFR 204.6 の 8 に定める必要条件を全て満たさなければなりません。ただし、右嘆願には、経済上あるいは統計上有効な方法を使用して、本投資が10の新雇用口を間接的に創出した、又は創出できるという証明を含めることができます。

したがって、移民帰化局が GRFF を地域センターとして指定したことは、投資家パイロットプログラムのもとに外国籍事業家によって申請された個人的な移民ビザ嘆願に対して、移民帰化局が特別な配慮を与えるという意味を持つものではありません。地域センターに

投資を行う外国籍事業者からの嘆願は全て、移民局によってケースバイケースに裁決され、かつ各嘆願は書類完備のものでなければなりません。個人の嘆願はネブラスカ州のサービスセンターへ提出されることとなっています。

移民投資家パイロット・プログラムにおける GRFF に対する本指定に関してご質問があれば、電話番号(206)514-3228のマイケル・ストラウスまでご照会ください。

敬具

(署名)

マイケル・L. エイテス
アシスタント・コミッショナー代理
裁決担当

(注) 8 CFR 204.6 Code of Federal Regulations (連邦法規) 204.6 の 8

FOSTER, PURDY, ALLAN, PETERSON & DAHLIN

Attorneys at Law

201 WEST MAIN STREET, SUITE 4A

P.O. BOX 1667

MEDFORD, OREGON 97501

TELEPHONE
(541) 770-5466TELESCOPE
(541) 770-6502JUDY A. HININGHI
TRUST AND ESTATE
ADMINISTRATORSTUART R. FOSTER
KAREN C. ALLAN
GARY C. PETERSON
LEWIS W. DAHLIN
GERALD M. SHKAN III
JASON M. ANDERSONWILLIAM G. PURDY
OF COUNSEL

August 9, 1996

VIA TELEFAX (206) 625-9218Henry G. Liebman
Coe, Nordwall & Liebman
720 Olive Way, Suite 1300
Seattle, WA 98101-1812Re: Medford Air Cargo Building Site Plan and Architectural
Application

Dear Henry:

Enclosed is a copy of the Site Plan and Architectural Review Application and a copy of the Planning Commission Report. The property is properly zoned for establishment of the Medford Air Cargo building and it does not need to go through a rezone or zone application process. The only thing required before obtaining a building permit is to receive approval of the proposed site plan and architectural design from the Planning Commission.

The August 2, 1996 version of the Site Plan and Architectural Commission Report is the final version which recommends approval. It is stamped draft only because this version is out for printing. The final document will be signed by the Site Plan and Architectural Commission.

Note under the "Action Taken" section on page 3, the Commission directs staff to prepare a final order for the next meeting of the Commission. The Commission will approve the final order when presented. The applicant will then sign and record a Building Site Improvement Agreement and obtain a building permit.

Yours truly,


Gary C. PetersonGCP:sdl
Enclosure

City of Medford

August 2, 1996

SITE PLAN AND ARCHITECTURAL COMMISSION REPORT**File No.:** AC-96-44**DRAFT****Applicant:** Medford Air Cargo/Burrill Real Estate
(Hardey Engineering, agent)**Request:** Consideration of plans for a 4800 square foot warehouse on a 0.80 acre site located at the Rogue Valley International - Medford Airport, approximately 500 feet south of the main terminal, within an I-L/A-A (Light Industrial/Airport Approach overlay) zoning district.

This project is subject to the development requirements of the Land Development Code and all ordinances of the City of Medford and has been found, subject to all applicable conditions, to be consistent with all requirements and criteria in Section 10.290. If approved, the project shall comply with the development requirements of the Land Development Code as well as the discretionary conditions of this report.

Background:

The subject site, like all other development within the airport property, is a leased site which will provide a public interface with the airport operations as delineated by the perimeter fence which surrounds the airport. Such an interface is typical of air freight/cargo operations where goods transfer from surface to air transport, and visa versa. The applicant proposes to redevelop an existing paved area adjoining the crash/rescue facility with a 4800 square foot warehouse to be developed in two, 2400 square foot phases. The applicant has indicated that the second phase is to include paving of an existing gravel area for improved truck access to the expanded facility.

SITE PLAN COMMENTS/RECOMMENDATIONSVehicular Access

The expanded paved access area identified with Phase 2 does not include a design that identifies points of access, method of on-site circulation, or the frontage landscaping that is anticipated along the current Bullock Road frontage. As paving of this area may not be necessary to serve the entire building, and since there is no proposed design for this area, the Commission may consider deleting this area from the current application. Paving of this approximate 10,000 square foot area would then be subject to a separate application and a specific design and requirements for frontage improvements would be reviewed at that time. Access to the proposed building will be provided over the existing paved driveway which previously served the crash/rescue facility. To prevent vehicular use of the unpaved area in the interim, it is recommended that a barrier be installed along the perimeter.

AC-96-44

August 2, 1996

Improvement of the airport access road serving this and adjoining airport facilities was constructed to within approximately 500 feet south of this site as part of the recent street construction that realigned Bullock Road to connect to Biddle Road at Lawnsdale Road to the west (per TF-95-1). The airport manager has requested that additional frontage improvements along the road be delayed as the ultimate alignment of this segment of the road has not been determined. It should be noted that the street access is a private road serving the airport facilities and the City Engineer has recommended that curb, gutter, and a 5-foot sidewalk be constructed across this frontage at the time of the paving of the existing gravel area.

Parking

The office/customer entrances are proposed at the south end of the building, therefore, it is necessary that the disabled person parking spaces be provided adjacent to the south portion of the building. One of the existing spaces at the crash/rescue building can be retained and properly designated for this purpose.

As four other existing parking spaces at the crash/rescue facility are to be displaced by the proposed building, a revised plan needs to identify a new location for these spaces.

Pedestrian Access

The applicant has proposed a 5-foot pedestrian walkway connection along the north side of the existing driveway which will ultimately connect this site to other facilities within the airport as the improvement of the above discussed private roadway occurs. It is recommended that the walkway be extended along the driveway to a point adjacent to the northwest corner of the subject (lease) site.

A pedestrian crossing/route from this walkway to the building leads to a blank wall between two loading doors. It is recommended that the route be relocated to lead to the office/customer doorway at the south corner of the building.

Miscellaneous

The Bear Creek Valley Sanitary Authority (BCVSA) has an existing manhole near the south project boundary. As the existing fence may be relocated, it has been requested that access to the manhole be maintained, including the provision of gates as needed.

Telephone service will be coordinated with the airport as part of the existing private system.

A 15-foot Public Utility Easement (PUE) is to be dedicated adjacent to Bullock Road or at an alternate location acceptable to all utility companies.

AC-96-44

August 2, 1996

STRUCTURE COMMENTS/RECOMMENDATIONS

The Commission may wish to consider a requirement to add a different material to the west (public) side of the building to provide some visual relief to the otherwise all metal structure. Such a treatment would be most appropriate around the office/customer entrances and windows at the south end of the building.

Action Taken:

Direct staff to prepare a final order for the next meeting for approval of AC-96-44 as per Commission Report dated August 2, 1996; including Exhibit "A" - Site Plan; Exhibit "B" - Elevations and Floor Plans; Exhibit "C" - Photo of Existing Landscaping; Exhibit "D" - Applicant's Questionnaire (Findings); Exhibit "E" - Special Report from the City Engineer dated July 17, 1996; Exhibit "F" - Letter from Bear Creek Valley Sanitary Authority (BCVSA) dated July 19, 1996; Exhibit "G" - Memo from Medford Water Commission dated July 12, 1996; Exhibit "H" - Letter from the Airport Director dated July 15, 1996; Exhibit "I" - Draft Copy of letter from the Airport Director dated June 12, 1996; Exhibit "J" - Memo from the Parks and Recreation Department dated July 16, 1996; and subject to the following discretionary conditions:

1. Prior to issuance of the first building permit, the applicant shall submit revised site and landscape plans showing:
 - a. The walkway extended to the northwest corner of the subject site adjacent to Bullock Road.
 - b. The type and location of a vehicular barrier to prevent use of the gravel area. Access to the BCVSA manhole shall be maintained. This gravel area is not considered as part of this project and a design for development of the area (i.e., paving, buildings, etc.) shall be subject to Site Plan and Architectural Commission review under separate application. Such future design shall include frontage landscaping, sidewalks, curbs, and other improvements associated with the adjoining private road.
 - c. The pedestrian route leading to the office/customer doorways at the south end of the building.
 - d. An upgrade of the existing landscaping along the north project boundary subject to Parks and Recreation Department review and approval.
2. Prior to issuance of the first building permit, the property owner shall sign and record with the Jackson County Clerk's office a Building Site Improvement Agreement, with the original returned to the Planning Department, specifying that the following items will be completed within six (6) months of the date of the agreement:

AC-96-44

August 2, 1996

- a. Install vehicle barrier per the approved plans.
- b. Mechanical equipment and trash/recyclables, or receptacle for same shall be screened from public view.

SITE PLAN AND ARCHITECTURAL COMMISSION

Robert J. Seibert, Chair

Scott Rogers, Secretary

SITE PLAN AND ARCHITECTURAL COMMISSION AGENDA: AUGUST 2, 1996

HARDY ENGINEERING & ASSOCIATES, INC.
HAE
1000 N. 10th St.
Medford, NJ 08055
Tel: 609-338-1100
Fax: 609-338-1101

MEDFORD AIR CARGO SITE PLAN



DATE: 08/09/96
DRAWN BY: [illegible]
CHECKED BY: [illegible]
SCALE: 1" = 100'
SHEET NO. 1 OF 1

PROJECT: MEDFORD AIR CARGO
DATE: 08/09/96
DRAWN BY: [illegible]
CHECKED BY: [illegible]
SCALE: 1" = 100'
SHEET NO. 1 OF 1



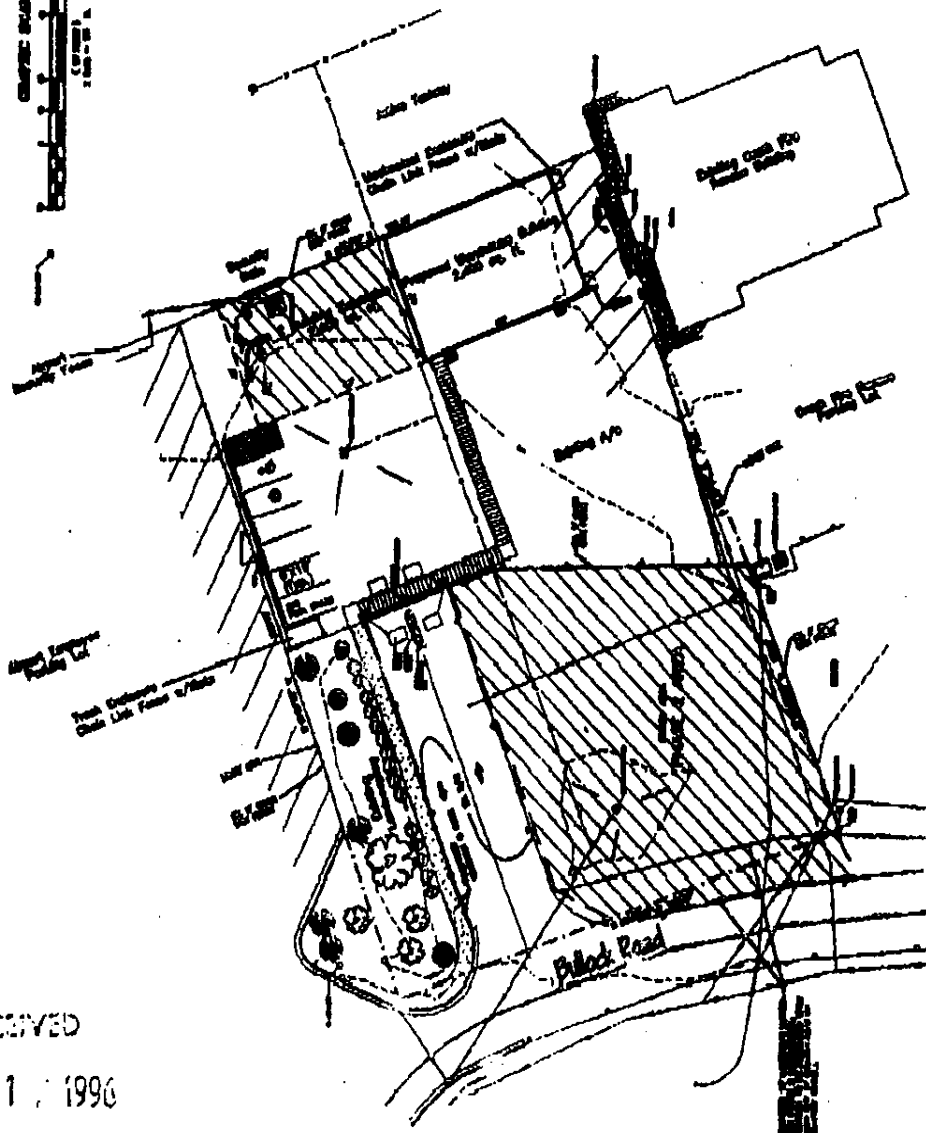
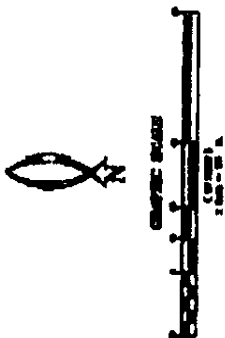
VICINITY MAP

CITY OF MEDFORD

EXHIBIT # A

to # PC-96-44

was Rec'd _____ By _____



RECEIVED

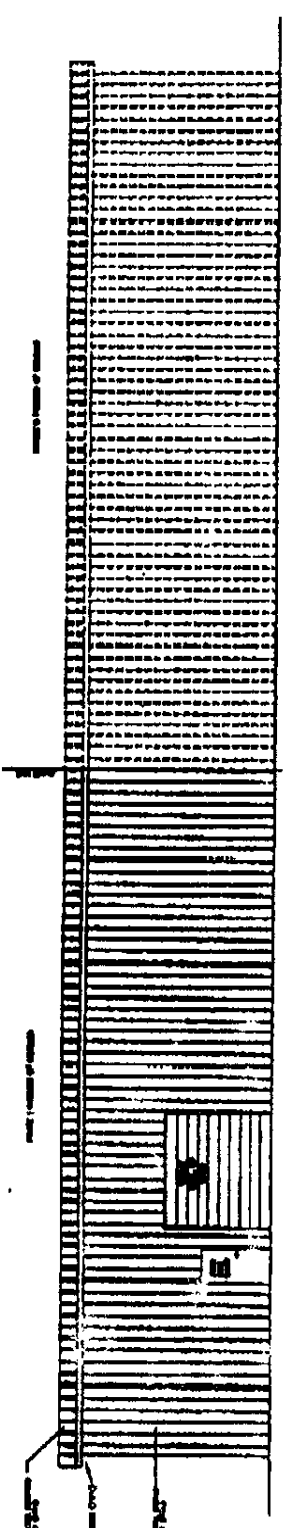
JUN 17 1996

PLANNING DEPT

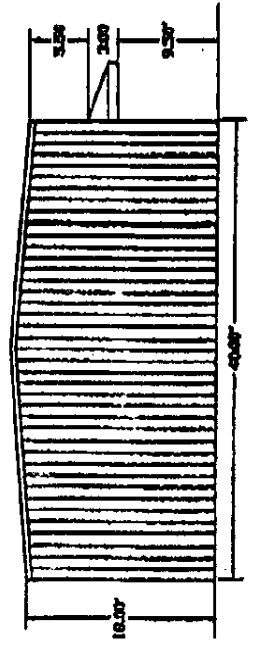
Hardy, Engineers & Architects, Inc.
 1111 W. 11th St.
 Oklahoma City, OK 73106
 (405) 233-7744

MEADOW AIR CARGO
ELEVATIONS
 MEADOW AIR CARGO
 SMALL TRAIL SERVICE

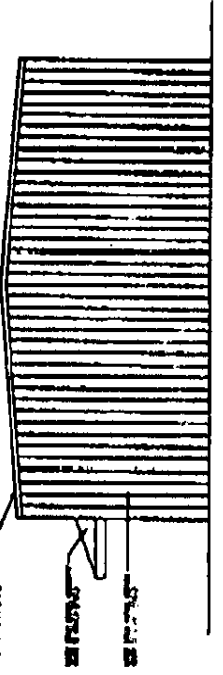
NO. 1
 1111 W. 11th St.
 Oklahoma City, OK 73106
 (405) 233-7744



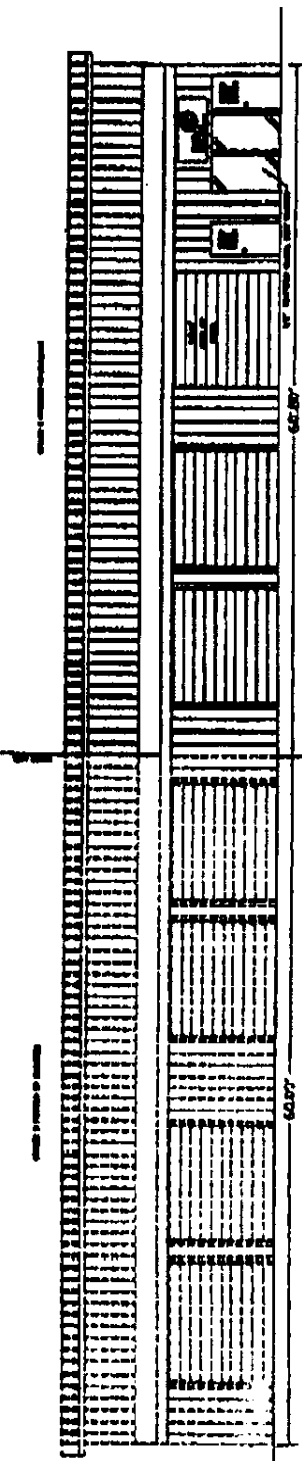
East Elevation



North Elevation



South Elevation



West Elevation

RECEIVED
 JUN 17 1996
 PLANNING DEPT

EXHIBIT # B
 *AC-96-44

FOSTER, PURDY, ALLAN, PETERSON & DAHLIN

Attorneys at Law
201 WEST MAIN STREET, SUITE 1A
P.O. BOX 1667
MEDFORD, OREGON 97501

TELEPHONE
(541) 770-5466

TELECOPIER
(541) 770-6502

JUDY A. LININGER
TRUST AND PROBATE
ADMINISTRATOR

STUART E. FOSTER
KAREN C. ALLAN
GARY C. PETERSON
LEWIS W. DAHLIN
GERALD M. SHEAN III
JASON M. ANDERSON

WILLIAM G. PURDY
OF COUNSEL

Telecopier No. (541) 770-6502

TO: Henry Liebman
COMPANY: Coe, Nordwall & Liebman
TELEFAX: (206) 625-9218
FROM: Gary C. Peterson
DATE: August 14, 1996 TIME: _____
RE: Minutes of Meeting
TOTAL PAGES SENT (INCLUDING THIS PAGE): 5

Fixed
Henry Liebman
The minutes are OK
Henry

[] AN ORIGINAL OF THIS TRANSMISSION IS BEING SENT TO THE ADDRESSEE BY MAIL

NOTICE TO RECIPIENT: The information contained in this telefax is intended only for the use of the individual or entity named above and may contain attorney privileged or confidential information. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone (collect calls will be accepted) and return the original message to us at the above address via the U.S. Postal Service.

IF THIS TRANSMISSION IS UNCLEAR OR MISSING PAGES,
PLEASE CALL US AS SOON AS POSSIBLE AT (541) 770-5466.

FOSTER, PURDY, ALLAN, PETERSON & DAHLIN

STUART R. MUSTER
KAREN C. ALLAN
GARY C. PETERSON
LEWIS W. DAHLIN
GERALD M. SIBAN III
JASON M. ANDERSON

Attorneys at Law
201 WEST MAIN STREET, SUITE 4A
P.O. BOX 1667
MEDFORD, OREGON 97501

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TELECOPIER
(541) 770-6502

WILLIAM G. PURDY
OF COUNSEL

JUDY A. LININGER
TRUST AND ESTATE
ADMINISTRATOR

August 14, 1996

VIA TELEFAX (206) 625-9218

Henry G. Liebman
Coe, Nordwall & Liebman
720 Olive Way, Suite 1300
Seattle, WA 98101-1812

Re: Minutes of Meeting

Dear Henry:

Enclosed are minutes for the July 29 meeting. If you have questions or concerns, please give me a call. Mike and Ralph have already approved them.

Yours truly,

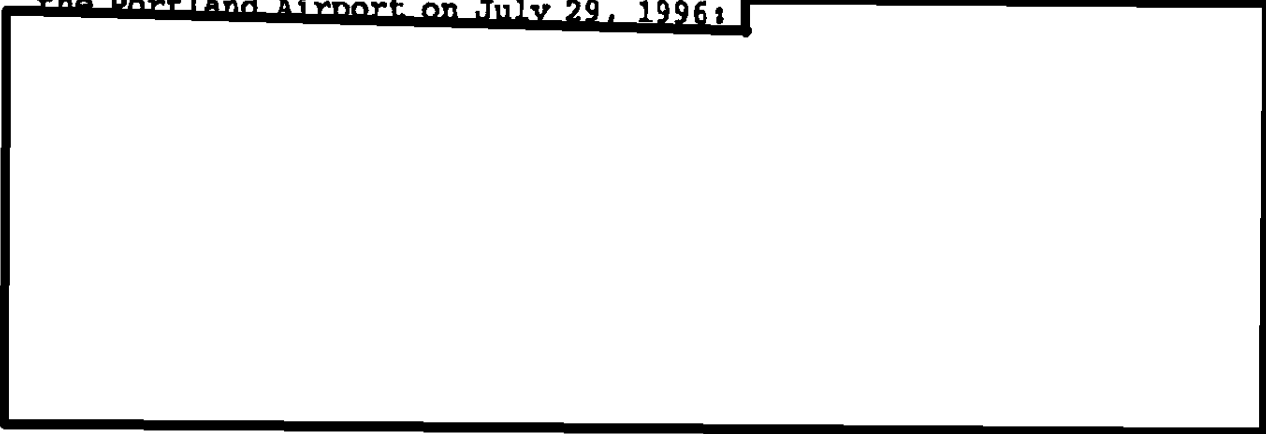

Gary C. Peterson

GCP:sdl
Enclosure
cc: Charles and Murial Wang

**MINUTES OF MEETING
RE: U.S. ALIEN IMMIGRANT INVESTMENT FUND
INVESTMENT IN MEDFORD-JACKSON FOREIGN TRADE ZONE**

The following individuals participated in a conference held at the Portland Airport on July 29, 1996:

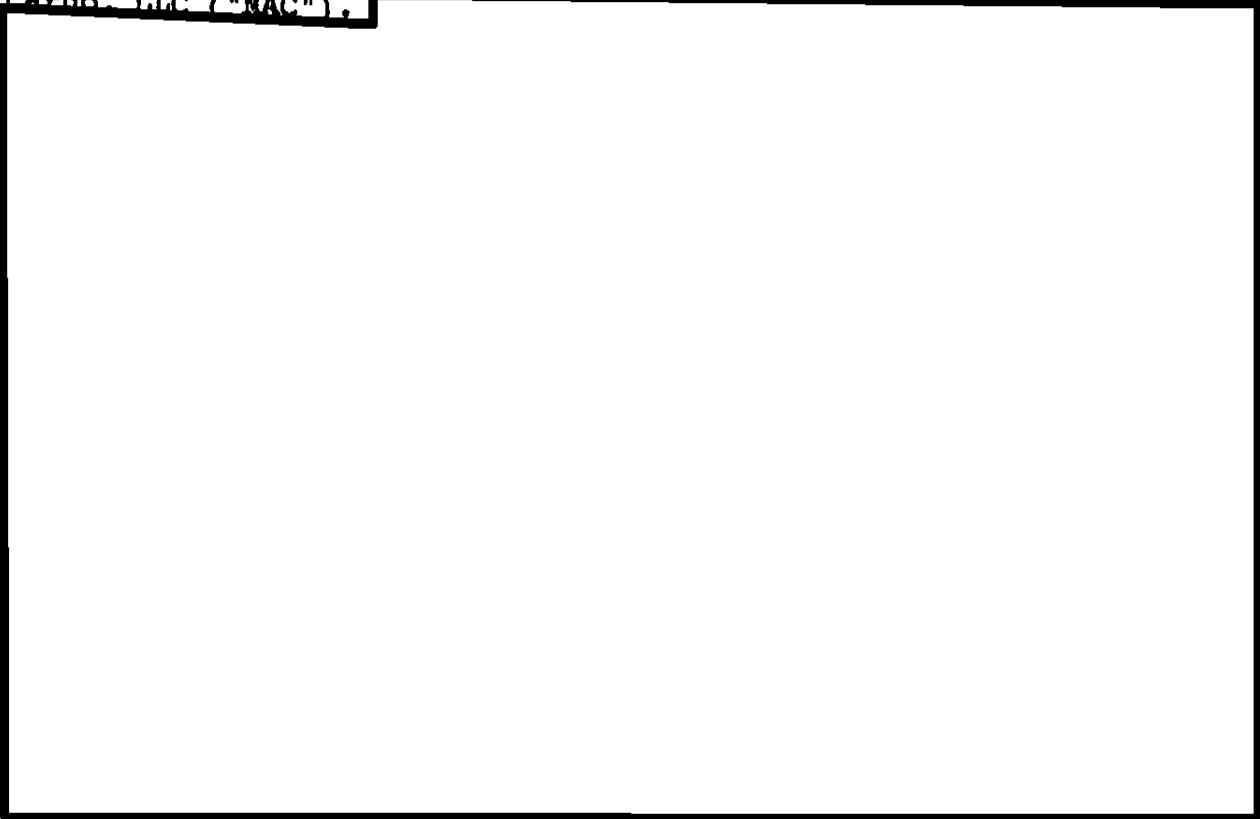
(b)(6)



The purpose of the meeting was to agree upon a format for proposed loans from an approved U.S. Alien Immigrant Investment Fund known as the Golden Rainbow Freedom Fund; to reach agreement on the terms of an initial loan for construction of an Air Cargo building at the Medford-Jackson County Foreign Trade Zone ("FTZ") and to establish a priority and framework for potential future loans. The Air Cargo building will be constructed by Medford Air Cargo, LLC ("MAC").

(b)(4)

(b)(6)



(b)(4)

(b)(4)

(b)(6)

The Economic Development Council of Seattle and King County
4511 Columbia Square Center
701 9th Avenue
Seattle, Washington 98104

Telephone: (206) 386-3040
Fax: (206) 386-1321
e-mail: edc@nwlink.com
www: <http://www.edcseas.org>

August 23, 1996

Michael Strauss
Adjudications/Pilot Program
Immigration and Naturalization Service
425 I Street N.W.
Washington, DC 20536

Dear Mr. Strauss:

I am writing this letter as an indication of the EDC's support of the Regional Center project proposed by the Golden Rainbow Freedom Fund and the Gateway Freedom Fund (Funds). The Economic Development Council of Seattle and King County is a non-profit organization charged with retaining and creating jobs in our county.

We have met with Mr. Liebman, President of the General Partner of the Funds, to develop a strategy utilizing the Pilot Program which will assist in the development of our county's Community Empowerment Zone (CEZ). This CEZ includes some of the most distressed areas in King County. While we cannot endorse any particular investment fund, we do encourage the idea of using the Pilot Program to revitalize economically depressed neighborhoods within our county.

A well managed, reputable investment fund that is willing to invest in economically distressed areas will be an excellent tool to assist us in accomplishing our mission. To that end, the Funds would be one of several financing options that will be on our referral list.

We understand that due to lack of details, this project was not initially approved by your office. It is now our understanding that sufficient details of the project have been provided. We hope this new data will permit you to approve a regional center for our area.

According to a variety of studies commissioned by the State of Washington and the City of Seattle, every export related job produces between three and eight additional jobs. We view the Funds as a novel source of financing and investment capital that will assist us with our goal of revitalizing the Community Empowerment Zone. For this reason we hope that you will approve this project under the Pilot Program. If you have any questions, please do not hesitate to contact me at (206) 386-7828.

Sincerely,



Deborah Knutson
Vice President

The Economic Development Council of Seattle & King County
2530 Columbia Street Center
701 5th Avenue
Seattle, Washington 98108

Telephone: 206.366.4048
Fax: 206.366.7827
E-mail: info@edcwa.com
Web: www.edcwa.org

Chairman
Vice Chairman
Secretary

Executive Director
Key Bank

Secretary
Paragon
Executive Secretary
King County Labor Council

Treasurer
PacifiCorp
PacifiCorp

City of Seattle
City of Seattle

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EDC OFFICERS & BOARD OF DIRECTORS

OFFICERS

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Clifford Scarbo
Executive Vice President
Seafirst Bank

Vice Chairman
Dale A. Winter
Executive Vice President CFO
Key Bank

Secretary
Ron Judd
Executive Secretary
King County Labor Council

Treasurer
Tina Pododowich
Member
Seattle City Council

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Industrial Markets closed	30-year Treasury Markets closed	vs. Japanese Yen Markets closed

BUSINESS

Moses Lake is set for takeoff

Airport gussied up in plan to draw business as international cargo hub

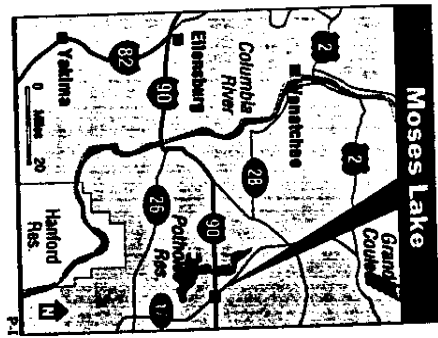
By BRUCE RAMSEY
 IN REPORTER

MOSES LAKE — The runway here is 2 1/4 miles long — longer than any other in the state of Washington. It's long enough to be certified for the space shuttle, though to the disappointment of local promoters the shuttle has never landed here. Since the military pulled out and ceded the former Larson Air Force Base to Grant County 30 years ago, the big runway has been woefully under-

used. Studies have come up with some bizarre ideas, even running a bullet train over the Cascades, and making Moses Lake the new airport for Seattle. That's not likely any decade soon. But a more modest venture is now taking shape: using the huge airport as a hub for cargo flights.

Some flights could come at the expense of Seattle-Tacoma International Airport, though David Bailey, the Moses Lake port's executive manager, says the amount would be so small that Sea-Tac "wouldn't even notice."

Other traffic would be hurt from Air-charge, where cargo planes from Asia now stop to refuel before heading to the Lower 48. The excursions then returning here, where East Coast and Midwest cargo could be transferred to other airplanes. West Coast cargo could be put on trucks, which can deliver cargo anywhere within the cost per mile. The port's revenue is contained in all in a study, which



Industry in Moses Lake is more than farming and French fries. For years, a former military air base has been subject to enterprising ideas, some verging on the ridiculous. Now there's a modest proposal that may make some progress in using the old facility. And other new ventures, including companies based in Sweden and Japan, have been attracted in the past decade and a half by cheap power, plentiful land, available labor and a freeway location just three hours from Seattle. Takata Moses Lake Inc. and Advanced Silicon Materials Inc. are two Moses Lake companies planning major expansion. Technically, they are quite different: one supplies the car industry, and the other computer chip makers. Both deal with materials extremely hazardous, are Japanese owned and export heavily to Asia.

It showed to the cargo carriers. Bailey said the carriers couldn't be persuaded by arguments on paper. "They said, 'You don't have the equipment.'"

The port went out and bought the equipment, paying \$300,000 for a scissors lift. Officials bought a new one "because we didn't want people to think we were chintzy," says industrial development manager Albert Anderson.

The port also bought new firetrucks suitable for the big Boeing 747-400s. It has attracted a U.S. Customs office. It has secured legal status as a foreign trade zone so re-exported items need not pay U.S. tariffs. It is finishing up a \$3.2 million air-control tower, courtesy of the Federal Aviation Administra-

tion, replacing a 1940s structure too short to allow controllers to see the full runway.

To replace a squat Air Force building the port is building a new 30,000-square-foot passenger terminal scheduled to open in October 1997. It is being financed by the port's first property-tax levy in 18 years.

In addition, the port has attracted a Tukwila real estate developer, AeroSpace Port International Group. Founded by John Chen, who immigrated from Taiwan in 1972, ASPI Group began with furniture stores and has since become a developer of residential and commercial real estate.

ASPI has bought 135 acres at the airport, including the 11 outdoor parking pads once used for B-52s, the Air Force's giant strategic bombers. In March, just three weeks after it filed the application, it got a building permit for a new air-cargo building.

Kim Foster, ASPI's counsel, says the building is financed and construction can begin in 30 days. It has been delayed to allow the building to be customized for two carriers, one in the domestic cargo trade and the other serving the Asian market. ASPI doesn't have a deal yet with either carrier.

See MOSES LAKE, Page B5



RODS OF SILICON ARE MADE IN BELL-JAR FURNACES AT ADVANCED SILICON MATERIALS INC. IN MOSES LAKE. THE PLANT PRODUCES ABOUT 10 PERCENT OF THE WORLD'S SUPPLY OF SILICON.

Silicon made for world's electronics

Moses Lake: Cargo hub plans

From Page B4

Foster said. Whether ASI lands such a deal is my no means assured. One obstacle to these plans is the air-cargo agreement between the United States and Japan.

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Using Moses Lake as a hub from Page B4

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The technology of making silicon has changed much less than computer chips, making his business more stable — though the costs to get in it are very high. Like six of the eight silicon producers worldwide, Advanced Silicon is expanding. Early next year, The Moses Lake operation will go

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Meanwhile, the immense runway wants under clear skies, surrounded by land plentiful and cheap. Boeing flies jets here — the 777 visited on its first day aloft — and Japan Air Lines trains pilots. Horizon Air serves this town of

from 1,200 metric tons per year to 2,100, for an investment of \$100 million. Employment will stay at 360, Warren says. The company is also building a \$500 million plant in Butte, Mont., to produce 4,000 metric tons per year.

The company had considered building the plant in Moses Lake or Spokane, but Montana Power offered comparable rates and the state offered tax-increment financing. Under that system, which is not allowed in Washington, 10 percent of the plant's costs are paid by its property taxes.

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Its immediate future is bright. In the past three years, silicon prices have increased 25 percent. Warren, 55, who spent most of his career in the steel industry in Ohio, says, "I don't see a downturn until after the year 2000."

American Airlines reaches deal with pilots union on contract

By MIKE DRAGO THE ASSOCIATED PRESS

FORT WORTH, Texas — As the nation celebrated Labor Day, American Airlines and its pilots' union reached a preliminary contract accord yesterday after more than two years of talks.

Allied Pilots Association officials will meet later this month to consider the proposed pact, which its leaders called a "very fair contract."

American officials did not divulge details of contract, and pilots association spokesman Gregg Overman did not return calls.

But American Pilots Association group President Jim Sovich praised the offer in a telephone hot-line message to pilots.

"In my opinion, it is a very fair contract that provides the pilot with the job security, pension security and compensation he and she needs in exchange for the productivity enhancements the company needs to compete."

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American pilots have been working under the terms of a contract that became amendable on Aug. 31, 1994, although negotiations on a new deal started two months before that.

"With this matter behind us, we can now focus our full attention on providing the outstanding service our customers expect," American Airlines President Don Carty said.

The union never set a strike deadline, but threats were thrown around earlier this year. The two sides used federal mediators to help resolve the strife. It was unclear what role, if any, the mediation played in the proposed settlement.

Issues in the talks included pay, job security and working conditions. Pilots also were seeking pay increases of 5 percent a year retroactive to Aug. 31, 1994. American had sought salary concessions, saying its costs were competitive, but dropped that demand during negotiations.

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"Fellow pilots, it has been a very long road," he said. "As your president, any shortcomings in this proposed contract should appropriately be laid at my door and not on others."

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The courses are convenient with

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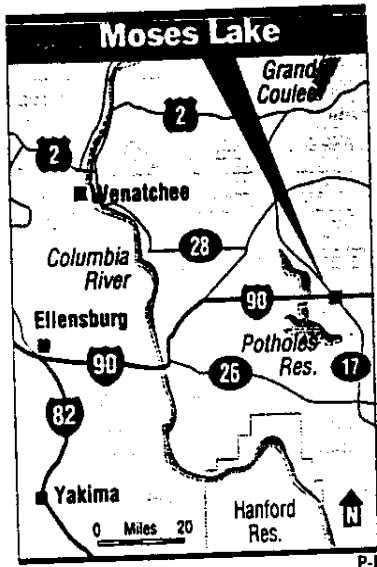
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See MOSES LAKE, Page B5



KUKI SMITH/PA PHOTOS

Rods of silicon are made in bell-jar furnaces at Advanced Silicon Materials Inc. in Moses Lake. The plant produces about 10 percent of the world's supply of silicon.

Silicon made for world's electronics

Training rigorous for hazardous process

By BRUCE RAMSEY
PI REPORTER

MOSES LAKE — Two rows of bell-jar furnaces extend nearly a quarter of a mile into the windowless chamber. Inside each is a rod of silicon at 800 degrees Celsius, glowing pink.

Over the course of 10 days, these rods absorb silicon atoms from surrounding silane gas, swelling from pencil-thin to 4 inches thick. Harvested and cooled, they are so pure that to touch them with a human hand is to instantly ruin them. Untouched, they sell to silicon wafer makers for \$85 per kilogram.

This plant, owned by Advanced Silicon Materials Inc., produces 10 percent to 12 percent of the world supply of silicon for the electronics industry, says manager Lyle Warren. Demand has been up 35 percent a year in the past three years and is now increasing at the rate of 18 percent annually.

"We are sold out through 1999," Warren says.

The company has a major expansion under way, but it has sold everything the expansion would produce through 1999, too.

Union Carbide Corp. built the plant in 1984, attracted to Moses Lake by the rock-bottom power costs at Grant County Public Utility District. Keeping silicon rods at 800 degrees Celsius takes 75 megawatts of power, the work of three turbines at one of the utility district's dams. Up to 30 percent of the plant's production cost is electric power.

The plant would cost \$400 million to replace at today's prices, Warren says. Carbide built it expecting the computer boom to push prices up and make it all pay off. "They were right, but they were off by about eight years," he says.

Carbide sold the plant in 1990 for less than 30 cents on the dollar. The buyer, Komatsu Electronic Materials, had been a

customer and had shut down a similar plant in Japan to rely on the one in Moses Lake. The buyer and its corporate parent, Komatsu Ltd., now own 90 percent of Advanced Silicon; the rest is held by Tokuyama, a Japanese chemical company.

Advanced Silicon's seven major competitors buy their feedstock from factories that produce silicone, the stuff used in bathtub sealant. Advanced Silicon produces its own feedstock, allowing it to create a premium-priced silicon "eleven-nines" (99.99999999 percent) pure, Warren says.

The silicon in computer chips comes from quartz rock (not sand) mined in West Virginia and Norway and processed there to 98.5 percent purity.

Advanced Silicon combines this with silicon tetrachloride to make trichlorosilane, which it refines into silane gas. The Moses Lake plant makes 80 percent of the world output of this gas, which is the stuff that goes into the bell-jar furnaces.

Many of these processes are extremely hazardous. Trichlorosilane produces hydrochloric acid in the lungs. Silane gas spontaneously explodes on contact with air.

"People know the risks," Warren says. Training is rigorous, and visitors are required to watch a safety video and leave matches and lighters at the reception desk. The last significant vapor release was in 1989, he says, and none of it reached the open air.

"This plant generates no hazardous wastes," he adds. "Everything we generate is a commercial product."

Domestic buyers of the silicon rods include Johnson Matthey in Spokane and SEH America in Vancouver, Wash. Sixty percent of the output is exported, mainly to

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— Lyle Warren, manager

See SILICON, Page B5

Moses Lake: Cargo hub plans

From Page B4

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But return cargo need not be local. It can be trucked in, opening up the interesting possibility of a new channel for moving many Pacific Northwest products overseas.

Meanwhile, the immense runway waits under clear skies, surrounded by land plentiful and cheap. Boozing flies jets here — the 777 visited on its first day aloft —

25,000 souls with a few flights by 1998.

The air-cargo idea is stuck at the chicken-and-egg stage: Carriers need at least three flights a week to consider Moses Lake, and probably more than one carrier needs to commit. "Nobody wants to be first," King says.

Yet the port has bet \$400,000 of realized earnings, plus several million dollars of federal money, that someone will be first.

ASPJ is betting heavily on Moses Lake. Besides its investment at the airport, it is developing a 42-lot subdivision a mile from the airport, waterfront condos in Moses Lake and 200 residential lots in nearby Ephrata. "Housing has been one of the missing pieces over there," Foster says.

The speed of developing the

Silicon: Operation will expand in '97

From Page B4

Europe and East Asia.

The wafer companies sell to the big chip makers such as Intel, Motorola and Micron. "We're two steps down the food chain," says Warren.

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Inflating air

bags means business in Moses Lake

Takata's employees make key explosive cartridges

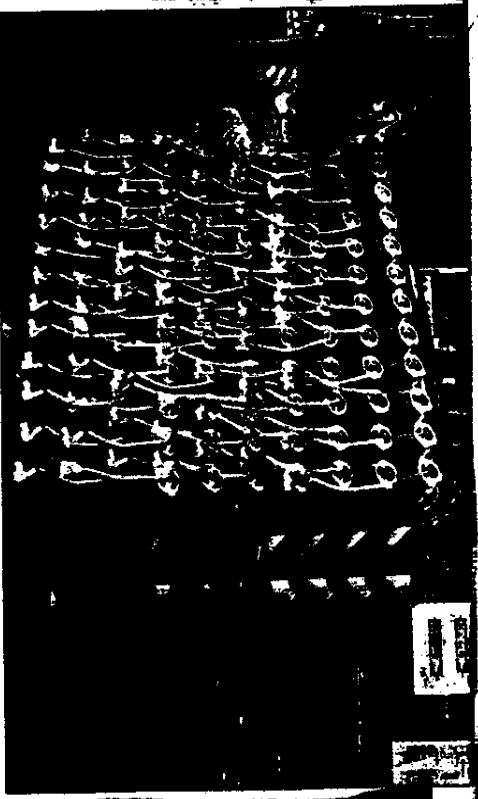
By BRUCE RAMSEY
N reporter

MOSES LAKE — Takata Moses Lake Inc. makes things that blow up. That's one reason it sits isolated on 375 acres.

Its product is the explosive cartridges that inflates the air bag in a car. The cartridge must be able to sit safely for years in a steering wheel, and on electronic command fill the bag safely in 50 milliseconds. If a car is in a fire but not a crash, a backup detonator inflates the bag so the cartridge doesn't turn into a grenade.

Manufacturing the explosive propellant is a delicate business, says Chief Operating Officer Jim Burdett. Workers rely behind a concrete wall — parts of it 3 1/4 feet thick — using video cameras and sensors. The walls are part of a five-sided cube, with a thin sixth side facing away from the workers and toward special barriers of wood. Twice the mixture has exploded, both times in 1983.

"Nobody was even scratched," Burdett says. Takata, a privately held company based in Tokyo, manufactures seat belts and air bags at factories in Asia, Europe and North America. It set up the Moses Lake operation in 1982 after it had worked on the technology there with Olin Aerospace of Redmond. Takata invested \$90 million in Moses Lake and employs 375 people making 2 tons of propellant and 8,000 cartridges per day.



Marlan Krawalis inspects gas cartridges before they are packed for shipping. Takata Moses Lake Inc. manufactures the explosive devices that inflate air bags in cars.

Takata claims about 10 percent of the air-bag market, selling mainly to Japanese automakers. Its Moses Lake plant exports 45 percent of its output, mainly to Asia, and will be exporting to Germany in the next six months, Burdett says.

The United States created the air-bag industry through regulation in 1990, by requiring passive restraints for car drivers. In 1983, for drivers of sport utility vehicles and light trucks; in 1994, for front-seat passengers in cars; and by 1998, for front-seat passengers in trucks. Europe and Asia have left these safety decisions more to the market, but demand for air bags is rising quickly, especially on expensive cars.

Takata began at Moses Lake by building passenger-side cartridges. These look like pipe bombs and are filled with sodium azide, a chemical toxic to handlers. "We have to take a lot of precautions," Burdett says.

Last year, Moses Lake began production of driver-side cartridges with a new explosive that's nontoxic and more environmentally friendly, Burdett says. It is also more powerful, which allows the cartridge to be as small as an English muffin.

Training rigorous for hazardous process

By BRUCE RAMSEY
N reporter

MOSES LAKE — Two rows of bell-jar boxes extend nearly a quarter of a mile the windows of a chamber. Inside each is a ball of silicon at 800 degrees Celsius, glowing.

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The company has a major expansion under way, but it has sold every-thing the expansion would produce through a subsidiary.

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silicon tetrachloride to make trichlorosilane, which it refines into silicon gas. The Moses Lake plant makes 80 percent of the world output of this gas, which is the stuff that goes into the bell-jar furnaces.

Warren says.

"People know the risks," Warren says. Training is rigorous, and visitors are required to watch a safety video and leave matches and lighters at the reception desk. The last significant vapor release was in 1989, he says, and none of it reached the open air.

"This plant generates no hazardous wastes," he adds. "Everything we generate is a commercial product."

Domestic buyers of the silicon rods include Johnson Matthey in Spokane and SEMI America in Vancouver, Wash. Sixty percent of the output is exported, mainly to

See SILICON, Page B5

If the tax man no longer cometh under Dole's plan, would you still pay up?

If income-tax collection were run on the honor system, how much would you decide to pay? Every dollar you owe? Part of what you owe? As little as you could get away with?

Those might be your options, unless Bob Dole is extraordinarily careful about his pledge to amend the IRS as we know it.

His notion is to eliminate tax returns for people who earn straight wages or salaries (no income from self-employment or other sources), receive \$250 or less in interest and dividend income and use the standard deduction. This primarily would be people with low and middle incomes.



Jane Bryant Quinn

Instead of filing out a return, you would arrange to have your full federal tax withheld

Without a return, the government can't tell if you've paid the right amount. It needs

optimistic man in America. Wage earners already pay most or all of their taxes through withholding. But that's no substitute for a tax return. Your company doesn't withhold exactly the right amount. So you need a return to calculate the tax, see if more money is due, or find out whether you are owed a refund.

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**FOREIGN EXPORTS
AND THE
WASHINGTON ECONOMY**

August 1987

By

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Prepared for
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Department of Trade and Economic Development
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PREFACE

In recognition of the importance of international trade to the Washington economy, this is the third study on the impact of foreign exports conducted by the Washington Department of Trade and Economic Development over a 14-year period. The first two studies were authored by Gary Vibber ("International Trade and the Washington State Economy, 1960-1972") and Dick Conway ("International Trade and the Washington State Economy: The Impact of Foreign Exports, 1963-1985") in 1974 and 1978, respectively.

As in the previous investigations, the focus of this study is on the role of foreign export activity in the state economy. There are two reasons for limiting the analysis to foreign exports. First, export activity, which brings money into the economy and creates jobs indirectly through a respending (multiplier) process, is a primary determinant of regional economic growth. Second, apart from a few exceptions, foreign imports do not play a similarly important role in creating jobs. In most instances, a curtailment of foreign imports would not reduce economic activity in the state since similar goods and services could be purchased in domestic markets, though perhaps at higher prices. However, excluding foreign imports from this analysis does not imply that they are unimportant to the economy. For example, without the ability of the aluminum industry to import bauxite from Australia, about 8,000 jobs in the state would be jeopardized. As a consequence of analyzing only foreign exports, the findings from this study tend to understate the impact of international trade on the Washington economy.

The author would like to express appreciation to the Washington State Department of Trade and Economic Development for sponsoring this study. This is the first opportunity to use the third version of the Washington Projection and Simulation Model, which was originally developed more than ten years ago at the University of Washington under contract to the Department of Trade and Economic Development. Special recognition goes to Bob Chase of the Development Services Division, who oversaw the project and provided counsel, and Steve Odom of the Domestic and International Trade Division, who supplied valuable detailed information on recent trade through Washington ports.

The author would also like to thank Professor Philip Bourque of the Graduate School of Business Administration, University of Washington, for conducting the 1982 state input-output study. Without his efforts in producing Washington's unique series of input-output tables, upon which the estimates of exports in this analysis are made, this study of foreign trade would not have been possible.

Richard S. Conway, Jr.
August 24, 1987

FOREIGN EXPORTS AND THE WASHINGTON ECONOMY

Executive Summary

1. INTRODUCTION

This study analyzes the role of international trade in the Washington State economy. Focusing on the impact of foreign exports, the investigation addresses four questions:

1. How does export activity affect the growth of regional economies like Washington State?
2. To what extent is the Washington economy dependent upon foreign exports?
3. What are the prospects for Washington foreign exports?
4. What are the implications for foreign trade policy?

2. EXPORTS AND ECONOMIC GROWTH

The ability of a region like Washington State to sell goods and services in markets beyond its borders is a key determinant of its economic growth and welfare. Without export activity, the regional economy would tend to be small, inefficient, and poor. The type and extent of export activity in Washington depend upon two fundamental factors: (1) the demand for goods and services in national and world markets; and (2) the ability of the state's export industries to produce and deliver those goods and services at competitive prices. Many of the forces that have a bearing upon the performance of Washington's export industries are beyond the control of the people and institutions of the state. On the other hand, there are factors affecting Washington's competitiveness, such as the productivity of its labor force and the efficiency of its transportation system, that to some extent can be influenced by the state.

Measured in 1982 dollars, total exports from Washington State (i.e., sales to foreign countries, the rest of the U.S., and the federal government) reached a new high of \$50.4 billion in 1985. Between 1960 and 1985, total exports nearly tripled, growing at an average annual rate of 4.1 percent. In response to the direct and indirect effects of export activity, Washington real personal income grew at nearly the same rate, averaging 3.9 percent per year during the 25-year period.

3. FOREIGN EXPORTS FROM WASHINGTON STATE

Washington foreign exports, which refer only to sales made outside the U.S., also attained a new high in 1985. The value of foreign sales in 1982 dollars was \$10.4 billion. On a per capita basis, foreign exports were more than twice as important to Washington as they were to the rest of the U.S. In 1985, per capita foreign exports in Washington amounted to \$2,352, compared to only \$1,100 in the U.S.

Although overseas markets have always been important to the Washington economy, foreign trade has grown at a particularly rapid rate during the past few decades. Between 1963 and 1985, the earliest and latest years for which there are reasonably accurate estimates, Washington foreign exports increased at an average rate of 7.7 percent. This rate was nearly one and one-half times the 5.3 percent growth rate for U.S. exports over the same period. Also, it was almost twice the expansion rate of total Washington out-of-state sales. As a consequence, foreign exports as a fraction of the state's total exports rose substantially, representing more than one-fifth of the total external trade in 1985, compared to less than one-tenth in 1963.

In 1985, as in 1963, agricultural commodities and processed food, forest products, and aircraft and parts accounted for about two-thirds of the total value of foreign sales. Services accounted for another one-sixth of the total, while other foreign exports of significance included chemical products, aluminum, industrial equipment, and scientific instruments.

Japan and Canada, which accounted for more than two-fifths of the \$13.2 billion of goods shipped through local ports, were Washington's two major trading partners, according to Washington Department of Trade and Economic Development estimates. The particular importance of Asia as a market for Washington producers is evident in the geographical distribution of sales for the state's principal exported goods. In 1985, virtually all of Washington's wheat, logs, and lumber were shipped to Asia. Even The Boeing Company, which sold commercial aircraft throughout the world, was highly dependent upon customers in Asia.

4. ECONOMIC IMPACT OF FOREIGN EXPORTS

The impact of foreign trade in Washington State extends beyond the businesses and workers directly involved in the production of exported goods and services. The Washington Projection and Simulation Model (WPSM), an interindustry econometric model, provides a means of measuring the direct and indirect impacts of foreign exports on the state economy.

One word of *caution* about the interpretation of the impact is in order. It is tempting to think of the export impact on, say, employment as the number of jobs that would be lost if foreign demand were to drop to zero. Although there would be substantial job losses, especially in the long run, the economy would make adjustments to mitigate the impact. For example, if there were a reduction in foreign exports, regional prices and wages would tend to decline, or at least not rise

as rapidly, which would, among other things, stimulate the local use of the commodities and labor formerly involved in foreign trade. The impact should therefore be interpreted only as the employment and income *related* to foreign exports *given* the structural conditions of the economy--its prices, interindustry relationships, productivity, wage rates--at a particular time.

Foreign exports in 1985 accounted for nearly 21 percent of the value of the state's total external trade. Export production directly involved 112,000 jobs, implying that about one out of every twenty workers in Washington State was producing a good or service sold abroad. About one-half of the foreign export jobs in 1985 were in manufacturing, with aerospace alone contributing more than one-fourth of the total. The rest of these jobs tended to be concentrated in agriculture, forest products, transportation services, and wholesale and retail trade.

Including the indirect impact, 415,000 jobs were related to foreign export activity in 1985, according to simulations with WPSM. Thus, slightly more than one in every six Washington jobs was directly or indirectly tied to the foreign sector. This compares with a ratio of just one in every twelve jobs as recently as 1963, illustrating the increasing importance of foreign markets over the past 25 years. The implied employment multiplier for foreign exports was 3.7, meaning that for every export job there were on average 2.7 supporting jobs elsewhere in the economy.

The greatest economic impact, which amounted to 141,000 jobs or seven percent of total state employment, stemmed from aircraft production for foreign markets. Directly and indirectly, overseas shipments of forest products accounted for three percent of Washington's total employment, while foreign exports of raw and processed agricultural commodities had a similar impact on the economy.

According to 1985 figures, the central Puget Sound region was somewhat more dependent upon international trade than the rest of the state. With 55 percent of the Washington population, the region accounted for 68 percent of the foreign exports. Aircraft and parts were the principal merchandise export. Logs, lumber, and paper products constituted about two-thirds of the value of foreign exports from the remaining counties in western Washington. Overall, this region accounted for 16 percent of Washington's foreign exports in 1985. Led by shipments of raw and processed agricultural products, eastern Washington also produced 16 percent of the state foreign exports.

5. PROSPECTS FOR FOREIGN EXPORTS

During the first half of the eighties, foreign exports from Washington State expanded at a relatively sluggish pace. The appreciation in the foreign exchange value of the dollar had a particularly devastating effect on foreign trade. Since 1985, however, the dollar has lost much of that strength.

Combined with the expansion of the world economy, the weakening dollar should lead to renewed growth in international trade. In Washington State, foreign exports

are expected to increase at about a six percent annual rate over the next ten years, close to their long-run growth rate. After adjustments for inflation, foreign sales in 1982 dollars will nearly double, rising from \$10.4 billion in 1985 to \$18.5 billion in 1995. As a consequence of this anticipated expansion, foreign export demand will continue to provide a major impetus to long-run growth in the Washington economy.

Since three-fifths of the foreign export volume are currently divided among aircraft, forest products, and agricultural goods, future expansion still largely depends upon the success of these products. In spite of competition from Airbus Industrie and the rejuvenated McDonnell Douglas Corporation, the long-run aircraft outlook is optimistic. Expectations for forest products are not as bright. Future expansion in this industry will stem not from the sales of logs, as in the past, but from pulp, paper, lumber, and other processed forest products. Processed goods rather than raw commodities will also provide most of the growth in the exports of agricultural products. Outside of Washington's major export categories, the future is less clear, especially for those industries whose overseas trade has only recently emerged. Included among these relatively small but fast growing exporting industries are chemical products, industrial machinery, electronics, and scientific instruments. In the service industries, trade and transportation should grow along with merchandise exports. In anticipation of the state continuing to grow as a center for international trade, other exported financial and business services are expected to climb at a somewhat faster rate than other foreign exports.

Looking at Washington's future trade with regions of the world, there will be little shift in its reliance on Pacific Rim nations, especially those in Asia. As in the past 25 years, Asia is expected to be the fastest growing market for U.S. goods and services. Japan, South Korea, Hong Kong, and Taiwan will remain Washington's major Asian customers. However, the People's Republic of China will also emerge as an important market.

6. POLICY IMPLICATIONS

Although current conditions indicate an upturn in foreign trade, the future is subject to the unforeseen consequences of several evolving factors. Of particular concern are the large U.S. trade deficit, the devaluation of the dollar, and the mounting pressure for protectionist measures exerted by some American producers.

From the standpoint of foreign trade policy, Washington is somewhat limited in what it can do. Most of the forces that have a bearing on international trade, such as world economic growth and trade barriers, can be affected only by the individual or collective actions of nations.

Nevertheless, there are important steps that the state can take in support of efforts to promote international trade. Foremost is the adoption of a strong position in favor of open markets. In the long run, all parties would stand to lose by actions designed to restrict trade, but the Washington economy, because of its strong foreign market orientation, would be one of the biggest losers. A second function of the state is to

facilitate the international flow of information about Washington's export possibilities. If buyers are not acquainted with Washington goods and services, these products will tend to be overlooked in the market place. Washington should also pursue measures that keep regional production and delivery costs as low as possible. Policies designed to maintain Washington's competitiveness should focus on investing in human resources and infrastructure. If such policies are implemented successfully, sales abroad will continue to be a source of economic well-being at home.

FOREIGN EXPORTS AND THE WASHINGTON ECONOMY

1. INTRODUCTION

With recent developments in foreign trade, especially the emergence of a large U.S. trade deficit, there have been renewed calls for federal legislation to protect domestic producers from outside competition. While some industries and regions may benefit from such a policy, it cannot be implemented without cost to others. In particular, any measure which restricts trade among nations will have severe adverse effects on industries and regions in the United States which strongly depend upon world markets for the sale of their goods and services.

This study analyzes the role of international trade in the Washington State economy. Focusing on the impact of foreign exports, the investigation addresses four questions:

1. How does export activity affect the growth of regional economies like Washington State?
2. To what extent is the Washington economy dependent upon foreign exports?
3. What are the prospects for Washington foreign exports?
4. What are the implications for foreign trade policy?

The report is divided into five parts. It begins with a discussion of the relationship between export activity and regional economic growth. The second section describes foreign export trade in Washington, measuring its growth over the past 25 years, evaluating the composition of exported goods and services, and identifying the state's major trading partners. The third part presents estimates of the impact of foreign exports on state employment and income. In the fourth section, the future of foreign trade and its effect on the Washington economy are discussed. The report closes by drawing from these findings some implications for foreign trade policy.

2. EXPORTS AND ECONOMIC GROWTH

Role of Exports

In the context of a regional economy like Washington State, exports are broadly defined to include the sales of locally produced goods and services to foreign markets, customers in the rest of the U.S., and the federal government.¹

¹The technical appendix provides additional information on the definitions, conventions, data, and methodology used in this study.

Accordingly, Washington exports from the aerospace industry, for example, encompass sales to foreign airlines, U.S. air carriers headquartered outside the state, and the military.

The ability of a region to sell goods and services in markets beyond its borders is a key determinant of its economic growth and welfare. Without export activity, the regional economy would tend to be small, inefficient, and poor. Since the lack of export income would preclude the purchase of imports, consumers would have access only to goods and services that could be produced within the area. For those products that were provided locally, markets would be of limited size and producers would be unable to take advantage of the efficiencies that accompany specialization and large-scale production. As a consequence, regional per capita income would be low and few people would choose to live and work in the region.

Of course, Washington State is not a self-contained economy. Exports of agricultural commodities and processed food, logs and lumber, pulp and paper products, primary metals, machinery, aircraft, and various commercial services provide income that has led to a sizable, broad-based, and complex economy. Even the jobs of the grocery clerk, the carpenter, and school teacher are dependent upon export activity, although the ties are not always apparent. Without the income from exports, there would be less demand for food and grocery stores; without export-producing employees and their families, there would be a smaller need for housing; and without the children of these families, there would be fewer schools.

Factors Affecting Competitiveness of Export Activity

The type and extent of export activity in Washington depend upon two fundamental factors: (1) the demand for goods and services in the national and world markets; and (2) the ability of the state's export industries to produce and deliver those goods and services at competitive prices.

Many of the forces that have a bearing upon the performance of Washington's export industries are beyond the control of the people and institutions of the state. For example, lumber and plywood exports to other areas of the U.S. depend upon the health of the national housing industry, whose cyclical behavior stems in part from fluctuating interest rates. Overseas sales of wheat are affected by world grain production, currency exchange rates, and foreign trade policies.

On the other hand, there are factors affecting Washington's competitiveness, such as the productivity of its labor force and the efficiency of its transportation system, that to some extent can be influenced by the state.

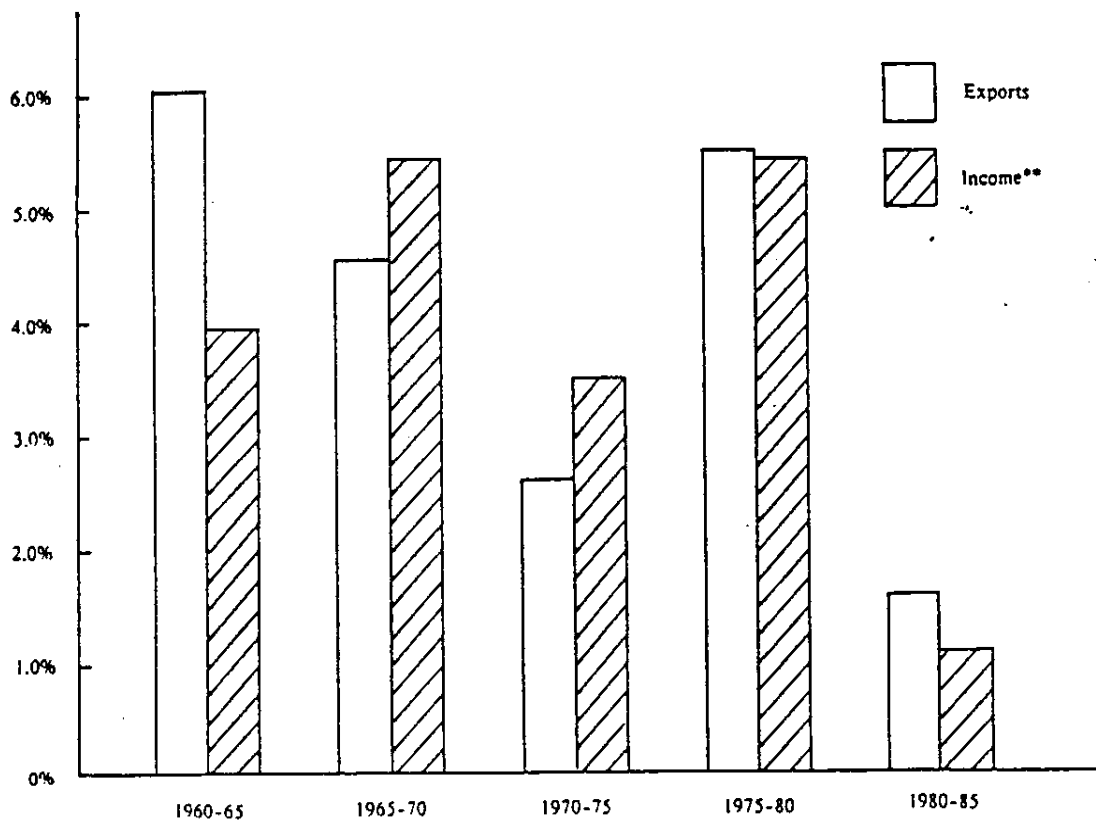
Factors that determine the competitiveness of Washington's export activity can be grouped into five general categories:

1. Labor force. Washington's most important economic resource is its people. If the state is to remain competitive in national and world markets, this must be achieved primarily through the industry and creativity of its workers. Typically, payments to labor constitute the major cost of production. While wage rates are relatively high in the state, this is not necessarily a stumbling block to export expansion. As long as Washington workers are more productive than workers elsewhere, businesses in the state can afford to pay higher wages and still not sacrifice their competitiveness in the market place.
2. Natural resources. Washington is blessed with an abundant supply of natural resources, which is reflected in the kind of products that it exports. More than two-fifths of the state are covered by forests. Washington possesses 16 million acres of farmland, of which 1.5 million acres are under irrigation. The state also has one-fourth of the nation's developed capacity for hydroelectric power, resulting in the cheapest electricity in the U.S.
3. Public services and costs. State and local governments are the primary institutions through which the people of Washington can affect the competitiveness of export activity. In this regard, the mission of the public sector includes providing high quality education, maintaining a good transportation system, fostering a healthy business climate, and keeping the cost of government services as low as possible.
4. Accessibility to markets. One factor over which Washington has little influence is its proximity to external markets. Customers that are far away from the point of production are difficult to serve at competitive prices because of the additional costs of transportation and marketing. From the standpoint of U.S. markets, the state is at a distinct competitive disadvantage. With the exception of Alaska and Hawaii, Washington is the farthest place from the national center of population. On the other hand, Washington is the closest mainland point to Asia.
5. Technology. Technological change takes several forms, including new products, more efficient production methods, and innovative management systems. No matter what advantages Washington has in other factors, without an advancing technology the state will ultimately find itself unable to compete in world markets.

Exports and Growth

Measured in 1982 dollars, total exports from Washington State (i.e., sales to foreign countries, the rest of the U.S., and the federal government) reached a new high of

Figure 1
WASHINGTON TOTAL EXPORTS AND PERSONAL INCOME, 1960-1985*
Average Annual Percent Change



*Measured in 1982 dollars.

**Source: U.S. Bureau of Economic Analysis

\$50.4 billion in 1985.² Between 1960 and 1985, total exports nearly tripled, growing at an average annual rate of 4.1 percent.

In spite of the healthy long-run growth, Washington's export expansion during the 25-year period proceeded at an uneven pace, as shown in Figure 1. In fact, the 1985 export level was only eight percent above the previous peak of \$46.5 billion in 1979. Led by a \$4.6 billion surge in aircraft sales by The Boeing Company, exports grew at a strong 5.5 percent average annual rate during the latter five years of the seventies. However, due to a severe national recession in 1982, the export growth rate between 1980 and 1985 was cut by more than one third.

The close relationship between out-of-state sales and personal income is also evident in Figure 1. Between 1960 and 1985, in response to the direct and indirect effects of export activity, Washington personal income, when adjusted for inflation, grew at nearly the same rate as total exports, averaging 3.9 percent per year. During the export expansion of the late seventies, income grew at a 5.4 percent rate. However, between 1980 and 1985, with the sharp slowdown in export activity because of the 1982 recession, the annual growth rate of Washington income dropped to 1.2 percent.

3. FOREIGN EXPORTS FROM WASHINGTON STATE

Past Trends and Current Situation

Washington foreign exports refer only to sales made outside the U.S. For purposes of this study, foreign exports more specifically include the following:

1. The value of goods and services (measured in producers' prices) produced in Washington and sold in foreign markets;
2. The value of trade and transportation services produced in Washington required for the distribution of exported merchandise to foreign markets;
3. The value of foreign tourist expenditures in Washington State.

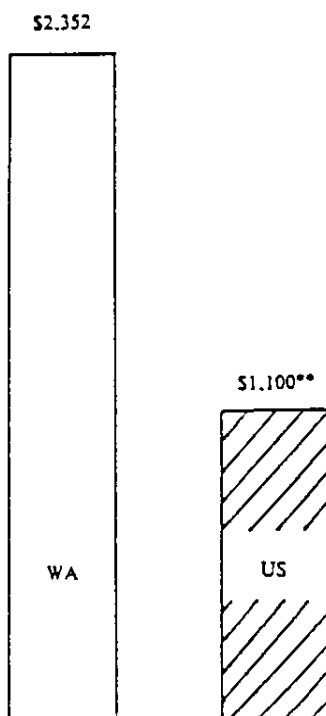
Washington foreign exports do not include the value of income received from investments abroad, income earned from royalties or license fees, or the value of goods and services purchased by the federal government and transferred or sold to foreign countries. Apart from these exclusions, the concept of foreign exports in this study is comparable to that in the national income and products accounts.

Foreign exports from Washington State also attained a new high in 1985. The value of foreign sales in 1982 dollars was \$10.4 billion. On a per capita basis, foreign

²Except where noted, this study is the source of the export estimates and related information given in this report. As discussed in the appendix, however, these estimates are in turn based on information from several primary data sources.

exports were more than twice as important to Washington as they were to the rest of the U.S. With 1.8 percent of the national population, Washington accounted for 3.9 percent of U.S. exports in 1985. Per capita foreign exports in Washington amounted to \$2,352, compared to only \$1,100 in the U.S.³

Figure 2
WASHINGTON AND U.S. FOREIGN EXPORTS, 1985*
1982 Dollars Per Capita



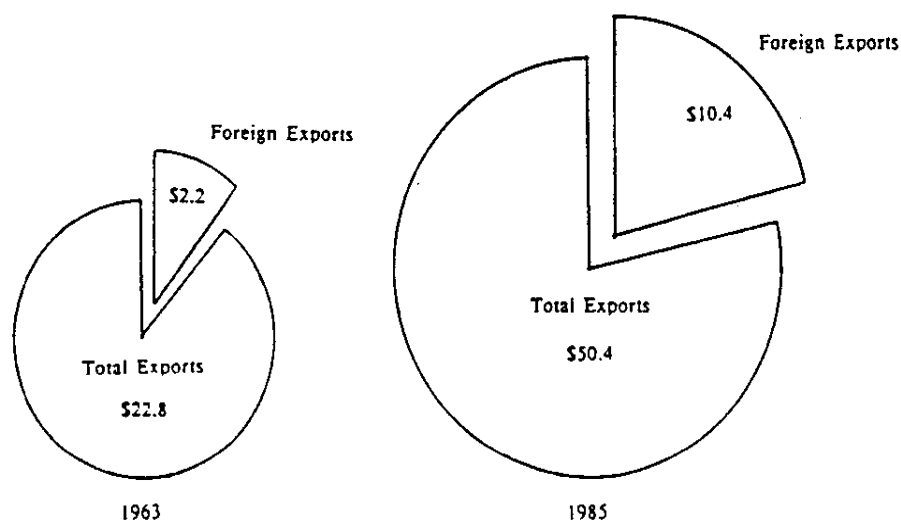
*Excludes income on assets, royalties and license fees, and government sales or transfers.

**Source: U.S. Bureau of Economic Analysis

³To make it comparable to the Washington figure, the estimate of U.S. per capita foreign exports also excludes income on foreign investments, royalties and license fees, and government transfers and sales.

Although overseas markets have always played a role in the Washington economy, even in the early days of statehood when lumber was being shipped to Asia, foreign trade has grown at a particularly rapid rate during the past few decades. Between 1963 and 1985, the earliest and latest years for which there are reasonably accurate estimates, Washington foreign exports in constant dollars grew at an average annual rate of 7.7 percent.⁴ This rate was nearly one and one-half times the U.S. export growth rate of 5.3 percent per year over that same period. It was also almost twice the pace of the expansion of total Washington out-of-state sales. As a consequence, foreign exports as a fraction of the state's total exports rose substantially during these years. In 1985, foreign exports represented more than one-fifth of Washington's total external sales, up from less than one-tenth in 1963 (Figure 3).

Figure 3
WASHINGTON TOTAL AND FOREIGN EXPORTS, 1963 AND 1985
Billions of 1982 Dollars



⁴For this study, Washington foreign exports have been estimated for 1963, 1967, 1972, 1977, 1982, and 1985. Four of these six years (1963, 1967, 1972, and 1982) correspond to the years of the Washington input-output studies, which are a principal source of data.

While the annual volume of Washington foreign exports increased nearly five-fold during the 22-year period, the rate of growth tended to decline over time (Table 1). After expanding at a 10.6 percent annual rate between 1963 and 1972, the growth rate fell to 5.6 percent between 1972 and 1982. During the last three-year period, foreign exports grew only 3.4 percent per year.

Table 1
GROWTH OF WASHINGTON FOREIGN EXPORTS, 1963-1985*

	Average Annual Percent Change					
	1963-85	1963-67	1967-72	1972-77	1977-82	1982-85
Resources	2.3	3.1	3.6	0.6	1.2	3.5
Manufacturing	8.4	17.1	9.3	3.4	8.8	3.5
Services	6.6	10.7	6.9	6.2	5.8	3.0
Total	7.3	13.7	8.2	3.6	7.7	3.4

*Measured in 1982 dollars.

Major Exports

Table 2 identifies the industry of origin of Washington's foreign exports in 1963, 1967, 1972, 1977, 1982, and 1985. Values are expressed in millions of 1982 dollars at producers' prices. In 1985, as in 1963, agricultural commodities and processed food, forest products, and aircraft and parts accounted for about two-thirds of the total value of foreign sales. Services accounted for another one-sixth of the total. Other foreign exports of significance included chemical products, aluminum, industrial equipment, and scientific instruments (classified under other manufacturing).

Aircraft and parts are Washington's leading export. In 1985, the aerospace industry accounted for more than two out of every five dollars of foreign sales, making it on this basis one and one-half times as important as it was in 1963 (Figure 4). Led by The Boeing Company, which is the nation's second-ranked exporting business, aerospace foreign exports increased nearly eight-fold during the 22-year period. This \$4.0 billion expansion of aircraft sales accounted for about one-half of the total increase in Washington foreign exports over that period.

Foreign shipments of forest products, when measured in constant dollars, increased 3.6 times during the 22-year period. In the earlier years, log exports to serve Japan's housing market accounted for most of the growth. However, log exports reached a peak of 2.2 billion board feet in 1979 and have remained well below that level since that time. As a consequence, in spite of significant gains in overseas lumber shipments, wood products exports failed to expand between 1972 and 1985. In contrast, foreign sales of pulp and paper rose more or less steadily over the entire period. This sector's performance in recent years is particularly noteworthy. Between 1982 and 1985, when Washington experienced generally weak overseas markets, foreign exports of paper products grew at a 7.1 percent annual rate.

Table 2

WASHINGTON FOREIGN EXPORTS BY SECTOR OF ORIGIN, 1963-1985

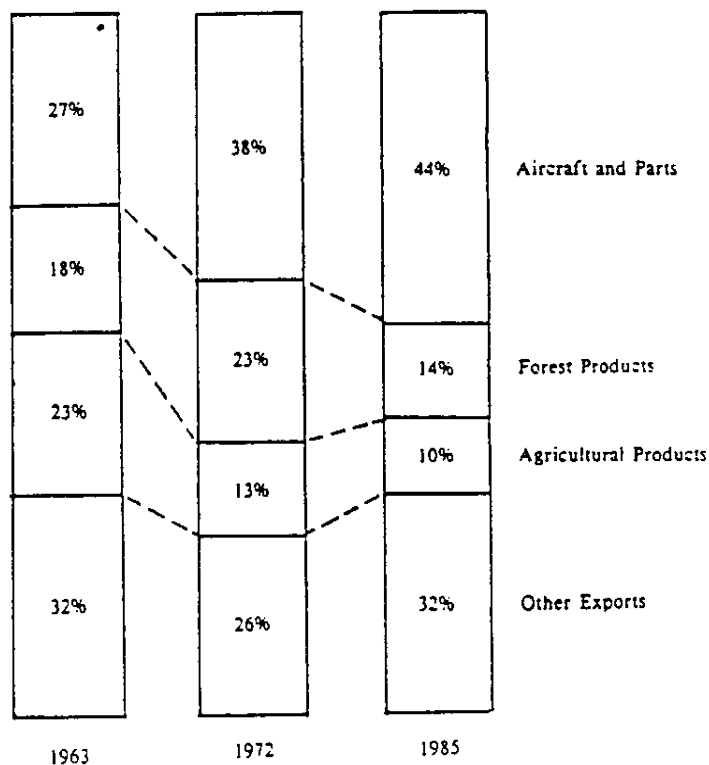
Millions of 1982 Dollars

	1963	1967	1972	1977	1982	1985
Resources	407	460	549	565	600	665
Agriculture	405	458	547	563	596	661
Other resources	2	2	2	2	4	4
Manufacturing	1,380	2,591	4,039	4,781	7,277	8,070
Food products	88	98	161	227	338	382
Wood products	233	535	941	869	912	941
Paper products	170	244	293	303	425	522
Chemical products	26	35	45	104	191	262
Petroleum products	12	18	182	126	143	199
Primary metals	189	185	207	151	148	124
Nonelectrical machinery	39	86	100	228	410	518
Electrical machinery	2	8	22	30	83	112
Aerospace	587	1,341	2,035	2,590	4,288	4,586
Other manufacturing	34	41	53	153	339	424
Services	398	598	834	1,129	1,495	1,634
Transportation services	176	246	316	444	535	574
Trade	172	285	424	501	712	784
Other services	50	67	94	184	248	276
Total	2,185	3,649	5,422	6,475	9,372	10,369

Foreign exports of raw and processed agricultural products also registered substantial gains, more than doubling between 1963 and 1985. Nevertheless, their relative share

of total foreign sales dropped. Soft white wheat, which is shipped principally to Asia, is the state's major exported agricultural commodity. In recent years, with substantial growth in the world's grain production, Washington wheat prices and production have declined. In 1985, for example, wheat production stood 26 percent below its record level of 173 million bushels established in 1983. Although the gain in the overseas sales of fruit, vegetables, and processed food has made up for these losses, agricultural products' share of total foreign exports has fallen from 23 percent in 1963 to 10 percent in 1985.

Figure 4
WASHINGTON FOREIGN EXPORTS, 1963, 1967, AND 1985
Percent of Total



The fourth major category of Washington foreign exports is services. Of the estimated \$1.6 billion in exported services in 1985, \$0.9 billion were for trade and transportation services associated with the foreign distribution of merchandise

produced in the state, \$0.2 billion were for foreign visitor expenditures in Washington, and \$0.5 billion were for miscellaneous transportation, trade, financial, and business services.⁵ Since a large part of these services is tied to the overseas shipment of goods, exported services grew more or less along with merchandise exports, averaging 6.6 percent per year between 1963 and 1985. Spending by foreign travellers to Washington increased at a 6.7 percent rate, rising from \$51 million in 1963 to \$213 million in 1985. Based on data from a 1983 survey conducted by the U.S. Travel Data Center, Washington currently accounts for about 1.6 percent of the spending made by the more than 20 million foreign visitors to the U.S. each year. While this percentage indicates that, relative to the size of the state's population, foreign travel expenditures are somewhat below the national average, Washington ranks tenth among the 50 states in foreign visitor spending, according to the U.S. Travel Data Center.

Table 3

**DESTINATION OF FOREIGN MERCHANDISE EXPORTS
SHIPPED THROUGH WASHINGTON PORTS, 1985**

Millions of Dollars and Percent of Total

	Foreign Exports	Percent
Japan	3,477	26.3
Canada	2,114	16.0
South Korea	1,021	7.7
United Kingdom	932	7.1
China	782	5.9
Taiwan	659	5.0
Australia	542	4.1
West Germany	526	4.0
Singapore	522	3.9
Hong Kong	417	3.2
Others	2,224	16.8
Total	13,216	100.0

Source: Washington State Department of Trade and
Economic Development

⁵ Of the estimates of foreign exports, those made for services are subject to the largest measurement errors. Refer to the appendix for a discussion of the methods for estimating the various components of exported services.

Trading Partners

Identification of the exact overseas destinations of Washington produced goods and services is difficult to make, but data compiled by the Washington Department of Trade and Economic Development give an indication. Table 3 shows exported merchandise by country of destination shipped through all Washington ports in 1985. In this instance, exports are valued in millions of 1985 dollars. Note that these export estimates include goods produced elsewhere but transshipped through the state as well as exclude some Washington goods shipped through ports outside the state.⁶ Thus, these merchandise export figures are not comparable to figures used elsewhere in this report.

Japan and Canada were Washington's two major trading partners, accounting for more than two-fifths of the \$13.2 billion of goods shipped through local ports in 1985. Indicative of the importance of the Pacific Rim region of the world to Washington international trade, eight of the ten countries listed in Table 3 are found in that region. Export trade to these eight countries totaled \$9.5 billion. With foreign exports totaling \$1.5 billion, the United Kingdom and West Germany were Washington's two principal European trading partners in that year.

The particular importance of Asia as a market for Washington producers is evident in Figure 5, which shows the geographical distribution of sales for the state's three principal exported goods. In 1985, as in the past, virtually all of Washington's wheat, logs, and lumber was shipped to Asia. Even The Boeing Company, which sold commercial aircraft throughout the world, was highly dependent upon customers in Asia. In 1985, more than one-half of the value of its exports were destined to that part of the world, according to the company's annual reports. During the past ten years, Asian airlines have accounted for about 40 percent of Boeing's foreign sales.

4. ECONOMIC IMPACT OF FOREIGN EXPORTS

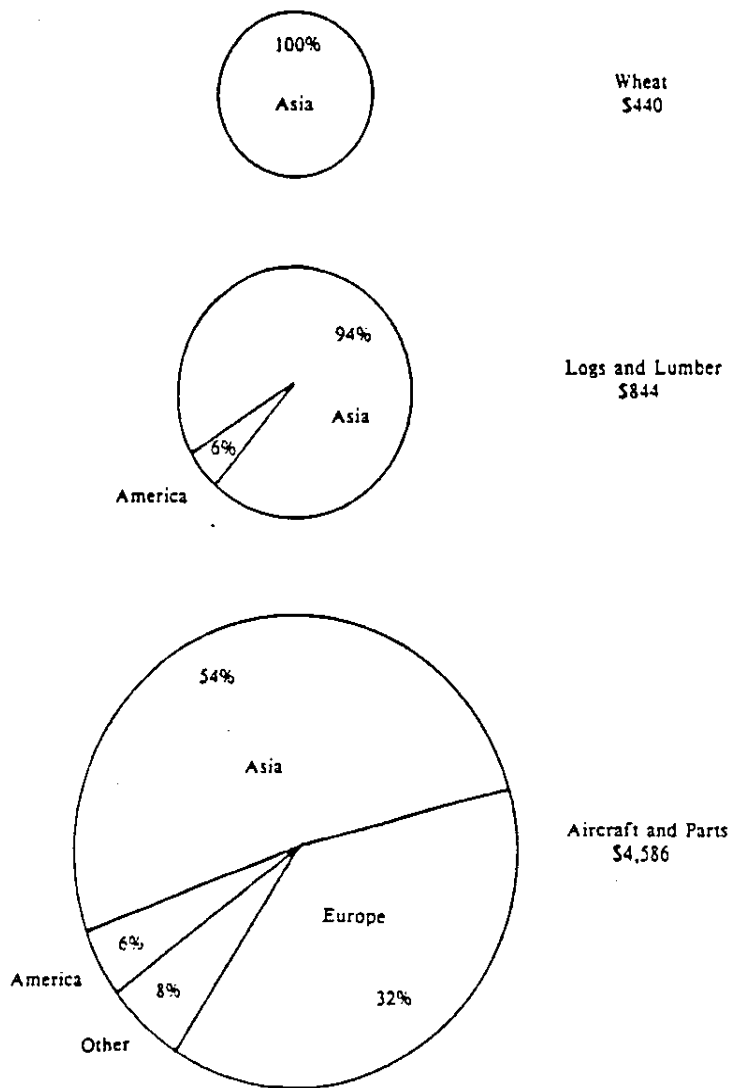
Comment on Impact Methodology

The demand for Washington produced goods and services by foreign buyers leads to a series of economic events that affects production, employment, and income throughout the structure of the state economy. For example, referring to Figure 6, the immediate impact of the growth of foreign aircraft sales is an increase in aerospace production, employment, and income. However, aerospace production also places demands on other regional sectors, such as machine tool shops, electronics firms, and financial institutions, to help supply the parts and services required to build the aircraft. Through the operation of their so-called backward linkages, these businesses in turn stimulate activity in other sectors of the economy. Simultaneously, the income earned by workers in aerospace and its supporting industries generates

⁶In particular, the figure for Canada overstates Washington's economic tie to its neighbor, since Washington ports act as a major channel for goods flowing north from the rest of the U.S.

Figure 5
WASHINGTON FOREIGN EXPORTS OF SELECTED MERCHANDISE
BY REGION OF DESTINATION, 1985

Millions of 1982 Dollars and Percent of Total

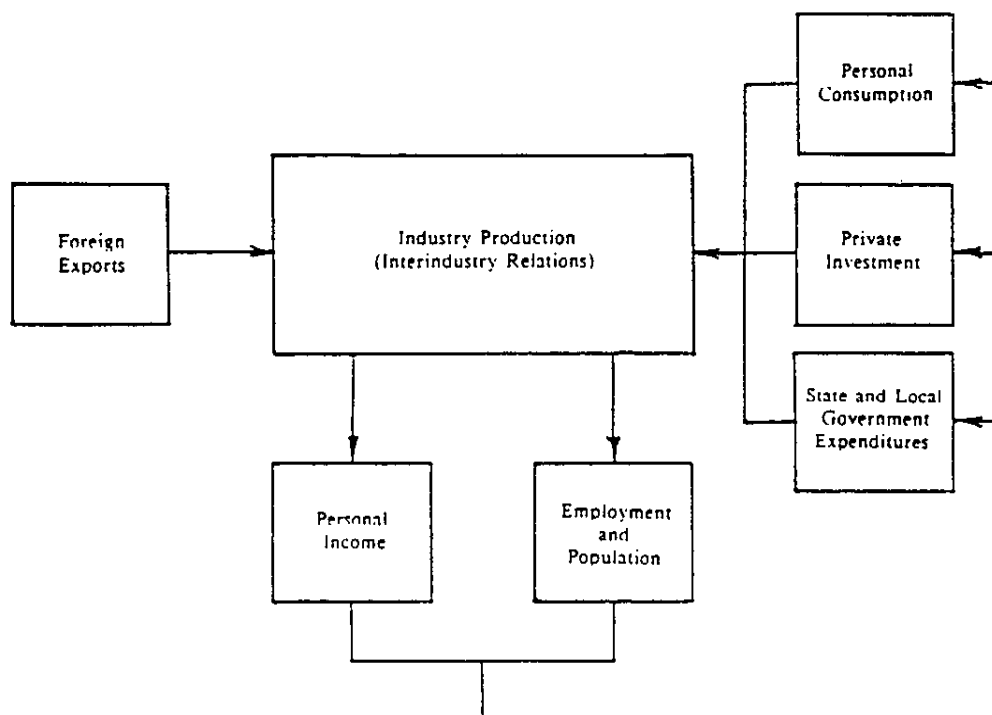


demands for consumer goods and services and the services of government, imparting yet another set of demands on the state economy. Finally, changes in production, income, and population result in the need for additional capital in the form of new commercial buildings, industrial equipment, houses, and schools, which induces production primarily in the construction and related industries.

The Washington Projection and Simulation Model (WPSM), an interindustry econometric model, is a means of measuring the total (direct and indirect) impact of foreign exports on the state economy. The impact estimating procedure is relatively straightforward. Using WPSM, the behavior of the economy is first simulated *with foreign export demand* to produce a baseline projection over a period of time. The simulation is then repeated but *without foreign export demand* to yield a conditional projection. The difference between the two projections is a measure of the total impact of foreign sales. Since WPSM is a comprehensive model, the economic impact can be expressed in terms of employment and income by industry, population, personal income, consumption expenditures, state and local government spending, and fixed investment, among other economic and demographic variables.

Figure 6

IMPACT OF FOREIGN EXPORTS ON WASHINGTON ECONOMY



One word of *caution* about the interpretation of the impact is in order. It is tempting to think of the export impact on, say, employment as the number of jobs that would be lost if foreign demand were to drop to zero. Although there would be substantial job losses, especially in the long run, the economy would make adjustments to mitigate the impact. For example, if there were a reduction in foreign exports, regional prices and wages would tend to decline, or at least not rise as rapidly, which would, among other things, stimulate the local use of the commodities and labor formerly involved in foreign trade. The impact should therefore be interpreted only as the employment and income *related* to foreign exports *given* the structural conditions of the economy--its prices, interindustry relationships, productivity, wage rates--at a particular time.

Impact of Foreign Exports

Results from the WPSM simulation of the impact of total foreign exports on selected Washington economic variables for 1985 are reported in Table 4. Measured in 1982 dollars, foreign exports valued at \$10.4 billion accounted for nearly 21 percent of the state's total external trade. Activity in this sector directly and indirectly supported about 18 percent of Washington employment. Its relative impact on Gross State Product, personal income, consumer spending, investment, and state and local expenditures was about the same, according to WPSM.

Table 5 shows Washington employment by sector related to foreign exports. Export production in 1985 directly involved 112,000 jobs, which earned \$2.6 billion in labor and proprietors' income. This indicates that about one out of every twenty workers in Washington State was producing a good or service sold abroad. About one-half of the direct foreign export jobs in 1985 were in manufacturing, with aerospace alone contributing more than one-fourth of the direct foreign export jobs. The rest of the direct jobs tended to be concentrated in agriculture, forest products, transportation services, and trade.

Including the indirect impact, 415,000 jobs with earnings of \$7.3 billion were related to foreign export activity in 1985. Thus, slightly more than one in every six Washington jobs was directly or indirectly tied to the foreign export sector. This compares with a ratio of just one in every twelve jobs as recently as 1963, illustrating the increasing importance of foreign markets over the past 25 years. The implied employment multiplier for foreign exports was 3.7 ($=415/112$), meaning that for every export job there were on average 2.7 supporting jobs elsewhere in the economy.

When the indirect industrial production and labor requirements and the induced income effects of foreign sales are fully tabulated, the impact on jobs becomes more diffused throughout the economy. Whereas about two-thirds of the direct export employment was found in either the resources or manufacturing industries, 90 percent of the indirect jobs fell in services or state and local government. Directly and indirectly, foreign sales in 1985 accounted for 23 percent of the employment in resources, 25 percent in manufacturing, 19 percent in services, and 11 percent in government.

Table 4

IMPACT OF TOTAL FOREIGN EXPORTS ON WASHINGTON ECONOMY, 1985

	1985 Actual	Without Foreign Exports	Difference	Percent Difference
Total exports (\$82 mil.)	50,394	40,025	10,369	20.6
Employment (thous.)	2,289	1,874	415	18.1
Persons employed (thous.)	1,933	1,573	360	18.6
Population (thous.)	4,409	3,764	645	14.6
Earnings (\$82 mil.)	38,589	31,253	7,336	19.0
Personal income (\$82 mil.)	54,777	45,499	9,278	16.9
Per capita income (\$82)	12,424	12,114	310	2.5
Gross State Product (\$82 mil.)	63,874	51,610	12,264	19.2
Personal consumption (\$82 mil.)	42,427	35,314	7,113	16.8
Investment (\$82 mil.)	10,862	8,955	1,907	17.6
State and local expenditures (\$82 mil.)	9,515	7,862	1,653	17.4

Impact of Selected Foreign Exports

The employment impacts of selected foreign exports are shown in Table 6. The direct employment impacts include the services of the transportation and trade industries required to distribute the goods in foreign markets.

1. Agriculture and processed food. Foreign shipments of agricultural commodities and processed food valued at \$1.0 billion (1982 dollars) directly accounted for 16,000 jobs and \$186 million of earnings in agriculture and food products in 1985. Another 5,000 Washington workers with earnings of \$78 million were required in transportation services and trade to deliver those products overseas. Counting the indirect effects, the total impact of food foreign exports amounted to 63,000 jobs and \$910 million of income. These figures represented nearly three percent of the state's totals. The implied employment multiplier for agriculture and processed food exports was 3.0 (=63/21).
2. Forest products. With foreign sales of \$1.5 billion, export employment directly involved in the production and shipment of forest products amounted to 18,000 jobs and \$0.4 billion of earnings. The total employment and income impacts were 73,000 jobs and \$1.3 billion, respectively, representing slightly more than three percent of Washington's employment and income in 1985. The forest products employment multiplier in this case was 4.1 (=73/18).

Table 5

WASHINGTON EMPLOYMENT RELATED TO TOTAL FOREIGN EXPORTS, 1985

Thousands of Jobs

	Direct	Indirect	Total	Percent of Total Jobs in Sector
Resources	14	9	23	22.8
Agriculture	14	8	22	28.3
Other resources	*	1	1	2.5
Manufacturing	57	20	77	25.1
Food products	2	3	5	15.0
Wood products	9	3	12	30.2
Paper products	3	1	4	21.5
Chemical products	1	2	3	26.9
Petroleum products	*	*	*	13.0
Primary metals	1	*	1	7.5
Nonelectrical machinery	4	1	5	29.5
Electrical machinery	1	1	2	15.9
Aerospace	30	1	31	40.2
Other manufacturing	6	8	14	17.3
Services	41	230	271	18.5
Transportation services	9	6	15	21.4
Trade	24	68	92	18.8
Other services	8	156	164	18.1
Government	0	44	44	10.6
Total	112	303	415	18.1

*Less than 500.

Table 6
 WASHINGTON EMPLOYMENT RELATED TO SELECTED
 FOREIGN EXPORTS, 1985

Thousands of Jobs

	Direct	Indirect	Total	Percent of Total Jobs in Sector
Agriculture and processed food				
Agriculture	14	5	19	25.0
Other resources	0	*	*	0.3
Food products	2	1	3	9.6
Other manufacturing	0	1	1	0.4
Transportation services	1	1	2	2.8
Trade	4	9	13	2.7
Other services	0	19	19	2.1
Government	0	6	6	1.4
Total	21	42	63	2.8
Forest products				
Resources	0	1	1	1.0
Wood products	9	2	11	28.2
Paper products	3	*	3	17.6
Other manufacturing	0	3	3	1.2
Transportation services	1	2	3	4.2
Trade	5	12	17	3.5
Other services	0	28	28	3.1
Government	0	7	7	1.7
Total	18	55	73	3.2
Aircraft				
Resources	0	1	1	1.0
Aerospace	30	1	31	40.7
Other manufacturing	0	5	5	2.2
Transportation services	*	3	3	4.4
Trade	4	28	32	6.6
Other services	0	55	55	6.1
Government	0	15	15	3.6
Total	34	107	141	6.3

*Less than 500.

3. Aircraft and parts. The greatest impact in the foreign trade sector emanated from aircraft production, which directly employed 34,000 workers with a combined income of \$1.2 billion. Taking into account the indirect effects, the total impact was 141,000 jobs and \$2.8 billion of earnings or about seven percent of the state totals. The implied employment multiplier was also 4.1 (=141/34).

Impact on Regions

At the risk of oversimplification, Washington can be divided into three distinct economic regions: the agricultural area east of the Cascade Mountains; the timber counties concentrated in rural western Washington; and the central Puget Sound metropolitan region. As shown in Figure 7, goods and services for foreign markets are produced in each of these regions:

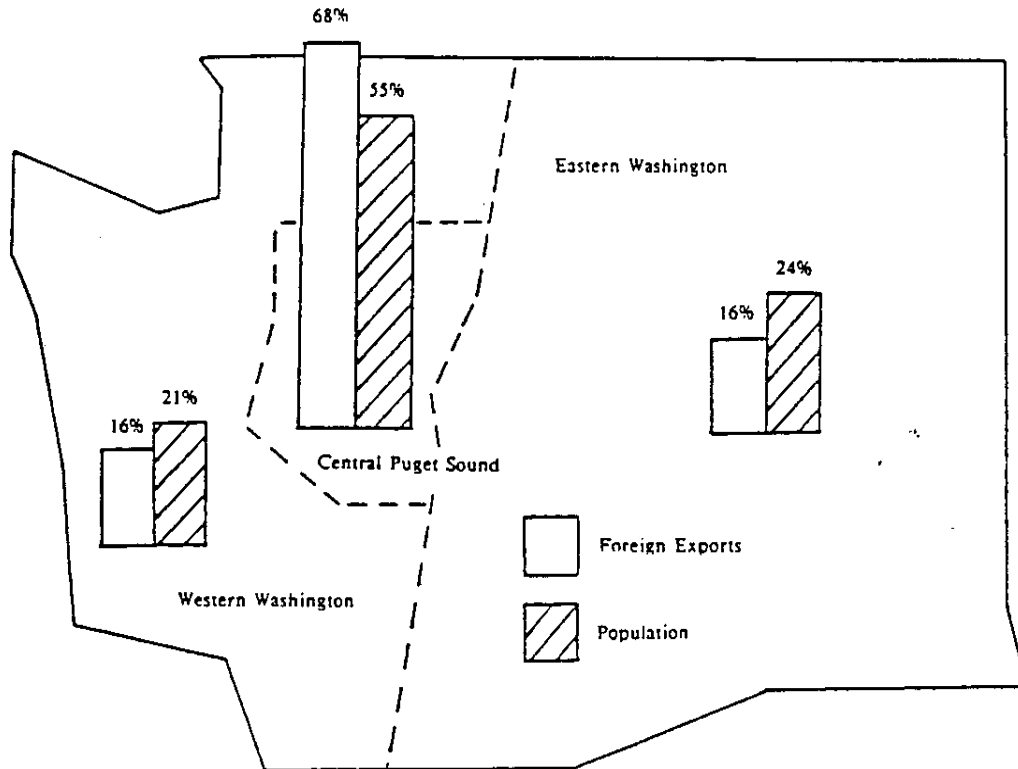
1. Central Puget Sound Region. The central Puget Sound region, which includes King, Pierce, Snohomish, and Kitsap counties, is somewhat more dependent upon international trade than the rest of the state. With 55 percent of the Washington population, the central Puget Sound region accounted for 68 percent of the foreign exports in 1985. Aircraft and parts, which had a total value of \$4.6 billion, was the principal merchandise export. Other major exports included machinery, forest products, and processed food. The four-county region was also the center for exported services and a primary destination for foreign visitors.
2. Western Washington. Logs, lumber, and paper products constituted about two-thirds of the \$1.5 billion in foreign exports from the remaining counties in western Washington in 1985. Other exports of significance included petroleum, machinery, and various services involved with the movement of these goods to overseas markets. Overall, this region accounted for 16 percent of Washington's foreign exports.
3. Eastern Washington. Eastern Washington's foreign exports also made up 16 percent of the state total in 1985. Raw and processed agricultural exports, led by shipments of wheat, totaled \$0.9 billion. The eastern region also exported chemical products (e.g, fertilizers), aluminum, and machinery.

5. PROSPECTS FOR FOREIGN EXPORTS

Next Ten Years

During the first half of the eighties, foreign exports from Washington State expanded at a relatively sluggish pace, averaging 3.4 percent per year between 1982 and 1985. While the state performed much better than the rest of the U.S., which actually

Figure 7
 WASHINGTON FOREIGN EXPORTS BY REGION, 1985
 Percent of Total



witnessed a modest decline in exports, the growth rate was well below the 7.3 percent rate that prevailed in Washington between 1963 and 1985.

The slowdown in international trade was caused by two factors: (1) little growth in the world economy, especially in Canada and Europe; and (2) the high foreign exchange value of the dollar, which made U.S. produced goods and services relatively expensive in foreign markets. The appreciation in the dollar's value had a particularly devastating effect on U.S. exports. Between 1980 and 1985, the value of the dollar against a representative "basket" of the nation's trading partners' currencies rose 40 percent.⁷ As a consequence, during that five-year period, exports as a share of U.S. Gross National Product dropped from 12.8 percent to 9.3 percent, while the current account balance of trade fell from a surplus of \$2 billion to a deficit of \$118 billion.

⁷The index to which this statement refers is a trade-weighted U.S. dollar exchange rate used by Data Resources, Inc., for forecasting and analysis.

Since 1985, however, the dollar has lost much of that strength. In 1986, the value of the dollar decreased nearly 17 percent against other currencies, and forecasters foresee a similar decline in 1987. Thus, by the end of 1987, the dollar exchange rate will probably be back in the neighborhood of its 1980 low.

Combined with the expansion of the world economy, the weakening dollar should lead to renewed growth in international trade. In Washington State, the forecast for the next ten years calls for a substantial rebound in foreign exports, with growth returning close to its long-run growth rate.⁸ As shown in Table 7, Washington

Table 7
FORECASTS OF WASHINGTON FOREIGN EXPORTS
BY SECTOR OF ORIGIN, 1985-1995

Millions of 1982 Dollars

	1985	1995	Average Annual Percent Change
Resources	665	905	3.1
Agriculture	661	897	3.1
Other resources	4	8	7.2
Manufacturing	8,070	14,693	6.2
Food products	382	817	7.9
Wood products	941	1,302	3.3
Paper products	522	935	6.0
Chemical products	262	698	10.3
Petroleum products	199	289	3.8
Primary metals	124	157	2.4
Nonelectrical machinery	518	1,150	8.3
Electrical machinery	112	336	11.6
Aerospace	4,586	7,889	5.6
Other manufacturing	424	1,120	10.2
Services	1,634	2,925	6.0
Transportation services	574	990	5.6
Trade	784	1,417	6.1
Other services	276	518	6.5
Total	10,369	18,523	6.0

⁸The forecasts presented here are based on three considerations: (1) past trends; (2) the U.S. long-term outlook for foreign trade as reported by Data Resources, Inc.; and (3) anecdotal information from various reports and discussions with industry experts. Having not been prepared with formal forecasting techniques, these projections should not be attributed undue precision.

foreign exports are expected to increase at about a six percent average annual rate. After adjustments for inflation, foreign sales of Washington produced goods and services will nearly double, rising from \$10.4 billion in 1985 to \$18.5 billion in 1995.

Foreign export demand will continue to provide a major impetus to long-run growth in Washington. Based on current forecasts produced by the Washington Projection and Simulation Model, foreign exports will grow at about twice the rate of Washington's total exports. By 1995, foreign markets will account for about one-fourth of the state's external sales, compared to one-fifth in 1985. As a consequence, Washington employment directly and indirectly supported by sales abroad will probably rise to about one out of every five jobs.

Products

Since three-fifths of the foreign export volume are currently divided among aircraft, forest products, and agricultural goods, future expansion still largely depends upon the success of these products. In spite of competition from Airbus Industrie, the European aircraft manufacturing consortium, and the rejuvenated McDonnell Douglas Corporation, the long-run aircraft outlook is optimistic. World air passenger traffic growth and airplane replacement demand over the next ten years are forecast to lead to new aircraft sales totaling \$150 billion in 1982 dollars. With its continued emphasis on offering a family of airplanes and its improved competitive position because of the weakening dollar, the Boeing Company is expected to capture a sizable share of this market. Foreign aircraft deliveries are forecast to grow at an annual rate in excess of five percent, with the volume approaching \$8.0 billion by 1995.

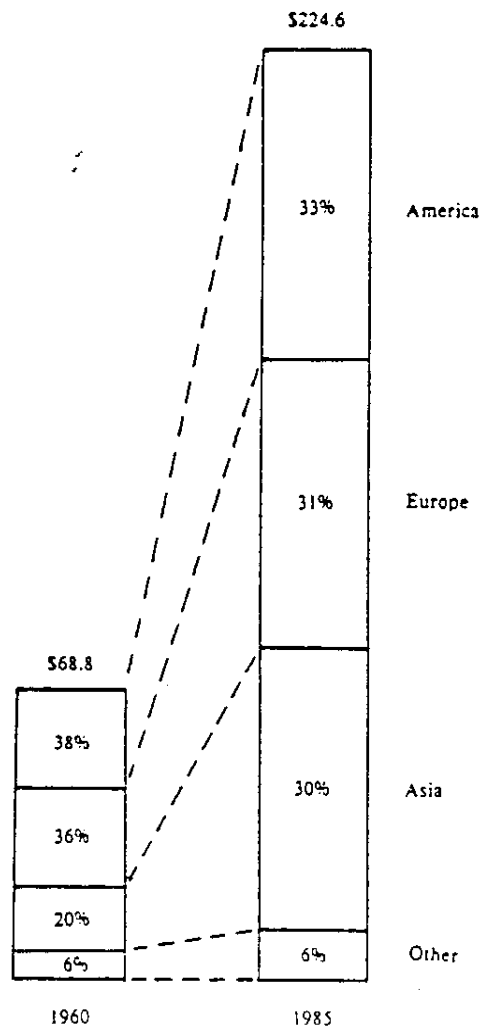
Expectations for forest products are not as bright. In contrast to pulp and paper exports, which should expand at a healthy six percent rate, foreign shipments of wood products are forecast to grow at about one-half that rate. The Japanese housing market, which has been the primary destination for log exports, has matured and promises little opportunity for growth in the demand for raw logs. On the other hand, China's plans for substantial housing could give a boost to softwood log exports. In general, future expansion in this industry will stem from the sales of lumber and other *processed* wood products. The recent purchase by Japanese investors of a mill in Snohomish County to produce lumber for the Japanese market is indicative of this trend.

Processed goods rather than raw commodities will also provide most of the growth in the exports of agricultural products. Between 1985 and 1995, foreign exports of processed food from Washington are expected to more than double, while crop and livestock products exported directly from the farm will increase by only one-third. In particular, despite the drop in the value of the dollar, the sales of wheat, Washington's number one agricultural export, will continue to suffer because of the rapid growth of world grain production.

Outside of Washington's major export categories, the future is less clear, especially for those industries whose overseas trade has only recently emerged. Included among

these relatively small but fast growing exporting industries in Washington State are chemical products, industrial machinery, electronics, and scientific instruments. For these four industries together, foreign sales over the next decade are expected to grow at about ten percent per year. In the service industries, trade and transportation should grow more or less along with merchandise exports, averaging around a six percent rate. Anticipating that the state, and in particular the Puget Sound area, will continue to grow as a center for international trade, other exported financial and business services are expected to climb at a somewhat faster rate.

Figure 8
U.S. MERCHANDISE EXPORTS BY REGION, 1960-1985
Billions of 1982 Dollars and Percent of Total



Source: U.S. Bureau of Economic Analysis

Markets

Looking at Washington's future trade with different regions of the world, there will little shift in the state's reliance on Pacific Rim nations, especially those in Asia. As in the past 25 years, Asia is expected to be the fastest growing market for U.S. goods and services in the world (Figure 8). U.S. merchandise exports in 1982 dollars increased three-fold between 1960 and 1985, rising from \$69 billion to \$225 billion. Trade with Asia, on the other hand, increased nearly five times. As a consequence, Asia, with 30 percent of the total market in 1985, was close to rivaling Europe and the rest of America as the major customer for U.S. goods. Continuation of this growth pattern suggests that by 1995 Asia will have become the nation's largest export market.

Japan, South Korea, Hong Kong, and Taiwan will remain Washington's major Asian customers. At the same time, the People's Republic of China will probably emerge as an important market. Ten years ago, although trade with China was negligible, it held considerable promise as China began to open its doors as one of its policies for economic reform. While Chinese trade did not develop as quickly as some had hoped, signs of its potential strength began to show up in the first half of the eighties. For example, although Washington log exports to China did not begin until 1979, they had grown to 644 million board feet or about two-thirds the volume of log exports to Japan by 1985. In fact, in 1985 alone, the total value of exports shipped to mainland China through Washington ports doubled, reaching nearly \$0.8 billion. Barring any changes in China's current economic policies, Washington State trade with China should become increasingly important over time. Considering that more than one billion people live in China, even a little penetration into the Chinese market during the next ten years would mean a rapid expansion of exports.

ports
and
Customs
District

6. POLICY IMPLICATIONS

Protectionism or Open Markets

Although current conditions indicate an upturn in foreign trade, the future is subject to the unforeseen consequences of several evolving factors. Of particular concern are the large U.S. trade deficit, the devaluation of the dollar relative to other currencies, and the mounting pressure for protectionist measures exerted by some American producers.

These conditions are of course not unrelated. Because of the previous strength of the dollar and the recent rapid growth of the U.S. economy, especially when compared to western Europe, domestic demand for imports has increased much faster than the demand by foreign buyers for American made products. This has contributed to a trade imbalance of unprecedented proportions and a substantial fall in the value of the dollar. With weak world demand on the one hand and the apparent flood of imports on the other, some U.S. producers (e.g., the steel and apparel industries) have called for policies to protect American jobs. Protectionism

Protectionism
is a
policy
of
restricting
international
trade
by
imposing
tariffs
and
quotas
on
imports
and
subsidies
on
exports.

at home tends to have even broader appeal at this time because of protectionist policies abroad, most notably the limited access to certain markets in Japan.

If they persist, the present disruptions in the operation of the international market system could have debilitating economic effects in the long run. Since overseas trade is particularly important to the Washington economy, supporting one in six jobs, the interests of the state would be greatly served by restoration of order in foreign markets.

Three Measures

From the standpoint of foreign trade policy, Washington is somewhat limited in what it can do. Most of the forces that have a bearing on international trade, such as world economic growth and trade barriers, can only be affected by the individual and collective actions of nations.

Nevertheless, there are important steps that the state can take in support of efforts to promote international trade. Foremost is the adoption of a strong position against protectionism. Certainly, tariffs and quotas would salvage some jobs at home. Moreover, such restrictions would tend to be politically expedient when an identifiable group of workers and businesses were affected. However, looking at the other side of the ledger, such measures could not be implemented without great costs. A reduction in imports to protect domestic producers would mean not only higher prices to U.S. consumers but fewer dollars abroad and a decline in the demand for U.S. exports. Protectionism in the U.S. would also elicit retaliatory measures from its trading partners. Thus, attempts to save American jobs in the steel industry could cost jobs in aircraft industry. In the long run, all parties would stand to lose by actions designed to restrict trade. But the Washington economy, because of its strong foreign market orientation, would be one of the biggest losers.

A second function of the state is to facilitate the international flow of information about Washington's export possibilities. If buyers are not acquainted with Washington goods and services, these products will tend to be overlooked in the market place. In light of the fact that much of the potential for future growth in foreign sales lies outside the realm of products usually associated with the state--aircraft, wheat, logs, apples--the need for product information is particularly acute. Information in general plays a key role in the efficient operation of markets, and it is in the public interest, especially as a means of increasing export trade, to enhance its dissemination.

Washington should also pursue measures that keep regional production and delivery costs as low as possible. A primary determinant of the growth of foreign exports, and external sales overall, is the state's competitive edge over other areas. Given the emergence of Pacific Rim markets, Washington enjoys a locational advantage. Nevertheless, if other costs of production are high, the value of this asset can be offset. Policies designed to maintain Washington's competitiveness should focus on investing in human resources and infrastructure. Thus, providing quality education and training, promoting research and development, enhancing the transportation

system, and keeping energy costs low should be among Washington's top priorities for economic development. If such policies are implemented successfully, sales abroad will continue to be a source of economic well-being at home.

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APPENDIX

1. DEFINITIONS AND CONVENTIONS

Total Exports

In this study, a distinction is made between total exports and foreign exports. Total exports, or simply exports, refer to goods and services produced in Washington State and sold in *all markets outside the state*, including foreign countries, the rest of the U.S., and the federal government.

Following the accounting conventions of input-output tables, exports are measured in producers' prices. Each transaction represents the revenue earned by the producer and not the cost incurred by the purchaser. To determine the value of exports in purchasers' prices, it is necessary to add the value of trade and transportation margins to producers' prices. These distribution costs are shown as part of the sales of services from the trade and transportation industries.

Foreign Exports

Foreign exports encompass only sales made to customers residing outside the U.S. More specifically, foreign exports include the following:

1. The value of goods produced in Washington State and sold in foreign markets;
2. The value of services produced in Washington State and sold in foreign markets, including the value of trade and transportation services required for the distribution of exported merchandise;
3. The value of foreign tourist expenditures in Washington State.

According to the above definition, foreign exports include the value of Washington trade and transportation services associated with the distribution of goods sold abroad, even if the goods themselves are not produced in the state. For example, the value of services performed by Washington ports in the transshipment abroad of corn grown in the midwest is counted as part of Washington foreign exports.

Foreign visitor expenditures are not unlike sales to local consumers in that they involve goods and services that are produced and consumed in the state. However, foreign visitor expenditures are considered to be foreign exports since the consumers in this case reside outside the U.S.

Foreign exports do not include the value of goods and services purchased by the federal government and transferred or sold to foreign countries. Foreign exports also

exclude the value of U.S. income earned from royalties and license fees or received from investments abroad. Apart from these two exclusions, the concept of foreign exports used in this study is comparable to that used in the national income and products accounts.

For purposes of this study, foreign exports are also valued in producers' prices. As a consequence, it is difficult to compare these figures with the U.S. Bureau of the Census estimates of merchandise exports shipped through the Washington Customs District, which are valued free-alongside-ship (f.a.s.). F.a.s. measurements, which are higher, include the distribution costs associated with the movement of the goods from the point of production to the port of exit.

Bureau of the Census export estimates further differ from the ones used in this study because they include goods produced elsewhere but shipped through the state as well as exclude goods produced in Washington but shipped through customs districts in other states.

Gross State Product

Gross State Product is the value of the state's total production of goods and services for final use. Gross State Product can be measured by summing up purchases of goods and services by consumers and governments, gross private domestic investment, and net exports. Gross State Product is the most comprehensive indicator of economic activity in the state.

Employment

Adopting the concept used by the U.S. Bureau of Economic Analysis, employment includes the annual average number of full and part-time wage and salary employees and self-employed workers. In a given year, the total employment count exceeds the U.S. Bureau of Labor Statistics estimate of the number of persons employed because of workers holding more than one job.

Income

Income refers to personal income, the major component of which is earnings. Earnings include wages, salaries, proprietors' income, and other labor income earned by job-holders working in the state. In this study, personal income is valued in constant 1982 dollars to reflect its real purchasing power over time. Following standard conventions, the current-dollar personal income estimates are deflated by the U.S. implicit price deflator for personal consumption expenditures.

Industry Classification

For this analysis, foreign exports are initially measured for 26 industries. Table A-1 shows the definition of each of the 26 industries according to its Standard Industrial Classification (SIC) code. Exports are then combined into the 13 industrial categories shown in the report.

Table A-1

STANDARD INDUSTRIAL CLASSIFICATION OF INDUSTRIES

Industry	SIC Code
Agriculture	01-02
Forestry and fishing	08-09
Mining	10-14
Food products	20
Apparel	23
Lumber and wood products	24
Paper products	26
Printing and publishing	27
Chemical products	28
Petroleum products	29
Stone, clay, and glass products	32
Primary metals	33
Fabricated metals	34
Nonelectrical machinery	35
Electrical machinery	36
Aerospace	372,376
Shipbuilding	373
Other transportation equipment	371,374,375,379
Other manufacturing	22,25,30,31,38,39
Construction	15-17
Transportation services	40-42,44-47
Communications	48
Utilities	49
Trade	50-59
Finance, insurance, and real estate	60-67
Services	07,70-86,88-89

2. FOREIGN EXPORT ESTIMATES

Merchandise

The initial step in this analysis is estimating Washington foreign exports by producing industry. Estimates are made for 1963, 1967, 1972, 1977, 1982, and 1985. The first three years and the fifth year are the dates of the four Washington input-output studies, which are the principal sources of information. The input-output tables represent the only attempts to measure comprehensively foreign sales by industry. The year 1977 is included in the analysis to give a mid-way point between the 1972 and 1982 input-output estimates. The year 1985 is also included since it is the most recent year with sufficient published trade statistics upon which to make reasonable estimates of foreign exports.

The estimating procedure essentially involves the reconciliation of foreign trade information from various published sources. Along with the input-output studies, the major sources of information on Washington foreign merchandise exports include the U.S. Bureau of the Census ("Survey of the Origin of Exports by Manufacturing Establishments") and the U.S. Department of Agriculture ("Foreign Agricultural Trade of the United States"). From the standpoint of accurately measuring Washington foreign exports, each of these sources has its limitation. The input-output data, which represent the starting point for this step, present two problems. First, the figures are given in current dollars, thereby necessitating a conversion into constant 1982 dollars. National price deflators developed by the U.S. Bureau of Labor Statistics are used for this purpose. Second, since the input-output estimates are based on sample surveys, each export estimate is subject to measurement error. As a consequence, the input-output estimates are checked for reasonableness against other foreign trade data.

Table A-2

ESTIMATES OF WASHINGTON WOOD PRODUCTS FOREIGN EXPORTS

	Input-Output Estimate (\$ mil.)	Input-Output Estimate (\$82 mil.)	Forest Service Log Estimate (\$82 mil.)	Forest Service Lumber Estimate (\$82 mil.)	Final Estimate (\$82 mil.)
1963	33	194	156	35	233
1967	55	242	405	34	535
1972	240	653	724	50	941
1977	na	na	637	78	869
1982	805	805	609	143	912
1985	na	na	716	128	941

Using wood products as an example, Table A-2 illustrates the estimating procedure for merchandise exports. In addition to the input-output estimates, there are U.S. Forest Service estimates of log and lumber foreign exports through the Washington Customs District, which encompasses all Washington ports except the Port of Vancouver and the Port of Longview. Exclusion of these ~~two~~ ports typically leads to a 17 percent underestimation of Washington exports. On the other hand, since log and lumber exports are valued free-alongside-ship, and thus take into account both the selling price and inland freight and insurance charges, the U.S. Forest Service figures overstate the value of exports for the purposes of this study. Assuming that these two measurement problems tend to offset one another, estimated log and lumber foreign exports in 1982, for example, are \$609 million and \$143 million,

*Port of
Kalamazoo?*

three

respectively. Adding an estimated \$12 million of plywood exports, \$79 million of wood chip exports, and \$69 million of miscellaneous wood products, the final 1982 estimate of wood products foreign exports is \$912 million. This figure is somewhat higher than the input-output estimate but in line with measurements reported by the U.S. Bureau of the Census. According to surveys conducted by the agency in 1981 and 1983, wood products foreign exports amounted to \$875 million and \$906 million, respectively. In general, the U.S. Forest Service data suggest that the input-output studies have underestimated wood products foreign exports. However, it should be noted that the measurement error in these figures may be as high as 20 percent.

Services

In contrast to the relatively abundant data on merchandise exports, there is little information on services exported from Washington State. As a result, foreign sales of services are subject to even greater measurement error than are merchandise exports.

Three types of service exports are estimated: (1) trade and transportation charges associated with the delivery of goods from domestic producers to foreign consumers; (2) foreign visitor expenditures in Washington State; and (3) other exported services, such as financial and business services. As with merchandise exports, the objective of the service export estimating procedure is to reconcile the input-output measurements with those based on other sources of information. Alternative data sources include the 1977 U.S. input-output study, which reports wholesale and retail trade margins and transportation costs associated with foreign sales from 64 national industries, a study by the U.S. Travel Data Center ("Impact of Foreign Visitors on State Economies, 1983"), and the national income and products accounts, which show service exports for the U.S. economy.

Of particular interest is the recently completed study on foreign visitor expenditures by the U.S. Travel Data Center. As noted in its preface, "the study provides the first objective estimates of foreign travel spending in individual states based upon large-scale surveys of foreign visitors." According to the study, Washington foreign visitor expenditures in 1983 amounted to \$216.7 million or 1.6 percent of the national total. Applying this share to estimates of foreign travel expenditures reported in the U.S. income and product accounts yields estimates of in-state foreign visitor expenditures for other years. Information given in the study by the U.S. Travel Data Center also permits estimation of Washington foreign visitor expenditures by industry. Using price deflators provided by the U.S. Bureau of Labor Statistics, the foreign visitor expenditure figures are converted into 1982 dollars.

The alternative estimates of service exports suggest that the measurements of the foreign exports of transportation services given by the input-output studies are reasonable. For example, the alternative estimate in 1982 is \$535 million, which compares with the input-output estimate of \$528 million. On the other hand, the alternative estimates indicate that the input-output estimate of trade foreign exports in 1982 is too high, while the input-output estimate of service foreign exports is too low. Although the decision regarding the best estimates remains a matter of

judgment, the alternative estimates of foreign exports in these two cases have been selected for this study.

3. IMPACT ANALYSIS METHODOLOGY

Input-Output Models

The input-output model, as represented by the table of output (production or sales), employment, and income multipliers, is the analytical method most commonly used to measure regional economic impacts. For Washington State four input-output models have been constructed, the most recent one being for 1982 (Bourque, 1987).

An input-output model shows how industries and households in the economy are interrelated. When one industry expands or declines, the model estimates the production, employment, and income changes in other sectors affected directly or indirectly by the demands of that industry. For example, a reduction in aircraft production reduces the demand for business services. The decline in business service activity leads to lower levels of employment and income in that industry, which in turn means less household income in Washington State and lower demands for consumer goods, among other things.

Although the Washington input-output model attempts to capture the interactions among industries and households in the state, it still represents a somewhat simplified depiction of regional economic behavior. The model is subject to a number of limitations that affect the precision of the impact estimates: (1) static depiction of impacts; (2) constant input-output coefficients; (3) a simple specification of the interactions among production, income, and personal consumption; and (4) neglect of the effects of induced private investment, state and local government spending, and migration. In estimating impacts, the first two limitations are insignificant. On the other hand, because the input-output model does not take into account investment, public expenditures, and population changes, it tends to yield systematic and sizable under-estimates of the magnitude of economic impacts. For a more complete account of the properties of the Washington input-output model in the context of an impact study, refer to Chapter 5 in *The 1972 Washington Input-Output Study* (Bourque and Conway, 1977).

Washington Projection and Simulation Model

The Washington Projection and Simulation Model (Bourque, Conway, and Howard, 1977, and Conway, forthcoming) is a regional interindustry econometric model. WPSM III, whose structure is described here, is the second reformulation of a model originally developed at the University of Washington more than ten years ago.

As shown in Table A-3, WPSM III generates economic projections on an annual basis, the forecasting horizon extending up to 25 years. The system of equations is formulated to predict the behavior of 151 endogenous variables. The model consists of 123 behavioral equations, 28 accounting identities, and 68 exogenous variables, the

Table A-3

FEATURES OF WASHINGTON PROJECTION AND SIMULATION MODEL III

Projection Horizon

1-25 years

Model Size

151 endogenous variables
 68 exogenous variables
 123 behavioral equations
 28 identities

Industry Detail

26 industries, each having projections of
 output
 employment (including proprietors)
 earnings (wages, salaries, and proprietors' income)

Other Selected Endogenous Variables

Gross State Product
 personal consumption expenditures
 housing construction
 nonresidential investment
 state and local government expenditures
 exports (including federal government expenditures)
 imports
 labor force
 unemployment rate
 personal income
 per capita income
 net migration
 population by age and sex
 consumer price index
 price of single-family house

last of which primarily express economic conditions in the U.S. WPSM III identifies 26 Washington industries and three public sectors. For each industry, there are projections of output, employment, and earnings. Among the other economic and demographic variables predicted by the model are Gross State Product, personal consumption expenditures, investment, state and local government spending, labor force, the unemployment rate, personal income, population by age and sex, and the Seattle-Everett consumer price index.

WPSM III, with a more comprehensive formulation of the structure of the state economy, is designed to overcome many of the shortcomings of regional input-output models. Its specification differs from that of traditional interindustry frameworks in a number of important respects:

1. Estimation with cross-sectional and time-series data using linear and nonlinear equations;
2. Dynamic characterization of economic behavior, yielding estimates of short-run and long-run multipliers;
3. Depiction of induced private investment and state and local government expenditures;
4. Complex specification of the interrelationships among production, income, and consumption;
5. Projection of input-output coefficients;
6. Inclusion of a demographic submodel and use of selected price variables;
7. Integration with a national econometric model, permitting the development of long-range forecasts.

Primarily because of the depiction of induced investment and state and local government spending, WPSM III shows higher impacts than does the input-output model. This is one reason why the estimate of the number of jobs related to foreign exports is greater in this study than in some previous investigations. For example, a study by the Department of Commerce and Economic Development in 1974 (Vibber, 1974) estimated that one in ten regional jobs in 1972 was tied directly or indirectly to foreign trade. This compares with the current estimate of one in six jobs. A second reason for the higher current estimate is that foreign exports have continued to increase in importance between 1972 and 1985.

It should be re-emphasized that the export impact on employment or income should not be interpreted as the number of jobs or the amount of income that would be lost if foreign exports were suddenly to decline to zero. There would be substantial job and income losses, but the economy would make adjustments to cushion the impact. For example, regional prices and wages would tend to fall, or at least not rise as

rapidly, causing greater internal use of the commodities and labor formerly involved in foreign trade. The impacts estimated in this investigation should therefore be interpreted only as the employment and income *related* to foreign exports given the structure of the economy--its prices, interindustry relationships, productivity, wage rates--at the time of the impacts.

Impact Estimation Procedure

This study draws upon the simulation capabilities of WPSM III to measure the direct and indirect impact of foreign exports. The impact estimation procedure is relatively straightforward. Employing WPSM, the behavior of the economy is first simulated *with foreign export demand* to produce a baseline projection over a period of time. The simulation is then repeated but *without foreign export demand* to yield a conditional projection. The difference between the two projections is a measure of the direct and indirect impact of foreign sales. Since WPSM III is a comprehensive model, the impact can be expressed in terms of employment and income by sector, population, personal income, personal consumption expenditures, state and local government spending, and fixed investment, among other economic and demographic variables.

Employment Multiplier

Employment multipliers are one means of standardizing the measurements of economic impacts for purposes of comparison. In the context of this study, the employment multiplier is defined as the ratio of the total employment impact in Washington to the direct employment impact. With foreign export activity in 1985 directly involving 142,000 jobs and indirectly involving 273,000 jobs, the foreign export employment multiplier is 3.7 ($= [142,000 + 273,000] / 142,000$). In this case, the employment multiplier can be interpreted to mean that, on average, each job producing foreign exports supports, directly and indirectly, a total of 3.7 jobs in the state economy.

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P.O. Box 30111-30115
Laguna Niguel, CA 92607-0111

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JAN 08 2009

AL3100621

Henry Liebman
President
American Life Inc.
3223 Third Ave South, Ste 200
Seattle, WA 98134

Application: Request for Expansion of an Existing Regional Center
Applicants: Henry Liebman
Proposed Enterprise: American Life, Inc. Regional Center (ALIRC-Seattle) Amendment 2008

RE: Approval of Amendment to Expand an Existing Regional Center under the Immigrant Investor Pilot Program.

BACKGROUND:

Pursuant to Section 610 of the Appropriations Act of 1993, on July 10, 2007, American Life Incorporated submitted a proposal seeking approval and designation by U.S. Citizenship and Immigration Services (USCIS) of the expansion of American Life, Inc. Regional Center (ALIRC-Seattle) with a geographic area focusing on the addition a portion of the south of downtown (SODO) area known as the Ballard-Interbay-Northend Manufacturing/Industrial Center (BINMIC) within Seattle, WA. The ALIRC-Seattle for EB-5 Immigrant Investor purposes sought to focus investment in BINMIC in the following six (6) additional target industry economic clusters:

1. Commercial/industrial development, including hospitality, retail, industrial, flex, office and transportation facilities,
2. Public/private arrangements with governmental agencies, non-profits, or other entities to develop civic/public facilities and infrastructure,
3. Renovation of functionally obsolete buildings preserving historic features, where appropriate, within a modern facility,
4. residential developments with or without ground floor retail, including apartments and condominiums,
5. Provide capital, loans or investment to businesses wishing to locate in the regional center area, and
6. Establish or invest in lending institutions such as community bank.

On September 15, 2008, USCIS issued a request for evidence (RFE). On December 5, 2008, a response to the RFE was received which satisfactorily supplied the requested evidence. The proposal and response to the RFE contained the following evidence in support of its requested designation:

- A Job Creation Analysis and Econometric Model using the Washington State Input-Output Model prepared by a professional economic analysis firm which specifically calculates but excludes construction jobs from the detailed prediction;
- A business plan reflecting the timing, scale and planned use of the alien investor capital;
- A revised sample Subscription Agreement;

DECISION:

Based on its review and analysis of your proposal, and of your response to the USCIS Request For Evidence to which you provided a satisfactory response, USCIS hereby approves and designates American Life, Inc. Regional Center (ALIRC-Seattle) to now also include the BINMIC as part of the existing Regional Center within the Immigrant Investor Pilot Program. The expansion also includes additional industry focus areas to also include the following six (6) investment opportunities.

FOCUS OF INVESTMENT ACTIVITY AND CAPITAL INVESTMENT THRESHOLD:

The USCIS-approved focus of the ALIRC-Seattle business plan and job creation analysis and multipliers is to generate immigrant investor capital into the following addition industry focus areas to also include the following six (6) investment opportunities in addition to previously approved industry clusters:

1. Commercial/industrial development, including hospitality, retail, industrial, flex, office and transportation facilities,
2. Public/private arrangements with governmental agencies, non-profits, or other entities to develop civic/public facilities and infrastructure,
3. Renovation of functionally obsolete buildings preserving historic features, where appropriate, within a modern facility,
4. residential developments with or without ground floor retail, including apartments and condominiums,
5. Provide capital, loans or investment to businesses wishing to locate in the regional center area, and
6. Establish or invest in lending institutions such as community bank.

If any investment opportunities arise that are beyond the scope of the approved industry clusters, then another amendment would be required to add that cluster.

As such, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with USCIS for these commercial enterprises located within the ALIRC-Seattle

(TEA) as determined by the State of Washington on a case-by-case basis. Therefore, the minimum capital investment threshold for any individual immigrant investment into an approved commercial enterprise throughout the Regional Center shall be not less than \$500,000, if the investment target is located within a TEA or \$1,000,000 if located outside of a TEA.

EMPLOYMENT CREATION:

Immigrant investors who file petitions for commercial enterprises located in the ALIRC-Seattle area must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprises created ten new jobs indirectly as a result of the immigrant investor's investment. This determination has been established by way of USCIS' acceptance of the final economic analysis that is contained as part of the approved ALIRC-Seattle proposal and its indirect job creation model and multipliers contained within the final approved ALIRC-Seattle application package.

In addition, where job creation or preservation of existing jobs is claimed based on a multiplier rooted in underlying new "direct jobs" in support of an immigrant investor's individual I-526 petition affiliated with the ALIRC-Seattle, then:

- To be credited with projected creation of new "direct" jobs for "qualifying employees" upon filing the I-526 petition, then the petition must be supported by a comprehensive detailed business plan and supporting financial, marketing and related data and analysis providing a reasonable basis for projecting creation of any new direct jobs for "qualifying employees" to be achieved/realized within two years pursuant to 8 CFR 204.6(j)(4)(B).

An alien investor's I-829 petition to remove the conditions which was based on an I-526 petition approval that involved the creation of new direct jobs or the creation of new indirect jobs based on a multiplier tied to underlying new direct jobs needs to be properly supported by evidence of job creation. To support the full number of direct and indirect new jobs being claimed in connection with removal of conditions, the petition will need to be supported by probative evidence of the number of new direct full time (35 hours per week) jobs for qualified employees whose positions have been created as a result of the alien's investment. Such evidence may include copies of quarterly state employment tax reports, Forms W-2, Forms I-9, and any other pertinent employment records sufficient to demonstrate the number of qualified employees whose jobs were created directly.

Each individual petition, in order to demonstrate that it is associated with the ALIRC-Seattle, in conjunction with addressing all the requirements for an individual immigrant investor petition, shall also contain as supporting evidence relating to this amended regional center designation, the following:

1. A copy of this applicable letter for the ALIRC-Seattle approval and designation.
2. A copy of the USCIS approved regional center narrative proposal and business plan.

3. A copy of the job creation methodology required in 8 CFR 204.6(j)(4)(iii), as contained in the final regional center economic analysis which has been approved by USCIS, which reflects that investment by an individual immigrant investor will create not fewer than ten (10) full-time employment positions, either directly or indirectly, per immigrant investor.
4. A legally executed copy of the USCIS approved:
 - a. Private Placement Memorandum;
 - b. Subscription Agreement; and
 - c. Partnership Agreement.

DESIGNEE'S RESPONSIBILITIES INHERENT IN CONDUCT OF THE UNYRC REGIONAL CENTER:

The law, as reflected in the regulations at 8 CFR 204.6(m)(6), requires that an approved regional center in order to maintain the validity of its approval and designation must continue to meet the statutory requirements of the Immigrant Investor Pilot Program by serving the purpose of promoting economic growth, including increased export sales (where applicable), improved regional productivity, job creation, and increased domestic capital investment. Therefore, in order for USCIS to determine whether your regional center is in compliance with the above cited regulation, and in order to continue to operate as a USCIS approved and designated regional center, your administration, oversight, and management of your regional center shall be such as to monitor all investment activities under the sponsorship of your regional center and to maintain records, data and information on a quarterly basis in order to report to USCIS upon request the following year to date information for each Federal Fiscal Year¹, commencing with the initial year as follows:

1. Provide the principal authorized official and point of contact of the regional center responsible for the normal operation, management and administration of the regional center.
2. Be prepared to explain how you are administering the regional center and how you will be actively engaged in supporting a due diligence screening of its alien investors' lawful source of capital and the alien investor's ability to fully invest the requisite amount of capital.
3. Be prepared to explain the following:
 - a. How the regional center is actively engaged in the evaluation, oversight and follow up on any proposed commercial activities that will be utilized by alien investors.

¹ A Federal Fiscal Year runs for twelve consecutive months from October 1st to September 30th.

- b. How the regional center is actively engaged in the ongoing monitoring, evaluation, oversight and follow up on any investor commercial activity affiliated through the regional center that will be utilized by alien investors in order to create direct and/or indirect jobs through qualifying EB-5 capital investments into commercial enterprises within the regional center.
4. Be prepared to provide:
 - a. the name, date of birth, petition receipt number, and alien registration number (if one has been assigned by USCIS) of each principal alien investor who has made an investment and has filed an EB-5/I-526 Petition with USCIS, specifying whether:
 - i. the petition was filed,
 - ii. was approved,
 - iii. denied, or
 - iv. withdrawn by the petitioner, together with the date(s) of such event.
 - b. The total number of visas represented in each case for the principal alien investor identified in 4.a. above, plus his/her dependents (spouse and children) for whom immigrant status is sought or has been granted.
 - c. The country of nationality of each alien investor who has made an investment and filed an EB-5/I-526 petition with USCIS.
 - d. The U.S. city and state of residence (or intended residence) of each alien investor who has made an investment and filed an EB-5/I-526 petition with USCIS.
 - e. For each alien investor listed in item 4.a., above, identify the following:
 - i. the date(s) of investment in the commercial enterprise;
 - ii. the amount(s) of investment in the commercial enterprise; and
 - iii. the date(s), nature, and amount(s) of any payment/remuneration/profit/return on investment made to the alien investor by the commercial enterprise and/or regional center from when the investment was initiated to the present.
5. Be prepared to identify/list each of the target industry categories of business activity within the geographic boundaries of your regional center that have:
 - a. received alien investors' capital, and in what aggregate amounts;
 - b. received non-EB-5 domestic capital that has been combined and invested together, specifying the separate aggregate amounts of the domestic investment capital;

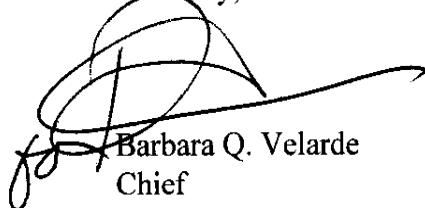
- c. of the total investor capital (alien and domestic) identified above in 5.a and 5.b, identify and list the following:
 - i. The name and address of each "direct" job creating commercial enterprise.
 - ii. The industry category for each indirect job creating investment activity.
6. Be prepared to provide:
 - a. The total aggregate number of approved EB-5 alien investor I-526 petitions per each Federal Fiscal Year to date made through your regional center.
 - b. The total aggregate number of approved EB-5 alien investor I-829 petitions per each Federal Fiscal Year to date through your regional center.
7. The total aggregate sum of EB-5 alien capital invested through your regional center for each Federal Fiscal Year to date since your approval and designation.
8. The combined total aggregate of "new" direct and/or indirect jobs created by EB-5 investors through your regional center for each Federal Fiscal Year to date since your approval and designation.
9. If applicable, the total aggregate of "preserved" or saved jobs by EB-5 alien investors into troubled businesses through your regional center for each Federal Fiscal Year to date since your approval and designation.
10. If for any given Federal Fiscal Year your regional center did or does not have investors to report, then provide:
 - a. a detailed written explanation for the inactivity,
 - b. a specific plan which specifies the budget, timelines, milestones and critical steps to:
 - i. actively promote your regional center program,
 - ii. identify and recruit legitimate and viable alien investors, and
 - iii. a strategy to invest into job creating enterprises and/or investment activities within the regional center.
11. Regarding your website, if any, please be prepared to provide a hard copy which represents fully what your regional center has posted on its website, as well as providing your web address. Additionally, please provide a packet containing all of your regional center's hard copy promotional materials such as brochures, flyers, press articles, advertisements, etc.

12. Finally, please be aware that it is incumbent on each USCIS approved and designated regional center, in order to remain in good standing, to notify the USCIS within 15 business days at USCIS.ImmigrantInvestorProgram@dhs.gov of any change of address or occurrence of any material change in:

- the name and contact information of the responsible official and/or Point of Contact (POC) for the RC
- the management and administration of the RC,
- the RC structure,
- the RC mailing address, web site address, email address, phone and fax number,
- the scope of the RC operations and focus,
- the RC business plan,
- any new, reduced or expanded delegation of authority , MOU, agreement, contract, etc. with another party to represent or act on behalf of the RC,
- the economic focus of the RC, or
- any material change relating to your regional center's basis for its most recent designation and/or reaffirmation by USCIS.

If you have any questions concerning the ALIRC-Seattle expansion approval and designation under the Immigrant Investor Pilot Program, please contact USCIS by Email at USCIS.ImmigrantInvestorProgram@dhs.gov.

Sincerely,



Barbara Q. Velarde
Chief
Service Center Operations

cc: Official File



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December 3, 2008

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Sent via Federal Express

SERVICE CENTER OPERATIONS

Barbara Q. Velarde, Chief
U.S. Citizenship and Immigration Services
Foreign Trader, Investor & Regional Center Program
Office of Service Center Operations, Business & Trade Services
20 Massachusetts Avenue, NW, Room 2123
Washington, DC 20529

Re: **American Life, Inc.**
Response to Request for Additional Evidence

Dear Ms. Velarde:

Enclosed please find the response of American Life, Inc. to the Request for Additional Evidence received on or about September 15, 2008. The response consists of the following:

- Request for Additional Evidence
- Maps of contiguous regional center area (tan color is existing regional center area; gray color is the expanded regional center area) ✓
- Methodology for Projecting Job Creation Related to Industrial/Commercial Real Estate Development Projects, by Paul Sommers, Ph.D.; Explanations and links to Input-Output tables available at State of Washington website ✓
- Declaration of Henry Liebman with attached sample Subscription Agreement and draft letter from Governor of State of Washington ✓

Should you require further information, please do not hesitate to contact me.

Sincerely,

STONE & GRZEGOREK LLP


LINCOLN STONE

LS:cdr
Enclosures



U.S. Department of Homeland Security
Office of Service Center Operations
20 Massachusetts Ave, NW (Rm. 2123)
Washington, DC 20529



U.S. Citizenship
and Immigration
Services

HQSCOPS 70/6.1.2-C

Henry Liebman
President
American Life Inc.
3223 Third Ave South, Ste 200
Seattle, WA 98134

Application: Request for Designation as a Regional Center
Applicants: Henry Liebman
Proposed Enterprise: American Life Incorporated (Seattle) Amendment 2008

RE: Proposal for Amendment to an existing Regional Center under the Immigrant Investor Pilot Program.

REQUEST FOR ADDITIONAL EVIDENCE

This office is unable to complete processing of your request without further information. **Please read and comply with those items requested below, then resubmit the evidence requested to the address listed below, including this letter, within 87 days.**

If your submission is more than several pages, please use acco-fasteners to attach the documents at the top of each page.

USCIS Foreign Trader, Investor & Regional Center Program
Office of Service Center Operations, Business & Trade Services
20 Massachusetts Avenue, NW (Room 2123)
Washington, DC 20529

What is the Immigrant Investor Pilot Program?

The Immigrant Investor Pilot Program ("Pilot Program") was created by Section 610 of Public Law 102-395 (October 6, 1992). This is different in certain ways from the basic EB-5 investor program.

The Pilot Program began in accordance with a Congressional mandate aimed at stimulating economic activity and creating jobs for U.S. workers, while simultaneously affording eligible aliens the opportunity to become lawful permanent residents. Through this innovative program, foreign investors are encouraged to invest funds in an economic unit known as a "Regional Center."

A Regional Center is defined as any economic unit, public or private, engaged in the promotion of economic growth, improved regional productivity, job creation and increased domestic capital investment.

Initial evidence requirements.

1. 8 CFR 204.6 (m) states in pertinent part:

(3) Requirements for regional centers. Each regional center wishing to participate in the Immigrant Investor Pilot Program shall submit a proposal to the... [Chief, Office of Service Center Operations]..., which:

(i) Clearly describes how the regional center focuses on a geographical region of the United States, and how it will promote economic growth through improved regional productivity, job creation, and increased domestic capital investment;

(ii) Provides in verifiable detail how jobs will be created indirectly;

(iii) Provides a detailed statement regarding the amount and source of capital which has been committed to the regional center, as well as a description of the promotional efforts taken and planned by the sponsors of the regional center;

(iv) Contains a detailed prediction regarding the manner in which the regional center will have a positive impact on the regional or national economy in general as reflected by such factors as increased household earnings, greater demand for business services, utilities, maintenance and repair, and construction both within and without the regional center; and

(v) Is supported by economically or statistically valid forecasting tools, including, but not limited to, feasibility studies, analyses of foreign and domestic markets for the goods or services to be exported [if any], and/or multiplier tables.

2. It is always best to start with a cover letter that acts as an executive summary followed by a table of contents of the various tabbed sections to follow.

In reference to 8 CFR 204.6(m) (3)(i) as stated above the geographical area must be contiguous and clearly delineated. It is most helpful to provide the following series of maps, charts or written descriptions:

- The entire desired Regional Center Area
- Standard Metropolitan Statistical Areas (SMSA's)
- Rural Areas (areas outside SMSA's with populations under 20,000 people)
- High Unemployment Targeted Employment Areas (TEA's) as determined by the Governor or designee, (1.) areas within SMSA's or 2.) population centers of 20,000 or more outside SMSA's; with unemployment rates 150% or more of the national rate)
- Census Tracts, Cities, Towns, Counties, etc.
- Unemployment Rates by Cities, Towns, Counties or Census Tracts, etc.

It is unclear from the maps provided thus far as to whether the newly requested area is contiguous to the existing approved area within the South of Downtown (SODO) area of

Seattle. Please clarify and adjust the area requested if need be. It is noted that the requested addition has already been declared an area of high unemployment by the state and is therefore a USCIS recognized TEA. Any additional maps, charts or written descriptions as listed above may be submitted with your response.

3. In reference to 8 CFR 204.6(m)(3)(ii) as stated above for a Regional Center it is imperative to fully explain indirect job creation, as well as the direct and induced jobs, if any. The requirement of creating at least 10 new full-time (35 hours per week) jobs per each individual alien investor may be satisfied by showing that, as a result of the investment and the activities of the new enterprise, at least 10 jobs per alien investor will be created directly or indirectly through an employment creation multiplier effect. Submit an Economic Analysis and model that shows and describes job creation for each category of economic activity (for example, manufacturing, food production/processing, warehousing, tourism and hospitality, etc.). Aspects of this element of the proposal may be combined with items 7 and 8, below in a single economic analysis and job creation model.

Under the provisions of the INA which apply to the Immigrant Investor Pilot Program and specific amendments to the statute, especially in the 2002 amendment Per Public Law 107-273, enacted November 2, 2002, which clearly states:

"A regional center shall have jurisdiction over a limited geographic area, which shall be described in the proposal and consistent with the purpose of concentrating pooled investment in defined economic zones. The establishment of a regional center may be based on general predictions, contained in the proposal, concerning the kinds of commercial enterprises that will receive capital from aliens, the jobs that will be created directly or indirectly as a result of such capital investments, and the other positive economic effects such capital investments will have."

When relying on econometric models for indirect job creation¹ it is imperative that "direct jobs" will be real identifiable jobs supported by wage reports or I-9 forms otherwise they must be explicitly identified as indirect or induced in nature. Another method would be to predict jobs based

¹ USCIS does not credit creation of temporary direct "construction jobs" within a business plan or economic analysis which count construction worker jobs that involve an unsustainable construction phase of limited duration (3 years or less). However, sustained construction workers may be considered for job creation credit in projects of a massive and long term nature (3 years or more) wherein the scope, complexity, and the ongoing construction phase full time jobs must be fully sustained throughout the construction phase for over an extended period beyond 3 years or more based on a clearly established and documented size, scope, nature, engineering/technology challenges and breadth of the project--for example a massive-scale nuclear power facility, electric generation production plant, a major Hydro-electric Dam, a giant oil refinery, or similar type of massive, complex, expansive and major giant scale engineering and construction project. Shorter term construction jobs which terminate or disappear within less than three years have been determined to be of short term in nature and to wind down and disappear as the initial construction activities wind down toward completion. Typically, shorter term construction jobs in many locations are temporary or even seasonal at best. However, in terms of all capital investment expenditures for the construction phase, all capital-induced "down-stream" support activities and "indirect" jobs associated with the construction activities such as suppliers, transportation, assembly activities, engineering and architectural services, maintenance and repair services, interior design services, manufacturing of components and materials, building-electrical-concrete-steel-plumbing supplies, etc., may be factored into the job creation model's formula regarding indirect jobs.

on dollar amount invested in the overall project, and this too must be made clear. This distinction will be critical at the I-829 removal of condition stage of the immigration process.

The proposal states that American Life (Seattle) Regional Center will continue to use the previously approved Washington State Input-Output model to project economic impact and job creation. **Nevertheless, the previously approved Model, updated to clearly address the above cited concerns related to the meaning of postulated "direct" jobs in the model vs. the meaning of direct jobs for "qualified employees" specified within current regulations at 8 CFR 204.6 needs to be provided. Also how the model addresses or accommodates projecting indirect job achievement within a reasonable time, with the preponderance of the indirect jobs being achieved within the two-year period of conditional residence.**

4. In reference to 8 CFR § 204.6(m)(3)(iii), a proposal must include a detailed statement regarding the amount and source of the capital that has been committed to the Regional Center, in addition to the description of the promotional efforts taken and planned by the Regional Center's sponsors. USCIS has interpreted the words, "amount and source of capital that has been committed to the Regional Center" to mean the capital sufficient to sustain the Regional Center distinct from immigrant investors' required capital investment in a new commercial enterprise within the Regional Center.

The detailed statement that is required to meet the regulatory requirement relating to the amount and source of capital committed to the Regional Center should include: 1.) the exact amount of funds that have been dedicated to the Regional Center to accomplish the goals of the Pilot Program; 2.) the source of such funds; 3.) whether the amount is sufficient to sustain the Regional Center; and 4.) evidence that the funds have already been committed to the Regional Center. None of the capital sustaining the Regional Center can come from immigrant investors' required threshold capital investment (as distinct from the new commercial enterprises' revenues). This separation of funds is necessary to enable the alien entrepreneur to qualify for the EB-5 immigrant investor classification.

Since this is an amendment to an existing Regional Center which has reported to USCIS on such activity, it is known that this issue has previously been addressed and resolved so no further information is required at this time.

5. Also, under 8 CFR 204.6(m)(3)(iii) as stated above for any individual alien investor who will be solicited by a Regional Center to invest the requisite capital into a Regional Center commercial activity, it will be incumbent on the Regional Center to engage in a due diligence process to establish that all sources of capital can be fully explained and clearly shown to have been lawfully obtained.

Since this is an amendment to an existing Regional Center which has reported to USCIS on such activity, it is known that this issue has previously been addressed and resolved so no further information is required at this time.

6. Under 8 CFR 204.6(m)(3)(iii), USCIS interprets the words "promotional efforts" to mean an advertising or marketing program planned by the sponsors of the Regional Center that is designed to attract immigrant investors to the Regional Center. Regional Center proposals require a full

description of the past, current and future promotional activities for the Regional Center. This shall include a description of the budget for this activity as well as a statement as to the source of those funds used to accomplish this necessary task.

Since this is an amendment to an existing Regional Center, it is known that this issue has previously been addressed and resolved so no further information is required at this time.

7. In reference to 8 CFR 204.6 (m)(3)(iv) as stated above a detailed prediction must be provided which includes the topics of regional or national impact, household earnings, greater demand for business services, utilities, maintenance and repair, and construction both within and without the Regional Center. This can be combined with items 3, above, and 8, below.

The current amendment proposal contains economic impact and job creation information specific to the planned project and satisfies this criterion.

8. In reference to 8 CFR 204.6 (m)(3) (v) as stated above submit a complete and valid economic analyses sufficiently detailed to predict the overall economic impact to be made by the Regional Center. This can be combined with items 3 and 7, above.

The current amendment proposal contains economic impact and job creation information specific to the planned project. **Please ensure that the clarification regarding the issue cited under item 3 above, with respect to projected resultant "direct" jobs based on the Washington State IMPLAN Model is consistent with the meaning in our regulations at 8 CFR 204.6 regarding identifiable direct jobs for qualified employees. Also, please clarify whether the projected "indirect" jobs will be achieved within a reasonable time with respect to the alien investor's two-year period of conditional residence.**

9. The business aspects of the Regional Center must be fully explained as to its structure. This aspect of a proposal includes, but is not limited to, the following basic elements or samples of them as applicable to the business approach and structure to be used by the Regional Center:

- An overall Business Plan
- Draft Operating Agreement
- Draft Partnership Agreement
- Draft Subscription Agreement
- If applicable, draft Escrow Agreements and Instructions (one for capital and one for any service fees). Such agreements usually include an "out clause" in the event of an unsuccessful I-526 petition or denial of the visa as a marketing tool,² but are not required.
- List of proposed reputable financial institutions to serve as the Escrow Agent(s)
- Draft of an Offering Letter, Memorandum, Confidential Private Placement Memorandum, or similar offering made in writing to an immigrant investor through the Regional Center.

² **NOTE:** Under no circumstances may any agreement or document in support of an investor's I-526 petition offer or imply return or reimbursement of his/her capital investment should the subsequent I-829 Petition to Remove Conditions be denied by USCIS. The USCIS considers any such reimbursement provision within the period of an alien investor's conditional residence prohibited by precedent decision in Matter of Izumii.

- Draft Memorandum of Understanding, Interagency Agreement, Contract, Letter of Intent, Advisory Agreement, or similar agreement to be entered into with any other party, agency or organization to engage in activities on behalf of or in the name of the Regional Center.

The Subscription Agreement provided as a sample is that for the investment into the Marriott Hotel project, between American Life, Inc., General Partner and the individual immigrant investor limited partners and contains a provision under Section D, item 3 which reads as follows: "Visa Denial. *If the Investor's I-526 or I-829 petition is denied, American Life, Inc. shall pay back investor's original capital investment in cash within ninety days of Investor's written request...*" USCIS finds that the provision for return of full capital invested to the alien investor---should his/her subsequent I-829 petition be denied---to be a redemption provision which is not permitted in Matter of Izumi.

Please provide a revised Subscription Agreement which eliminates any and all reference to redemption or repayment of any kind from American Life, Inc., to any EB-5 investor "...If the investor's...I-829 petition is denied..."

10. The law, as reflected in the regulations at 8 CFR 204.6(m)(6), requires that an approved Regional Center in order to maintain the validity of its approval and designation must continue to meet the statutory requirements of the Immigrant Investor Pilot Program by serving the purpose of promoting economic growth, including increased export sales (where applicable), improved regional productivity, job creation, and increased domestic capital investment. Therefore, in order for USCIS to determine whether an approved and designated Regional Center is in compliance with the above cited regulation, and in order to continue to operate as a USCIS approved and designated Regional Center, your administration, oversight, and management of your Regional Center shall be such as to monitor all investment activities under the sponsorship of your Regional Center and to maintain records, data and information on a quarterly basis in order to report to USCIS for each Federal Fiscal Year³.

State your plans to administer, oversee, and manage the proposed Regional Center, including but not limited to such things as to identify, assess and evaluate proposed immigrant investor projects and enterprises; how the proposed Regional Center would perform "due diligence" as to whether investment capital to be sought will consist solely of alien investor capital or a combination of alien investor capital and domestic capital; how to monitor all investment activities affiliated through or under the sponsorship of the proposed Regional Center, and to maintain records, data and information on projects, investors, business activities, etc., in order to report to USCIS for each Federal Fiscal Year. This is known as "due diligence" and is coupled with "oversight reporting responsibilities" to be fully explained if approved and designated.

Since this is an amendment to an existing Regional Center which has reported to USCIS on such activity, it is known that this issue has previously been addressed and resolved so no further information is required at this time.

³ A Federal Fiscal Year runs for twelve consecutive months from October 1st to September 30th.

11. With respect to the process by which a High Unemployment Area (USCIS TEA) is designated by the State, the exact and complete relevant language of the regulation that covers this may be found at 8 CFR 204.6(i), where it reads as follows:

State designation of a high unemployment area. The state government of any state of the United States may designate a particular geographic or political subdivision located within a metropolitan statistical area or within a city or town having a population of 20,000 or more within such state as an area of high unemployment (at least 150 percent of the national average rate). Evidence of such designation, including a description of the boundaries of the geographic or political subdivision and the method or methods by which the unemployment statistics were obtained, may be provided to a prospective alien entrepreneur for submission with Form I-526. **Before any such designation is made, an official of the state must notify the... [Chief, Office of Service Center Operations]... of the agency, board, or other appropriate governmental body of the state which shall be delegated the authority to certify that the geographic or political subdivision is a high unemployment area.**

Therefore it is incumbent upon the Governor of Washington to notify USCIS which "governmental body of the state" has been delegated the authority by the Governor to certify that a geographic or political subdivision is a high unemployment area for purposes of being designated as a Targeted Employment Area (TEA) under USCIS regulations. **[Applicable sentence in bold in the immediately above paragraph.]** It is left to the appropriate designee within the state to exercise its authority and utilize the method or methods of its choosing in obtaining the unemployment statistics.

A letter from the Governor identifying the designated authority within the state to certify the geographic area(s) or political subdivision(s) within applicable metropolitan statistical areas as having high unemployment equal to 150% or more of the national unemployment rate would need to be addressed as follows and sent via Express Mail or courier service to:

**Ms. Barbara Q. Velarde
Chief, Office of Service Center Operations
U.S. Citizenship and Immigration Services
20 Massachusetts Avenue, NW (Room 2123)
Washington, DC 20529**

Further clarification of the role of the state designated authority in the I-526 process is found at 8 CFR 204.6 (j) (6) (ii) (B) as follows:

(6) If applicable, to show that the new commercial enterprise has created or will create employment in a targeted employment area, the petition must be accompanied by:

.....

(ii) In the case of a high unemployment area:

.....

(B) A letter from an authorized body of the government of the state in which the new commercial enterprise is located which certifies that the geographic or political subdivision

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of the metropolitan statistical area or of the city or town with a population of 20,000 or more in which the enterprise is principally doing business has been designated a high unemployment area. The letter must meet the requirements of 8 CFR 204.6(i). [Applicable sentence underlined above.]

It is noted that the amendment proposal contains a letter from the Washington State Employment Security Department which identifies the desired area as being of high unemployment and therefore a USCIS TEA, but USCIS has no record of communication from the Governor of the State of Washington which designates the agency with this authority and responsibility. Please provide one at this time.

It is hoped that the above references and information will be of help to you and the appropriate officials of the state with respect to your request to amend your regional center approval and designation by USCIS through the Immigrant Investor Pilot Program.

PLEASE NOTE: For your amendment-proposal submission and supporting evidence for the applicable items within 1 through 11, above, please use acco-fasteners to attach the documents at the top of each page or place in a three ring binder, and individually tab the written materials/responses which you submit for each of the applicable items listed above in 1 through 11. Also, please submit the information in duplicate.

Translations Any document containing a foreign language submitted to USCIS shall be accompanied by a full English translation that the translator has certified as complete and accurate, and by the translator's certification that he or she is competent to translate from the foreign language into English.

Copies Unless specifically required that an original document be filed with an application or petition, an ordinary legible photocopy may be submitted. Original documents submitted when not required will remain part of the record, even if the submission was not required.

Address Changes.

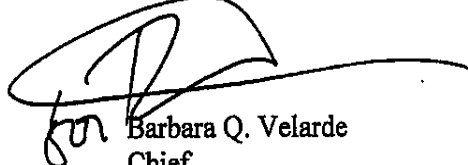
If you change your address and you have a Regional Center related proposal pending with USCIS, you may change your address by sending notification to:

**USCIS Chief of Service Center Operations
Attn: Program Manager, Foreign Trader, Investor and Regional Center Program.
20 Massachusetts Avenue, NW (RM. 2123)
Washington, DC 20529**

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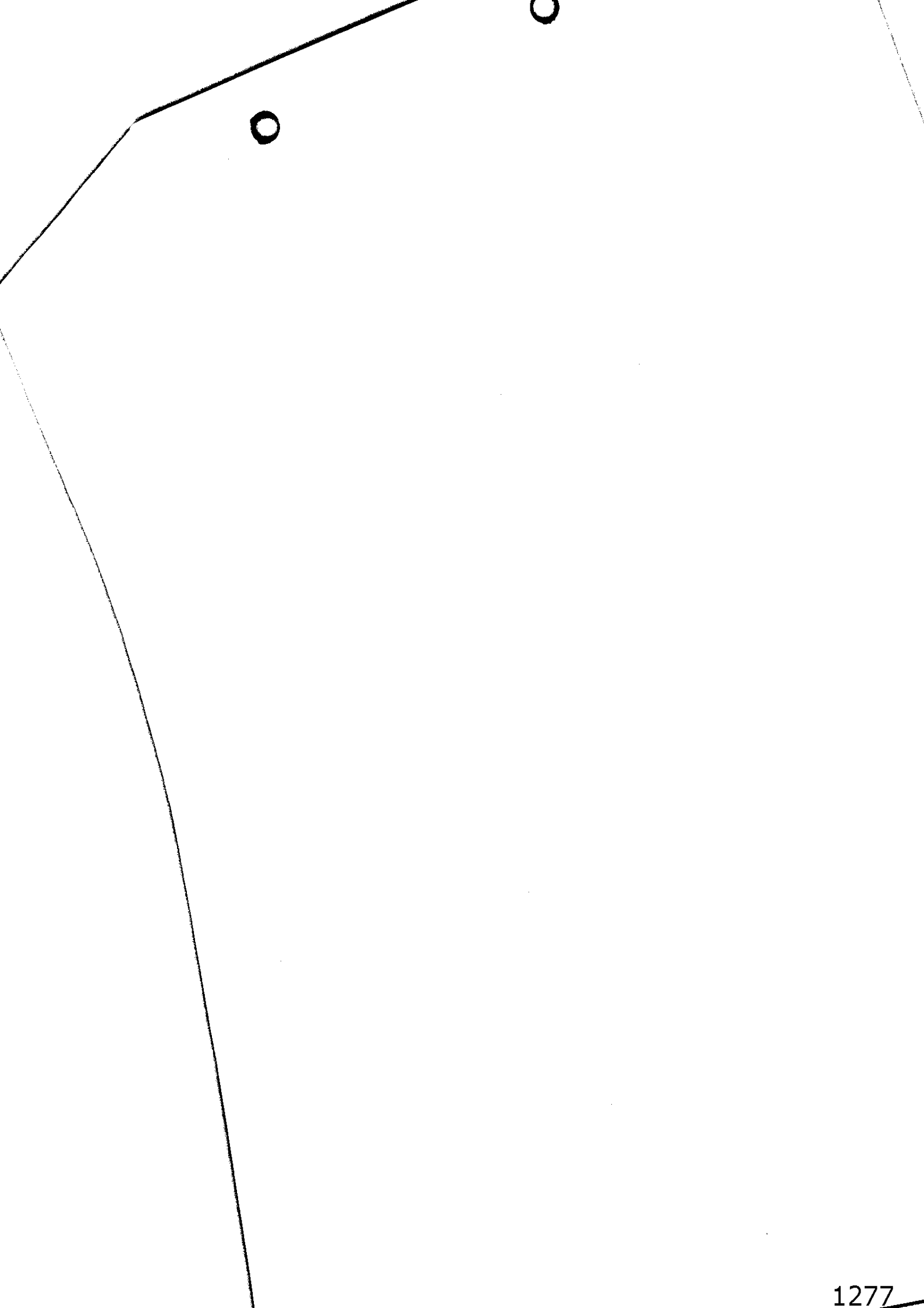
To make an inquiry or ask a question about the Regional Center Program you may send an e-mail to:
USCIS.ImmigrantInvestorProgram@dhs.gov

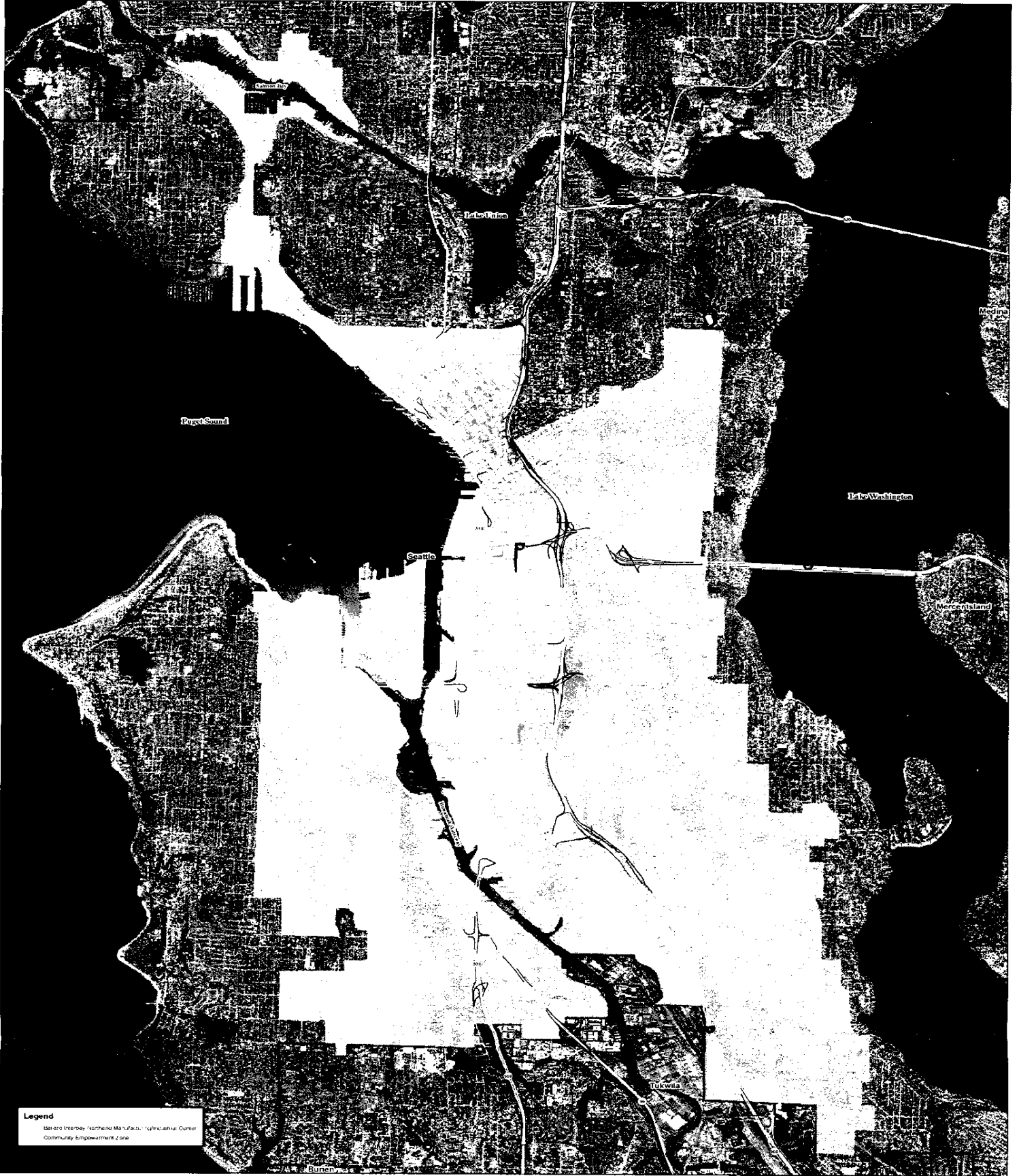
Sincerely,

A handwritten signature in black ink, appearing to read 'for B. Velarde', with a long horizontal flourish extending to the right.

Barbara Q. Velarde
Chief
Office of Service Center Operations

Cc: Lincoln Stone, Esq.
Official File





Legend
 Ballard Interbay Northend Manufacturing Initiative Corridor
 Community Empowerment Zone



1 inch = 2,000 feet

American Life, Inc.
 City of Seattle, Washington



AMERICAN LIFE
 COMMUNITY DEVELOPMENT



American Life, Inc.
 City of Seattle, Washington





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Table 2: Industry Categories in the 2002 Washington Input-Output Model

1. Crop Production	14. Printing	27. Other Manufacturing	40. Real Estate and Rental and Leasing
2. Animal Production	15. Petroleum and Coal Products	28. Wholesale	41. Legal /Accounting and Bookkeeping /Management Services
3. Forestry and Logging	16. Chemical Manufacturing	29. Retail	42. Architectural and Engineering / Computer Systems Design and Related Services
4. Fishing, Hunting, and Trapping	17. Nonmetallic Mineral Products	30. Air Transportation	43. Educational Services
5. Mining	18. Primary Metals	31. Water Transportation	44. Ambulatory Health Care Services
6. Electric Utilities	19. Fabricated Metals	32. Truck Transportation	45. Hospitals
7. Gas Utilities	20. Machinery Manufacturing	33. Other Transportation/Postal Offices	46. Nursing and Residential Care Facilities, Social Assistance
8. Other Utilities	21. Computer and Electronic Product	34. Support Activities for Transportation, Warehousing and Storage	47. Arts, Recreation, and Accommodation
9. Construction	22. Electrical Equipment	35. Software Publishers & Internet Service Providers	48. Food Services and Drinking Places
10. Food, Beverage and Tobacco Mfg.	23. Aircraft and Parts	36. Telecommunications	49. Administrative/Employment Support Services
11. Textiles and Apparel	24. Ship and Boat Building	37. Other Information	50. Waste Management/Other, and Agriculture Services
12. Wood Product Manufacturing	25. Other Transportation Equip.	38. Credit Intermediation	
13. Paper Manufacturing	26. Furniture	39. Other Finance and Insurance	

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The 2002 Washington Input-Output Model

Released May 2008

In 2006, seven state agencies and the legislative staff, under the direction of University of Washington Geography Professor, Dr. William Beyers, and the Office of Financial Management (OFM) Assistant Director of Forecasting Division, Dr. Irv Lefberg, initiated the estimation of a new version of the Washington State Input-Output model. OFM staff Dr. Ta-Win Lin served as the project coordinator.

THE WASHINGTON INPUT-OUTPUT STUDY

This input-output study represents a new estimate of the structure of the Washington economy. Economists from participating state agencies helped conceptualize the new modeling effort, and helped compile, estimate, and review data and industry information used as inputs for this model. At the heart of this new model was a survey of businesses in the Washington economy. Over 1400 establishments responded to this survey. The survey data were used with other benchmark information to create the new input-output model.

Chapter 1: The Washington Input-Output Table for 2002 (pdf)

The state I-O table provides a detailed and complete picture of the state's economic structure, including interindustry linkages, and the economy's dependence on U.S. domestic and international markets. **Chapter 1** describes the 2002 table.

-  **2002 Input-Output Table (Excel®)**

Chapter 2: The 2002 Washington Input-Output Table - Methodology and Data (pdf)

The 2002 study represents the seventh estimate of an input-output model for the Washington economy. The first table (based on the year 1963) was published in 1967. Subsequent state input-output tables were constructed for the years 1967, 1972, 1982, 1987, and 1997. The 1963, 1967, 1972, 1982, and 1987 tables were largely based on surveys of industrial establishments in Washington State. The 1997 table was estimated using a non-survey approach, and was based on the structure of the 1987 table. **Chapter 2** describes the industrial sectors defined in the 2002 table, and data sources and methodologies used in the construction of the table.

Chapter 3: The Input-Output Table for Impact Analysis (pdf)

The input-output table provides estimates of the interdependence of industrial sectors in the state economy. It reports the distribution of sales and purchases of each sector in the state economy. It reports business sales to industrial sectors and to final demand categories (households, investors, and governments) located in Washington State, as well to markets outside Washington State (exports to other parts of the United States, to foreign countries, and to the federal government). The table also identifies purchases made by sectors from Washington industries, payments of labor income and other value added, and purchases made out-of-state.

The input-output table can then be used to build a model that traces out the circular flows associated with these purchases and sales relationships. The input-output model can be formulated so that it can be used as an analytical tool allowing estimation of ripple effects on the state economy as a result of these interdependencies. Two spreadsheets are provided that assists users in conducting economic impact analysis with this model – one for simple analysis and another for complex analysis. **Chapter 3** discusses these impact models and describes how to use them.

- **[Impact Worksheets \(Excel®\)](#)**

[Chapter 4: The Input-Output Impact Multipliers \(pdf\)](#)

The estimated ripple effects on the state economy resulting from an external change, can be summarized into the “multiplier” concept. Input-output models can be used to estimate various types of multipliers. They simply show, given a specified economic change, the total impact on the state economy. This impact can be depicted in several ways, and **Chapter 4** reports several estimates of multipliers for quick reference. In this chapter, employment, income, and output multipliers are reported.

Last modified: June 20, 2008

E-mail: OFM.Forecasting@ofm.wa.gov



Chapter 1

The Washington Input-Output Tables

The 2002 Washington State Input-Output (I-O) Study produced a 50-sector model of the state economy using the North American Industrial Classification System (NAICS) definition of industries. In addition to the industrial sectors, the model also contains six final demand categories (Washington personal consumption expenditures, Washington private investment outlays, Washington state and local government expenditures, sales by Washington sectors to the federal government, and sales by Washington sectors to elsewhere in the United States and to foreign customers). In addition to estimates of purchases from industrial sectors within the Washington economy, the table also provides estimates of payments of labor income, other value added, and purchases by Washington industries from elsewhere in the United States and from foreign countries.

The table can be downloaded through the following link:

2002 Washington Input-Output Table

For illustrative purposes, a highly aggregated version of the 2002 Washington I-O table is shown in Table 1-1 below. Except for its lack of sector details, this table is the same as the detailed table found at the online link referenced above. The table identifies three industry groupings (natural resources and utilities, manufacturing and construction, and trade and services), three final demand sectors (personal consumption, other final demand, and export), a final payment sector (total of labor earnings and other value added), and imports.

Table 1-1
Aggregate 2002 Washington Input-Output Table

(\$ Million)	Resources & Utilities	Manufacturing & Construction	Trade & Services*	Personal Consumption	Other Final Demand	Exports	Total Output
Resources & Utilities				4299.1	626.5	6311.4	19576.8
Manufacturing & Construction				4817.1	33367.5	68663.6	128300.1
Trade & Services				93761.2	18776.2	65607.5	243440.7
Value Added	9026.0	35698.8	140627.5	20205.9	27372.4	NA	232930.6
Labor Earnings	3840.4	30660.4	92777.6	0.0	25187.7	NA	152466.1
Imports	3785.3	64234.8	42857.7	40729.2	8417.4	NA	160024.4
Total Input	19576.8	128300.1	243440.7	163812.4	88560.0	140582.6	784272.6

*Includes all the services not covered by the other two industrial groups.

NA – entries here not applicable to this model

The input-output table can be divided into three principal components, each of which consists of a set of rows and columns:

- The first component is the block of inter-industry transactions—the shaded part of Table 1-1. Estimates in this block show the flow of goods and services that are both produced and consumed among the state’s industries. Another name for these transactions is “intermediate demand,” meaning that industries purchase these inputs for the purpose of transforming them into a different product or service for subsequent sales.
- The second component contains the final demand sectors—the double-line bordered part of Table 1-1. Transactions in this block of the table represent the sales by industry to “ultimate” consumers—households, the capital goods sector (Washington investors), governments, and export markets outside the state. These final demand sectors purchase output from the producing sectors in the state economy, not for the purpose of further production or resale, but rather for final consumption or use.
- The third component of the table contains the payments to the basic factors of production—labor, capital, and land—as well as to sources of inputs located outside Washington State. The block bordered by shaded lines in Table 1-1 represents this component. This block includes value-added (payments to labor input and other estimates of value added), as well as imports from the rest of the United States and from foreign countries.

The Input-Output Table: A Comprehensive Description of the Washington Economy

The Input-Output table constitutes a detailed set of accounts on all economic activities within the state; it portrays the flow of commodities and services between producing sectors and consuming sectors. The table thus provides a complete description of the state economy at a point in time -- 2002.

Each row in the table shows the production and sales of an industry to all industries within the state and to final demand. For example, in 2002, total output (sales) of Washington manufacturing and construction industries amounted to \$128.3 billion. More than 53 percent of this output, valued at \$68.7 billion, was exported; and only 29.8 percent was sold to in-state final demand. In contrast, output of trade and services industries totaled \$243.4 billion, almost double that of manufacturing and construction, but only 27.0 percent of the total output was exported, while 46.2 percent or \$112.5 billion of this output were used by in-state final demand.

Each column shows an industry’s purchases of goods and services from its own or other industries in the state, from factors of production including labor, land, capital, and tax payments to government. Total imports from other regions in the U.S. or from overseas are a part of an industry’s purchases for use in its production process. Table 1-1 shows that, in 2002, \$64.2 billion or 50 percent of total purchases by Washington manufacturing and construction industries for production use were imported. In comparison, the more “local” trade and service industries imported a relatively small amount, about 17.6 percent, of their total purchases.

The sum of a row is the total output of an industrial sector. The sum of a column is the total inputs to an industrial sector. The basic accounting rule dictates that for each industry the row total (i.e. total output or sales) equals the corresponding column total (i.e. total inputs or purchases).

The Input-Output Tables: Measuring Changes in the State's Economic Structure Over Time

With a series of historical tables available for Washington (i.e. 1963, 1967, 1972, 1982, 1987, 1997 and 2002), changes in the structure of the economy over time can be observed. The change from the SIC to NAICS industry classification in 1997 complicates comparisons of inter-industry industrial structure over time. However, aggregate comparisons are possible. These comparisons need to be done with reference to the particular prevailing cyclical situation each historical table reflects. For example, 1987 and 1997 were relatively comparable years of economic expansions in Washington, while 1982 and 1972 were years when severe contractions took place. Table 1-2 shows the changing "openness," or shifts in imports and exports, of the Washington economy over the 1963-2002 period.

Table 1-2
Changing Importance of Washington External Trade, 1963-2002

	% Industrial Outputs Exported (All Sectors)	% of Industrial Inputs Imported		
		All Sectors	Manufacturing	Services & Trade*
1963	28.1%	19.4%	28.0%	4.5%
1967	32.2%	25.6%	35.3%	9.3%
1972	35.6%	19.4%	31.2%	5.9%
1982	37.2%	23.9%	39.1%	8.4%
1987	36.0%	22.5%	40.2%	7.9%
1997	38.2%	22.7%	48.1%	9.8%
2002	35.9%	28.3%	53.7%	17.4%

*Include finance, insurance and real estate (FIRE); exclude resources, construction, transportation, communication and utilities (TCU); since 1997, include telecommunication.

Exports as a share of total industrial output in the state during the 1963-1987 period increased from 28.1% percent to 36.0 percent, but then changed little between 1987 and 2002. Part of the reason for a low export share in 2002 might have to do with the U.S. cyclical downturn depressing the state's export markets. Since 1963, imports as a share of production inputs grew steadily for the state's services and trade industries, the share jumped to 17.4 percent in 2002. For manufacturing industries in the state, the import share of production inputs rose significantly and continuously, reaching 53.7 percent in 2002.

More detailed analyses can be conducted, at the individual industry level, on shifting patterns of exports to other regions in the U.S. and to overseas markets, or on the changes in imports from the rest of the U.S. as opposed to from foreign producers.



Chapter 2

The 2002 Washington Input-Output Table: Methodology and Data

The 2002 Washington Input-Output (I-O) Study was based on a combination of data sources. The first step involved defining the sectors to be used in model development. The second step was development of a survey of establishments; the survey was conducted under contract from the Office of Financial Management (OFM) by the Washington State Department of Employment Security. Simultaneously, output, value added, and employment were estimated for each sector. Data sources for the estimation are: the 2002 Economic Census, the Bureau of Economic Analysis state employment, income, and gross domestic product by state series, and other miscellaneous reports from trade associations and government.

The benchmark 2002 U.S. Input-Output Table was aggregated to the same sectoring plan as used in this 2002 Washington Input-Output table, and was adjusted to provide initial estimates of inter-industry structure for the state. Finally, careful analyses of sales and purchases patterns obtained from the survey were undertaken, comparing the survey-based distributions with the benchmark 2002 national input-output model, U.S. Bureau of Economic Analysis (BEA) estimates, and with prior Washington State input-output models.

Step 1: Define target-year industrial sectors

Over time, new industries evolve or old industries decline in the state economy. Furthermore, existing establishments may change their production processes to adapt to new technologies or to shifting markets. These changes required re-definition of industrial sectors in the new I-O table, because in the I-O concept every industrial sector is assumed to be homogeneous, meaning all establishments in the sector have a similar production process or input/purchasing pattern. Empirically, limitations in data availability may force adoption of more aggregate industrial sectors. After all these considerations the sectoring plan for the 2002 Table was defined, as shown in Table 2-1.

Step 2: Survey of Industrial sectors

A sampling plan was developed jointly by OFM, the Washington State Department of Revenue, and the Employment Security Department, and other members of the study team. The Employment Security Department distributed questionnaires to 6,050 establishments, and obtained 1,443 valid responses. The gross business volume of this sample was \$269.1 billion, or 54.2% of the recorded gross business income (GBI) of all establishments in Washington State in 2002. Coverage was good in about 40 of the 50 sectors in the I-O model. The cover letter and questionnaire used for this survey are available at the links below.

[Washington Input-Output Study Cover Letter](#)

[Washington Input-Output Study Questionnaire](#)

Table 2-1
2002 Washington Input-Output Study
Sectoring Plan

Industry Name	NAICS Code
1. Crop Production	111
2. Animal Production	112
3. Forestry and Logging	113 (Incl. state forests, etc.)
4. Fishing, Hunting, and Trapping	114
5. Mining	21
6. Electric Utilities	2211 (Incl. public, BPA, etc.)
7. Gas Utilities	2212 (Incl. public)
8. Other Utilities	2213 (Incl. public)
9. Construction	236-238
10. Food, Beverage and Tobacco Products	311, 312
11. Textiles and Apparel	313, 314, 315
12. Wood Products	321
13. Paper Products	322
14. Printing	323
15. Petroleum and Coal Products	324
16. Chemical Products	325
17. Nonmetallic Mineral Products	327
18. Primary Metals	331
19. Fabricated Metals	332
20. Machinery Manufacturing	333
21. Computer and Electronic Product	334
22. Electrical Equipment	335
23. Aircraft and Parts	3364
24. Ship and Boat Building	3366 (Incl. federal/PSNS)
25. Other Transportation Equipment	3361, 3362, 3363, 3365, 3369
26. Furniture	337
27. Other Manufacturing	316, 326, 339
28. Wholesale	423-425
29. Retail	44-45 (Incl. state liquor stores)
30. Air Transportation	481
31. Water Transportation	483 (Incl. Ferry)
32. Truck Transportation	484
33. Other Transportation/Postal Offices	482, 485, 486, 487, 491, 492 (Incl. transit)
34. Support Activities for Transportation, Warehousing and Storage	488, 493
35. Software Publishers & Internet Service Providers	5112, 518
36. Telecommunications	517

Table 2-1 (Continued)
2002 Washington Input-Output Study
Sectoring Plan

Industry Name	NAICS Code
37. Other Information	5111, 512, 515, 516, 519
38. Credit Intermediation and Related Activities	521, 522
39. Other Finance and Insurance	523, 524, 525
40. Real Estate and Rental and Leasing	53
41. Legal /Accounting and Bookkeeping / Management Services	5411, 5412, 5416, 5418, 5419, 55
42. Architectural and Engineering /Computer Systems Design and Related Services	5413, 5414, 5415, 5417
43. Educational Services	61
44. Ambulatory Health Care Services	621
45. Hospitals	622
46. Nursing and Residential Care Facilities, Social Assistance	623, 624
47. Arts, Recreation, and Accommodation	71, 721
48. Food Services and Drinking Places	722
49. Administrative/Employment Support Services	561
50. Waste Management/Maintenance/Personal/ Civic /Religious/Household, and Agriculture Services	562, 81, 115

Step 3: Compile the target-year data and information on Washington industries

Data on 2002 industrial output, value-added, government expenditures, consumption by Washington residents, capital (investment) spending, and external trade (exports and imports) were compiled. Sometimes industrial details can only be derived through inferring, interpolating or extrapolating from available, but more aggregate, estimates. Table 2-2 shows the data categories and the respective data sources.

Step 4: Analysis of survey results

In the development of the 2002 Washington Input-Output survey, it was decided that establishments participating in the survey would not be asked to provide detailed inter-industry sales and purchases estimates, but rather total inter-industry sales and purchases made in Washington State. Data from the survey were analyzed, sector by sector.

Distributions of sales and purchases proportions for each sector were calculated, and compared to the 1997 Washington Input-Output table as well as the 2002 Benchmark U.S. Input-Output Table. In many cases the survey yielded reasonable estimates of these distributions. However, there were some sectors with very few respondents, and in which the patterns of sales and purchases were not consistent with other data sources. In some instances it was necessary to “triangulate” sales and purchases distributions based on prior or alternative estimates, and judgments.

**Table 2-2
Input Data for the Target Year (2002)**

Data Categories	Data Sources
Industrial Output	2002 Economic Census – Industrial Shipment \$ Washington State Dept. of Agriculture – annual agricultural production by crop type Washington Dept. of Revenue – Gross Business Income reports Bureau of Economic Analysis – 2002 U.S. Input-Output (Use) Table Washington Insurance Commissioner – Revenue and margins of insurance businesses
Value Added	Bureau of Economic Analysis – Gross State Product Bureau of Economic Analysis – labor earnings series Washington Employment Security Department – ES202 Wage and Salary series
Personal Consumption Expenditures	Bureau of Economic Analysis – National Income and Product Accounts Bureau of Economic Analysis – State personal income Series Bureau of Labor Statistics – 2002 Consumer Expenditure Survey
Government Spending	Census Bureau -- State and Local Government Expenditures series Census Bureau -- Federal Government Expenditures reports Washington Office of Financial Management – State government expenditures accounting records
Investment	Census Bureau -- Building Permit report Washington Dept. of Revenue – abstract of county Assessed Values report Washington Dept. of Revenue – taxable sales database Bureau of Economic Analysis – 2002 U.S. Input-Output (Use) Table
Exports and Imports	The World Institute for Strategic Economic Research (WISER) export database Census Bureau – The 2002 Commodity Flow Survey Washington Department of Trade and Economic Development – studies of the impact of foreign exports and imports on the state economy

Step 5: Development of new transactions table

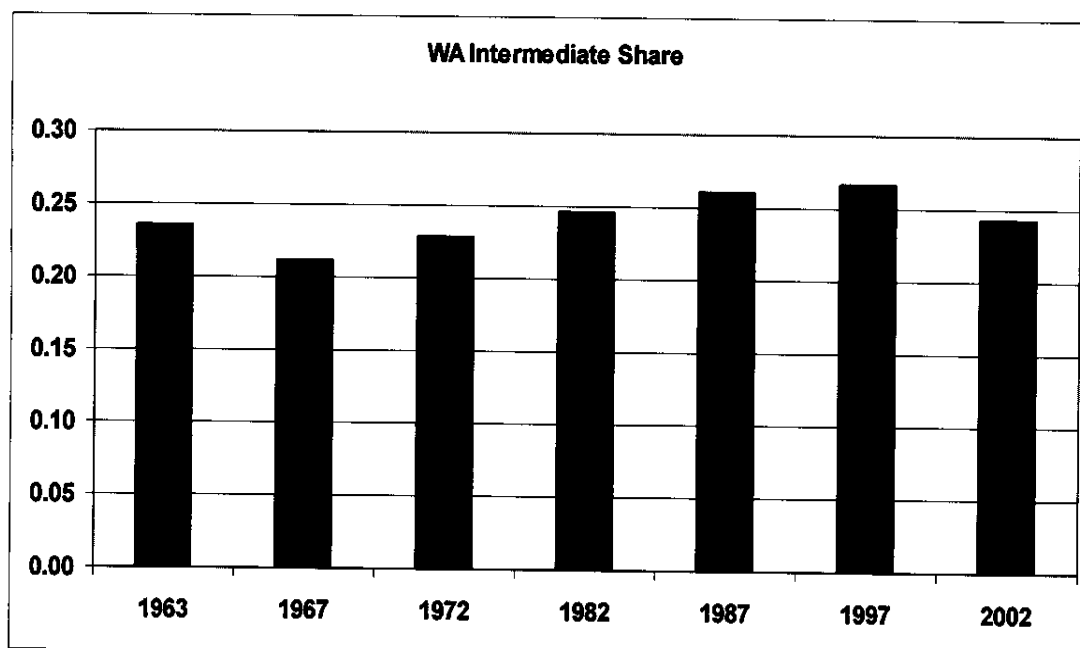
The 2002 Benchmark U.S. Input-Output Table was aggregated to the Washington sectoring plan, and location quotients were estimated for this sectoring plan. The 2002 benchmark U.S. transactions matrix was then reformulated as a matrix of direct requirements, and location quotients were used to modify (regionalize) the national direct requirements coefficients to the state level. In sectors with location quotients having values of one or greater, the row of direct requirements coefficients was not adjusted. In sectors with location quotients with values less than one, the row of coefficients was multiplied by the location quotient, lowering the estimated purchases share made in Washington State. The resulting adjusted direct requirements matrix was then multiplied by total purchases to develop a first estimate of a regional transactions matrix.

The initial regional transactions matrix underwent a number of adjustments. Some of these were related to known differences in production technology in Washington State compared to the United States. Two examples of these adjustments are as follows. In Washington State most electrical power is generated by hydroelectricity, with a large sale of electrical power from the Bonneville Power Administration to retail utilities in Washington State. The 2002 benchmark U.S. input-output table reflected the production structure common elsewhere in the U.S., where the primary reliance was on coal or petroleum products for energy inputs to the electricity production process. Using data provided by Bonneville Power Administration, and from the Census of Mines, the electricity production purchases were adjusted to reflect the structure of the Washington electricity sector. In the case of pulp and paper manufacture, in this region most of the raw material to this sector is residue from lumber and plywood production, while nationally it is wood fiber from logs. Using data from the Washington Department of Natural Resources, the estimate was adjusted to reflect log and wood fiber flows appropriate to Washington paper production.

The adjusted national model also had intraindustry flows that were well above likely levels in certain sectors, such as aerospace. Washington's aerospace location quotient is much above one, so the scaling procedure described above did not adjust the national purchases coefficients in the aerospace row. Nationally, there are strong intraindustry transactions within the aerospace sector, such as jet engines and subassemblies. A special tabulation of aerospace purchases and the Boeing Company's financial report were used to adjust the Washington intraindustry transactions to a more likely level.

After these adjustments were made, row totals for inter-industry sales were calculated, and compared to the values estimated through the adjusted survey data. In many sectors the differences between the survey data and the provisional transactions matrix based on the 2002 U.S. benchmark model were small, while in a few sectors it was necessary to reconsider the overall sales distributions due to large differences in estimates. Reference to the 1997 Washington Input-Output table and the 2002 U.S. Benchmark Input-Output Table guided the solution of these differences. Inter-industry sales in each row in the model were adjusted proportional to percentages of sales to each sector, to produce a balance between the inter-industry transactions and the values in final demand. The resulting matrix of inter-industry transactions has slightly lower estimated regional purchases as a share of sales (24.3%) than the 1997 Washington input-output model (26.7%).

**Intermediate Purchases as a Share of Washington Total Industrial Input
1963-2002**





Chapter 3

The Washington Input-Output Tables for Impact Analysis

The most common application of regional input-output (I-O) tables is impact analysis. Actually, in most cases the sole reason for constructing a regional I-O table is to use it as an analytical tool for conducting economic impact analysis. The analysis measures the changes in output (i.e. production), employment, and labor income in all state industries as a consequence of: (1) known demand changes in the output of some particular industries in the state—the **Simple Analysis**; or (2) a new activity or industry not identified in the input-output table—the **Complex Analysis**. The complex analysis procedure presumes that the output, employment, labor income, and first-round purchases of the activity/project are known.

An impact spreadsheet file is provided for downloading. This file contains two sheets used to perform the simple analysis and the complex analysis, respectively:

Impact Worksheets

To be used as a tool for economic impact analysis, the I-O table needs to be transformed into an analytical “model.” This model should be able to quantify how an external change in final demand will invoke a chain of reactions in the economy: the demand-induced increase in one industry’s output will require it to raise its inputs/purchases, which then raises the demand for other industries’ output and their purchases of inputs, and so on. The chained reactions are generally referred to as the “ripple effect.” The inter-industry transaction or intermediate demand part of an I-O table (component 1 of Table 1-1) actually serves this purpose, and thus is used as the core of the I-O impact model.

The first step it takes to build an I-O impact analysis model is to convert the inter-industry transactions into “direct purchase coefficients.” This is done by dividing each inter-industry transaction in Table 1-1 by the respective industry’s total input (i.e. value of the element in the last cell of the industry column). Table 3-1 contains the resulting industries’ direct purchase coefficients. For example, in the manufacturing/construction industry column, the value in the first cell shows the ratio of the purchases of natural resource/utilities industry inputs by manufacturing/construction industry to total manufacturing/construction input; the value is 0.02367 ($=3036.7/128300.1$) (the transaction values can be found in Table 1-1).

Each coefficient a_{ij} can be interpreted as the proportion of industry j ’s total production input supplied by industry i . So the value of a_{12} implies that the manufacturing/construction industry requires \$2.37 cents of natural resource/utility products from Washington establishments for every dollar of the manufacturing/construction industry’s total input.

Entries in the fourth row are labor earnings as a portion of the industry’s total input payments. The fourth column contains entries showing personal consumption of industry i ’s product as a portion of total earnings.

Table 3-1
2002 Washington Direct Purchase Coefficients Table
(Dollars Purchased Per Dollar of Total Input)

Industry (NAICS)	Natural Resources & Utilities	Manufacturing & Construction	Trade & Services	Personal Consumption
Natural Resources/ Utilities	0.14501	0.02367	0.01012	0.02820
Manufacturing/ Construction	0.05152	0.08664	0.03831	0.03159
Trade and Services	0.14907	0.11078	0.19785	0.61496
Labor Income	0.19617	0.23897	0.38111	

The inter-industry transactions or output needed to satisfy a given level of gross output can be shown as:

$$O = AX$$

Where A denotes a matrix containing the direct purchase coefficients, X is a vector consisting of the industries' gross output; and the product O is a vector containing the intermediate demand for industries' output.

An industries total output (X) equals the sum of the intermediate demand for its output and the total final demand for its output:

$$X = O + D$$

Where D denotes a vector containing total final demand (including exports) for each industry's output. The two equations can be combined:

$$AX + D = X$$

and then rearranged as follows:

$$D = (I - A)X$$

leading to:

$$X = (I - A)^{-1}D$$

and thus,

$$\Delta X = (I - A)^{-1}\Delta D$$

The last equation indicates a change in total output is the product of a change in total final demand multiplied by $(I-A)^{-1}$. The inverse matrix $(I-A)^{-1}$ is generally referred to as the "*Leontief Inverse*" in input-output modeling. Table 3-2 shows the inverse matrix for the 2002 three-sector aggregate I-O Table. The elements in this matrix are "total requirement coefficients." For example, values in the second data column of the table show that, for a one-dollar increase in final demand for the state's manufacturing/construction sector, local resources/utilities and trade/services industries have demands that raise their output by \$0.054 and \$0.542, respectively.

Table 3-2
2002 Washington State Inverse (Total Requirement) Coefficients Table
(Total Dollars of Input per Dollar of Output)

	Natural Resources/Utilities	Manufacturing/Construction	Trade & Services	Personal Consumption
Natural Resource/Utilities	1.19637	0.05404	0.04877	0.06543
Manufacturing/Construction	0.11061	1.13757	0.10495	0.10360
Trade and Services	0.61850	0.54206	1.83204	1.16121
Labor Earnings	0.49684	0.48903	0.73285	1.48014

Once an Inverse I-O matrix is derived, total impact of a proposed project or activity on the state economy can be estimated by multiplying this matrix by changes in the final demand caused by the respective project/activity. This computation is implemented in the impact spreadsheets.

Magnitudes of the estimated impact vary by the degree of model closure. The model developed in this study produces what are generally referred to as the "type II" impact estimates. Basically, the impact estimation captures the inter-industry ripple effects and earnings-induced changes in personal consumption. The model excludes the effects on the government sector and on investment spending. Other I-O models that incorporate government and/or investment will result in higher impact estimates.

Limitations of Input-Output Impact Analysis

The input-output model for impact analysis inherits all of the properties of an input-output table: the input-output table represents a static depiction of the economy at a point in time; the linear, fixed-proportion production function implied in an input-output table dictates constant returns to production scale, and no substitution between intermediate goods, capital, and labor inputs; and the assumption of additivity (i.e. total output is the sum of the individual output) among industrial sectors excludes the consideration of external economies or diseconomies. All of these properties, or assumptions, impose restrictions on the uses of input-output models for impact analysis:

- (1) The model will better approximate the economy the closer to the year for which the model is constructed. In other words, the farther away from the model year, the less accurate the impact estimation would be.
- (2) The model assumes a fixed employment-to-output ratio at the industry level and uses these ratios to calculate employment impact. Moving away from the model year, growth in labor productivity would increasingly reduce the validity of using these fixed ratios to estimate employment impact.
- (3) The model assumes local supply is perfectly elastic, meaning there is no capacity problem. For this assumption to be upheld, the projects or activities to be assessed need to be small or marginal relative to the economy's production input system. Otherwise, the projects will disrupt equilibrium prices, leading to significant factor or import substitution.

- (4) I-O analysis estimates total impact from an external change in final demand. For projects that bring into the state investment money or other spending from outside the state and thus result in direct external changes in final demand, using an I-O model to estimate total economic impact caused by these projects is straightforward. When the project's funding is not external, such as a local government investment activity funded by tax dollars, the impact needs to be evaluated on both the activity (positive effect) and the corresponding funding (taxes' negative effect on consumption) to derive a "net" impact.



Chapter 4

The Input-Output Impact Multipliers

An impact multiplier is defined as the ratio of an industrial sector's or a project's total impact to its direct impact. Expressed as single numbers, multipliers are used as a quick reference for a summary measure of estimated total impacts; thus they lack industrial details.

There are numerous types of Input-Output impact multipliers. Table 4-1 shows the four most widely utilized multipliers obtained from the aggregated three-sector 2002 Washington I-O table presented in previous chapters (Table 1-1, Table 3-1, and Table 3-2).

Table 4-1
2002 WASHINGTON STATE INPUT-OUTPUT MULTIPLIERS
Three Sector Model

Industry	Total Jobs (per \$million direct output)	Total Employment (per direct job)	Total Labor Income (per \$ direct output)	Total Output (per \$ direct output)
Natural Resources/Utilities	14.006	2.209	0.497	1.925
Manufacturing/ Construction	10.181	2.516	0.489	1.734
Trade and services	18.429	1.908	0.733	1.986

The formal definitions of these multipliers are:

1. **Total jobs multiplier** (jobs per \$million direct output). Total number of jobs (wage and salary workers, and proprietors) generated in all sectors of the economy per million dollars of the industry's direct output change in the economy.
2. **Total employment multiplier** (jobs per direct job). Total number of jobs (wage and salary works and proprietors) generated in all sectors of the economy per direct job change in the industry.
3. **Labor income multiplier** (\$ earnings per \$dollar direct output). Total labor income (wages, salaries, proprietor's income and other labor income) generated in all sectors of the economy per dollar of direct output change in the industry.
4. **Total output multiplier** (\$output per \$dollar direct output). Total output generated in all sectors of the economy per dollar of direct output change in the industry.

Multipliers for all industries defined in the Washington State Input-Output Table are reported in Table 4-2. Again as discussed in Chapter 3, the input-output model is a Type II model, which treats households as an endogenous part of the model. So the multipliers presented here are Type II multipliers.

**Table 4-2
2002 WASHINGTON STATE INPUT-OUTPUT MULTIPLIERS**

	Total Jobs (per \$million final demand)	Total Employment (per direct job)	Total Output (per \$ final demand)	Total Labor Income (per \$ of final demand)
1. Crop Production	22.74	2.033	2.30	0.64
2. Animal Production	37.19	1.593	2.41	0.77
3. Forestry and Logging	17.30	1.845	1.82	0.37
4. Fishing, Hunting, and Trapping	17.99	2.085	2.05	0.78
5. Mining	19.37	2.320	2.23	0.80
6. Electric Utilities	5.84	4.221	1.73	0.30
7. Gas Utilities	5.57	5.382	1.48	0.26
8. Other Utilities	11.05	2.193	1.64	0.47
9. Construction	15.95	2.344	1.97	0.64
10. Food, Beverage and Tobacco	14.18	4.001	2.17	0.51
11. Textiles and Apparel	17.53	1.782	1.82	0.60
12. Wood Product Manufacturing	14.78	3.052	2.16	0.54
13. Paper Manufacturing	10.54	4.053	1.99	0.51
14. Printing	18.22	2.061	2.02	0.73
15. Petroleum and Coal Products	3.23	9.555	1.35	0.15
16. Chemical Manufacturing	7.96	6.408	1.78	0.50
17. Nonmetallic Mineral Products	12.56	2.555	1.88	0.52
18. Primary Metals	12.34	2.782	1.90	0.57
19. Fabricated Metals	15.01	2.101	1.85	0.61
20. Machinery Manufacturing	13.86	2.229	1.83	0.61
21. Computer and Electronic Product	11.42	2.762	1.79	0.58
22. Electrical Equipment	10.50	2.436	1.69	0.48
23. Aircraft and Parts	5.63	2.814	1.38	0.32
24. Ship and Boat Building	19.97	2.428	2.20	1.06
25. Other Transportation	9.93	3.727	1.82	0.45
26. Furniture	18.90	2.005	2.05	0.68
27. Other Manufacturing	14.28	2.034	1.81	0.57
28. Wholesale	13.76	2.298	1.80	0.62
29. Retail	21.92	1.623	1.89	0.66
30. Air Transportation	9.60	2.811	1.72	0.44
31. Water Transportation	10.60	3.682	1.80	0.48
32. Truck Transportation	21.57	2.165	2.20	0.83
33. Other Transportation/Postal Offices	23.04	2.031	2.26	0.94
34. Support Activities for Transportation/Warehousing/Storage	21.49	2.341	2.24	0.95
35. Software Publishers & Internet Service Providers	10.76	5.887	1.89	0.67

Table 4-2 (Continued)
2002 WASHINGTON STATE INPUT-OUTPUT MULTIPLIERS

	Total Jobs (per \$million final demand)	Total Employment (per direct job)	Total Output (per \$ final demand)	Total Labor Income (per \$ of final demand)
36. Telecommunications	10.71	4.006	2.00	0.50
37. Other Information	14.96	3.359	2.17	0.68
38. Credit Intermediation and Related Activities	12.34	2.735	1.93	0.51
39. Other Finance and Insurance	14.43	2.918	2.10	0.69
40. Real Estate, Rental and Leasing	14.65	1.765	1.70	0.43
41. Legal /Accounting and Bookkeeping /Management Services	24.37	1.995	2.24	1.07
42. Architectural and Engineering /Computer Systems Design and Related Services	22.96	2.234	2.26	1.10
43. Educational Services	27.13	1.550	2.07	0.71
44. Ambulatory Health Care Services	22.88	2.012	2.16	0.99
45. Hospitals	20.38	2.108	2.11	0.86
46. Nursing and Residential Care Facilities, Social Assistance	36.43	1.461	2.21	0.95
47. Arts, Recreation, and Accommodation	30.87	1.479	2.01	0.75
48. Food Services and Drinking Places	32.12	1.451	2.13	0.71
49. Administrative/Employment Support Services	33.11	1.534	2.17	0.98
50. Waste Management/Others, and Agriculture Services	21.99	1.773	2.04	0.65



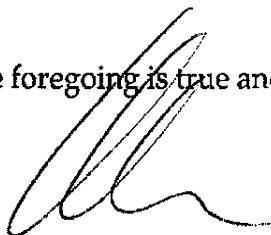
Declaration of Henry Liebman

1. I am the President of American Life, Inc. ("ALI"), a corporation formed in the State of Washington.
2. In connection with the response of ALI to the Request for Additional Evidence received on or about September 15, 2008, attached please find the following:
 - A sample ALI Subscription Agreement which we are using presently in our new investment projects.
 - Draft letter of the Governor of the State of Washington. The attached draft letter was sent to me by John Wines of the Washington State Employment Security Department, and was also submitted by Mr. Wines to the Governor's office. Mr. Wines advised me that the Governor signed a letter and sent it to USCIS in substantially the same form as appears in the attached draft.

I declare that all of the foregoing is true and correct.

By: _____

Henry Liebman, President
AMERICAN LIFE, INC.



Date

12/2/07

EXHIBIT B

FORM OF SUBSCRIPTION AGREEMENT
OF
1501 FIRST AVENUE SOUTH LIMITED PARTNERSHIP

1501 First Avenue South Limited Partnership
(a Washington limited partnership)

SUBSCRIPTION AGREEMENT
(Section D(3) Amended on September 4, 2008)

1501 First Avenue South Limited Partnership
270 South Hanford Street South, Suite 100
Seattle, Washington 98134-1943

Prospective Investor:

This Subscription Agreement is made by and between 1501 First Avenue South Limited Partnership, a Washington limited partnership (the "Partnership") and the undersigned purchaser who is subscribing for the Partnership Interests as set forth below pursuant to the terms set forth in this Subscription Agreement.

The information contained herein is being furnished to determine whether the undersigned's Subscription Agreement to purchase an Interest complies with the requirements of Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and Rule 506 incorporated in Regulation D promulgated thereunder by the Securities and Exchange Commission, and the requirements of certain state securities laws. The undersigned understands that American Life, Inc., the Managing General Partner of the Partnership and the Partnership will rely upon the information contained herein for purposes of such determination.

The undersigned also understands and agrees that, although the Partnership will use its best efforts to keep the information provided in answers to this questionnaire strictly confidential, the Partnership may present this questionnaire and the information provided in answers to it if the Partnership reasonably believes such disclosure is necessary (a) to establish the availability under any federal or state securities laws of an Subscription Agreement 1501 1st Avenue South Limited Partnership

exemption from registration of the offering of the Interests, or (b) to defend or promote the best interests of the Partnership in connection with any action, suit or proceeding to which the Partnership is a party or by which it is or may be bound.

Interests will be sold only to individuals or Entities that are Accredited Investors (as defined in Rule 501 incorporated in Regulation D).

UK RESIDENTS: THE CONTENT OF THIS PROMOTION HAS NOT BEEN APPROVED BY AN AUTHORIZED PERSON WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACTS 2000. RELIANCE ON THIS PROMOTION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO SIGNIFICANT RISK OF LOSING ALL OF THE PROPERTY OR OTHER ASSETS INVESTED.

I. AGREEMENT TO PURCHASE AND ADMISSION AS A LIMITED PARTNER

A. **Purchase.** Subject to the terms and conditions hereof, the undersigned hereby irrevocably agrees to purchase the partnership interest set forth in Subsection A (3) herein.

(b)(4)

Payment in full for the Partnership interests purchased accompanies the delivery of this Subscription Agreement .

1. Partnership Acceptance of Subscription Agreement. The undersigned agrees that the Partnership may reject any subscription in its sole and absolute discretion within 15 days of receipt, and in particular, from any proposed subscriber who is not an accredited investor or who either alone or with his purchaser representative fails to meet the sophistication requirements set forth in Section II(A).

The Partnership shall notify the undersigned that it has accepted the subscription herein by delivering to the undersigned a signed copy of this Subscription Agreement.

2. Capital Contributions. Capital Contributions shall be made payable to 1501 First Avenue South Limited Partnership, delivered with this fully executed Subscription Agreement to the offices of the Partnership, at the address listed above. In the event the subscription is not accepted in whole or in part by the Partnership, the full or ratable amount, as the case may be, of any Capital Contribution received will be promptly refunded to the subscriber without deduction from or interest on the Capital Contribution.

3. Purchase Terms.

AMOUNT OF SUBSCRIPTION
INCLUDING SYNDICATION FEE: USD \$ _____

NUMERATOR USED TO
CALCULATE PERCENTAGE: Your Capital Contribution (which does
not include the syndication fee)

(b)(4) DENOMINATOR USED TO
CALCULATE INTEREST:

NAME(S) UNDER WHICH
TITLE SHALL BE HELD: _____

ADDRESS: _____

TELEPHONE/FAX: _____

EMAIL: _____

DATE OF BIRTH: _____

ALIEN NUMBER
(IF APPLICABLE) _____

U.S. TAXPAYER ID NUMBER: _____

Investors who do not have a social security number (SSN) or an individual tax identification number (ITIN) at the time of the investment must apply for and provide one in a timely manner after the investment. The Partnership can be fined by the Internal Revenue Service if all of its Partners do not have SSN or ITIN. Investors who fail to provide such number upon the request of the Partnership will be liable for any fines incurred. We will refer qualified professionals to investors who need assistance in this regard.

CAPITAL CONTRIBUTION PER
BELOW

Please note all wire fees assessed by the originating bank and its US branch/Intermediary bank should be paid separately and not deducted from the wire.

Credit Bank: Citibank, NA
111 Wall Street
New York, NY 10005

(b)(4)

ABA Number:
Credit Account:
Credit Account Name:
For Further Credit to:

For Benefit of: 1501 First Avenue South Limited Partnership
[investor's name], OR

You may mail your check (drawn from U.S. banks only) payable to "1501 First Avenue South Limited Partnership", and deliver the check and completed Subscription Agreement to:

1501 First Avenue South Limited Partnership
Attn: Henry Liebman
270 South Hanford Street South, Suite 100
Seattle, Washington 98134-1943

B. Admittance as Limited Partner. Upon the Partnership's acceptance of this Subscription Agreement and receipt of your Capital Contribution, the undersigned shall be admitted as a Limited Partner of the Partnership. The undersigned acknowledges the receipt of a true and correct copy of the Partnership Agreement and agrees to be bound by its terms. Your Capital Contribution shall be used to further the business purposes of the Partnership as set forth in the Partnership Agreement.

C. Investment Terms. FOR A COMPLETE DESCRIPTION OF THE INVESTMENT TERMS AND HOW AVAILABLE CASH FLOW WILL BE DISTRIBUTED PLEASE REFER TO THE PARTNERSHIP AGREEMENT.

(b)(4)

Commencing after the first full calendar month following your admission into the Partnership as a Limited Partner, you will receive each month a distribution of Available Cash Flow equal to Seventy [redacted] of your pro rata share of the Total Distribution for Limited Partners. Available Cash Flow will include interest earned on Partnership cash held in interest bearing accounts.

Subscription Agreement
1501 First Avenue South Limited Partnership

PAGE 4

(b)(4)

You will receive upon the occurrence of a Capital Event your pro rata share of the Net Proceeds from a Capital Event multiplied by [redacted]

This is a long-term investment with no redemption option.

D. Eb5 Investors.

1. Independent Counsel. The undersigned shall hire an Independent Counsel for immigration processing and other legal matters. The undersigned shall be responsible for payment of legal fees and costs. American Life Inc., reserves the right to approve the undersigned's choice of Counsel to insure that such Counsel has experience processing EB5 regional center visa petitions.

2. Filing the Immigration Petition. American Life, Inc. shall use its best efforts to assist the undersigned's Counsel with the filing of Investors I-526 and I-829 petitions, and verifying required direct and indirect employment until the removal of the undersigned's conditional permanent residency. The Managing General Partner shall not charge additional fees to assist with the undersigned's permanent residence application.

3. Visa Denial. If the undersigned's I-526 petition, including adjustment of status or consular interview processing, is denied (except a denial based on your failure to disclose a material fact, omission of a material fact or your fraud), American Life, Inc. shall pay back the undersigned's Capital Contribution of [redacted] [redacted] of the undersigned's written request. If the denial is based on your failure to disclose a material fact, omission of a material fact or your fraud, American Life, Inc. shall pay back only [redacted] of the undersigned's Capital Contribution in cash within ninety days of the undersigned's written request. **In the event any visa petition is denied as described above, the undersigned's rights are limited to the return of his Capital Contribution, or portions thereof, as set forth herein.**

(b)(4)

4. American Life, Inc. agrees that it will not sell the Property the undersigned relies upon for Eb5 visa approval until removal of the undersigned's conditional permanent residence status. Provided, however, the Partnership will not delay a possible sale of the Property to accommodate Investors who filed their I-526 visa petitions more than one year from the date of their investment in the Partnership.

Partnership Interests are available on a first-come first-serve basis. Those who need additional time to gather their Capital Contribution may make a non-

(b)(4)

refundable deposit of [REDACTED] to raise capital. The deposit will be forfeited if the subscription amount due is not received by the Partnership within the [REDACTED]. The deposit will not earn interest and it is not transferrable. We recommend assessing availability before engaging professional assistance.

E. **Managing General Partner's Warranties.** The Managing General Partner hereby represents and warrants that the Partnership is duly organized, registered and in good standing in the State of Washington and that the Partnership shall comply with all applicable laws and regulations with respect to the Partnership.

II. REPRESENTATIONS AND WARRANTIES

The undersigned hereby represents and warrants to the Partnership as follows:

A. That the offer to sell the Partnership Interests was directly communicated to the undersigned by the Partnership through the Memorandum and meetings with the Managing General Partner of the Partnership in such a manner that the undersigned was able to ask questions of and receive answers from the Partnership or a person acting on its behalf concerning the terms and conditions of this Offering. At no time was the undersigned presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.

B. That the undersigned is the sole and true party in interest and is not subscribing for the benefit of any other person. If the undersigned is a corporation, partnership or other entity, the undersigned was not organized for the purpose of acquiring the Partnership Interests. If the undersigned is an individual, he or she is twenty-one (21) years of age or over.

C. That the Partnership Interests are being purchased for the undersigned's own account solely for investment, and with no present intention to distribute any of the Partnership Interests to any other person.

D. That the undersigned understands that the Partnership Interests are not being registered under the Securities Act of 1933, as amended (Securities Act) in reliance upon the so-called "private offering" exemption provided by Section 4(2) the Securities Act and/or Regulation D promulgated pursuant to the Securities Act, and that the Partnership is basing its exemption in part on the representations, warranties, statements and agreements contained herein and those of other subscribers contained in similar Subscription Agreements.

E. That the undersigned is an Accredited Investor within the meaning of Rule 501 of Regulation D promulgated pursuant to the Securities Act; or, if not an Accredited Investor, the undersigned is sophisticated and has, either alone or together with a Purchaser Representative, such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of a prospective investment in the Partnership Interests.

The undersigned understands that if a Purchaser Representative is used, the Purchaser Representative must complete, and the undersigned must review and acknowledge, a separate Purchaser Representative Questionnaire and Purchaser Acknowledgment, which must be returned to the Partnership prior to acceptance of this Subscription Agreement.

The undersigned meets the criteria of an Accredited Investor based on (check the applicable box):

1. The undersigned proposes to purchase an Interest in the Partnership of at least [redacted] (the minimum permitted investment in the Partnership) and, in the case of an individual, such individual has a net worth (either individually or jointly with his or her spouse) of at least [redacted] or

2. The undersigned prospective individual investor had an individual income,* not including the income of his or her spouse (even if they are proposing to purchase an Interest with funds that are community property or as joint tenants or tenants in common), in excess of [redacted]

(b)(4)

and reasonably expects to achieve the same level in the current year.

F. That the undersigned understands that the Partnership Interests have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed or reviewed the accuracy or determined the adequacy of the information set forth in the Memorandum.

G. That the undersigned understands that the Partnership Interests are characterized as restricted securities under the Act and applicable state securities laws inasmuch as they are being acquired from the Partnership in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be transferred or resold without registration under the Securities Act and applicable state securities laws only in certain limited circumstances.

H. That prior to executing this Subscription Agreement, the undersigned confirms that all documents requested by the undersigned have been made available, and that the undersigned has been supplied with all of the additional information concerning this Offering that has been requested.

I. That the undersigned has carefully considered and has, to the extent the undersigned considers necessary, discussed with the undersigned's professional legal, tax and financial advisers the suitability of an investment in the Partnership for the undersigned's particular tax and financial situation.

J. That the undersigned has adequate means of providing for current needs and personal contingencies, and is aware that an investment in the Partnership Interests is highly speculative and subject to substantial risks. The undersigned is capable of bearing the high degree of economic risk and burden of this investment, including but not limited to, the possibility of the complete loss of all contributed capital and the limited transferability of the Partnership Interests.

K. That the undersigned understands that the Partnership prepared pro formas and estimates of possible revenues and expenses and the possible consequent financial returns the Partnership could experience if such revenues and expenses were achieved. The undersigned understands that the Partnership is still in an early stage of development and has no history of achieving such revenues. The Partnership estimates are based on a good faith belief of what the Partnership can accomplish if it is able to obtain adequate financing and is able to commence and maintain operations in accordance with its current business plan. The *pro formas* were not prepared by any independent accountant and were not prepared with a view toward compliance with the Association of Independent Certified Accountants' guidelines for projections. The assumptions and estimates are uncertain and the actual results of the Partnership will vary from the projected results and could vary in a materially adverse manner.

L. That the undersigned, in making the decision to purchase the Partnership Interests subscribed for, relied upon independent investigations made by the undersigned and his or her Purchaser Representatives (if any), and the undersigned and such representatives (if any) have, prior to any sale to the undersigned, been given access and the opportunity to examine all material books and records of the Partnership, all material contracts and documents relating to this Offering, and an opportunity to ask questions and receive answers from the Partnership or any person acting on its behalf concerning the terms and conditions of this Offering, and an opportunity obtain any additional information, to the extent the Partnership possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any information provided.

M. THAT THE UNDERSIGNED EITHER READS AND UNDERSTANDS ENGLISH OR HAD THIS SUBSCRIPTION AGREEMENT TRANSLATED BY A TRUSTED ADVISOR INTO A LANGUAGE THAT THE UNDERSIGNED DOES UNDERSTAND.

N. The undersigned acknowledges that under U.S., international and other anti-money laundering laws, rules, regulations, treaties or other restrictions, the Managing General Partner or the Partnership may require further identification of the undersigned before they will process a subscription or withdrawal and the undersigned's subscription or withdrawal may be delayed if the undersigned does not provide such required information on a timely basis. The undersigned agrees to provide to the Managing General Partner any additional information regarding the undersigned that the Managing General Partner or the Partnership deems necessary or convenient to ensure compliance with all applicable laws concerning money laundering and similar illicit activities.

O. The undersigned understands that the Partnership is prohibited from accepting a subscription for Partnership Interests by any person or entity that is acting, directly or indirectly, in violation of any anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, including any person, entity or organization that is included on any so-called "watch list" maintained by any governmental agency of the U.S. (including, but not limited to, the U.S. Central Intelligence Agency, the U.S. Department of the Treasury, the U.S. Federal Bureau of Investigation, the IRS, the U.S. Office of Foreign Assets Control and the SEC) (each such person or entity being called herein a "Prohibited Investor") and further represents and warrants that the undersigned has no reason to believe it is on any of these watch lists.

P. That each representation and warranty of the undersigned contained herein and all information furnished by the undersigned to the Partnership, is true, correct and complete in all respects.

III. RISK FACTORS

AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES AN INVESTMENT IN THE PARTNERSHIP SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP.

A. **Lack of Significant Operating History.** This Partnership is being formed for the specific purpose of acquiring this Project. Accordingly, neither the Partnership nor the Managing General Partner has any operating history with respect to the Project. The Managing General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.

B. **Financial Projection.** Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections which are included in the Offering are based upon what the Managing General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership and the representations of seller as to past operations of the Project. No assurances can be made that these forecasts will prove to be accurate, and investors are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Partners' Interest in the Partnership.

C. **General Risks of Real Estate Ownership.** The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks; condemnation of the Project and other factors which are beyond the control of the Partnership and the Managing General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.

D. **Leverage and Other Factors Relating to Financing.** Although the Partnership has no plans to borrow (except the Secured Debt), emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.

E. **Future Market Value of the Project.** The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes

in tax laws and numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.

F. Distributions From Operations. The General Partner has made qualified projections as to distributions of Available Cash Flow. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be Available Cash Flow for distribution to investors. Investors who borrowed all or part of their Capital Contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.

G. General Tax Risks. Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since the investors generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

1. Changes in federal income tax laws;
2. Partnership status;
3. Taxable income in excess of distributions;
4. Allocation of tax items among Partners;
5. Allocation of purchase price;
6. Partnership termination;
7. At risk limitations;
8. Risk of audit;
9. Profit objective; and
10. Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the undersigned. Each prospective investor is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

H. **Limited Transferability of Partnership Interests.** Except upon death, a Limited Partner may not assign, sell or transfer his Partnership Interests to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Partnership Interests and it is not anticipated that a market will develop for the purchase or sale of the Partnership Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

I. **Illiquidity.** Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.

J. **Limitation of General Partner's Liability.** Under the Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.

K. **Limited Right to Participate in Management.** The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the Managing General Partner, except as expressly provided in the Partnership Agreement.

L. **No Independent Counsel.** No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each investor is therefore urged to consult with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.

M. **Uninsured Losses; Casualty Insurance.** Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.

N. **Environmental Risks.** The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such as adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project. SODO, an older industrial area, is generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government. It is also generally known to possibly undergo some state of liquefaction in the event of certain seismic activities.

O. **Potential Conflict of Interest.** The obligations of the Managing General Partner to the Partnership is not exclusive, and the Managing General Partner need only devote so much time to the Partnership's affairs as the Managing General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The Managing General Partner will from time to time be involved in numerous other properties that may compete with the Project. Commitments undertaken by the Managing General Partner in connection with such other properties could adversely affect its ability to manage the Project.

P. **Immigration Risks.**

1. Congress and or USCIS may change the law, regulations, or interpretations of the law without notice and in a manner that may be detrimental to an investor or the Partnership.
2. It is impossible to predict visa-processing times. Investors should not physically move to the United States until their visa has been issued.
3. Investors who obtain permanent residence status must intend to make the United States their primary residence. Permanent residents who continue to live abroad risk revocation of their permanent residence status.
4. Removal of Conditional Status depends upon creating a combination of 10 direct and indirect jobs for each immigrant investor. Estimates of future direct and indirect employment are based upon Economic projections prepared by an economist. Market or other factors may make it difficult or impossible to achieve projected employment

creation. 8 C.F.R. 216.6, in pertinent part, requires the alien to "create or can be expected to create with a reasonable period of time ten full-time jobs to qualifying employees". In the event of delay or in the event it is impossible to achieve predicted employment at the time of filing to remove conditional status an immigrant investor's removal of conditional status petition may be delayed or possibly denied.

Q. Construction Risks. The Project involves significant construction activity. Obtaining building permits is a time consuming process and it is virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs. The costs of construction materials and labor may change to the detriment of the Partnership during the course of construction and obtaining required building permits and other governmental approvals. **Unanticipated cost increases may cause the Partnership to raise or borrow additional capital to complete the Project causing a dilution of each investor's percentage interest in the Partnership.**

IV. POWER OF ATTORNEY

The undersigned hereby irrevocably makes, constitutes and appoints American Life, Inc., and each General Partner of the Partnership, with full power of substitution, its true and lawful attorney-in-fact in its name to execute and acknowledge (i) the Partnership Agreement attached to the Offering as Exhibit B and to attach the Limited Partner execution page delivered herewith to such Partnership Agreement and thereby cause the undersigned to become a Limited Partner in the Partnership; and (ii) any document required to effect the formation or continuation of the Partnership or which counsel to the Partnership deems necessary or desirable to comply with any state or federal law. The power of attorney hereby granted is irrevocable and coupled with an interest and may be exercised by the attorney-in-fact for the undersigned as well as other Limited Partners of the Partnership by executing any instrument by use of the single signature of such attorney-in-fact acting for all the Limited Partners.

V. MISCELLANEOUS

A. Indemnification. The undersigned hereby agrees to indemnify the Partnership and hold the Partnership harmless from and against any and all liability, damages, costs or expenses incurred on account of or arising out of:

1. Any inaccuracy in the declarations, representations, and warranties hereinabove set forth;

Subscription Agreement
1501 First Avenue South Limited Partnership

PAGE
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2. The disposition of any of the Partnership Interests by the undersigned, contrary to the foregoing declarations, representations and warranties; and

3. Any action, suit or proceeding based upon (i) a claim that the herein declarations, representations or warranties were inaccurate or misleading or otherwise a cause for obtaining damages or redress from the Partnership; or (ii) the disposition of any of the Partnership Interests or any part thereof, contrary to the foregoing declarations, representations and warranties.

B. Confidentiality. The undersigned acknowledges that the information contained in this Subscription Agreement and in the Offering Circular, and which the undersigned receives orally or in writing from the Partnership is confidential and non-public and agrees that all such information shall be kept in confidence by the undersigned unless disclosure is otherwise required by law or court order.

C. Binding Agreement. The undersigned agrees that the undersigned may not cancel, terminate or revoke this Subscription Agreement or any agreement of the undersigned made hereunder, and that this Subscription Agreement shall survive the death or disability of the undersigned and shall be binding upon the heirs, successors, assigns, executors, administrators, guardians, conservators or personal representatives of the undersigned.

D. Defined Terms. Capitalized terms not defined herein shall have the meaning as in the Partnership Agreement.

E. Counterparts. This Subscription Agreement may be executed in any number of counterparts, each of which shall be considered an original but all of which together shall constitute one and the same instrument.

F. Severability. Every provision of this Subscription Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Subscription Agreement.

G. Non-waiver. No provision of this Subscription Agreement shall be deemed waived except if such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

H. **Applicable Law.** This Subscription Agreement shall be interpreted and enforced in accordance with the federal laws of the United States of America and the laws of the State of Washington, without giving effect to principles and provisions relating to choice of law.

I. **Entirety of Agreement.** This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof.

J. **Additional Information.** The undersigned shall supply the Partnership with such additional information and documentation as may be required in order to ensure compliance with applicable law, including, without limitation, the Securities Act and regulations promulgated thereunder.

K. **Company Privacy Policy.** It is the policy of the Managing General Partner to protect the privacy of its investors. Therefore, the Managing General Partner will not disclose the names of investors to those who are not Partners (or consultants to) in the Partnership, unless required to do so by law.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on the date set forth on the signature page, and desires to take title in the Partnership Interests (check one):

_____ a. Individual (one signature required on the Signature Page);
or

_____ b. Husband and Wife, as community property (one [1] signature required on the Signature Page if interest held in one [1] name, *i.e.*, managing spouse; two [2] signatures required on the signature Page if interest held in both names).

If the subscriber is an individual or husband and wife:

Signature: _____

Signature of Spouse: _____

If subscriber is a Trust:

a. Name: _____

b. Name: _____

c. Date formed: _____

d. Signature: _____

SUBSCRIPTION ACCEPTED this _____ day of _____, 2008.

1501 First Avenue South Limited Partnership,
a Washington limited partnership

By: American Life, Inc.,
a Washington corporation
Its: Managing General Partner

By: _____
Henry Liebman, President

October 15, 2008

Ms. Barbara Q. Velarde
Chief, Office of Service Center Operations
U.S. Citizenship and Immigration Services
20 Massachusetts Avenue, NW (Room 2123)
Washington, DC 20529

Dear Ms. Velarde:

The Washington State Employment Security Department has the delegate authority to certify areas of high unemployment, defined as unemployment in excess of 150% of the national unemployment rate. These areas can include, counties, cities, zip codes and Census Tract/Blocks. The methodology used for calculating the relevant unemployment rate within any of these designated areas is based on current national and local unemployment statistics and on calculations derived from current census factors that are considered the most reliable available factors.

Christine Gregoire
Governor
State of Washington

*Signed letter on file
@ USCIS HQ*

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(b)(4)



STONE & GRZEGOREK LLP

800 Wilshire Boulevard, Suite 350
Los Angeles CA 90017
tel 213 627 8997 | fax 213 627 8998
www.lskglaw.com

S&G File: 4426.31

June 29, 2007

RECEIVED

JUL 10 2007

Sent via DHL Express

Mr. Maurice R. Berez
Chief Adjudications Officer
Foreign Trader, Investor & Regional Center Program
Business and Trade Services
USCIS Service Center Operations
111 Massachusetts Avenue, NW, 3rd Floor
Washington, DC 20529

Re: **Application to Amend Regional Center by American Life, Inc.**

Dear Mr. Berez:

With reference to the Immigrant Investor Pilot Program, 8 CFR 204.6(m), herein please find a request to amend the existing regional center designation for the Golden Rainbow Freedom Fund, aka Gateway Freedom Fund. Specifically, enclosed please find:

- Form G-28
- Letter of Henry Liebman proposing amendment
- Memorandum re Amendment of Regional Center
- Exhibits

Please contact me if you require further information. We appreciate your prompt review of the enclosed and approval of the requested amendment.

Sincerely,

STONE & GRZEGOREK LLP


LINCOLN STONE

Enclosures

LS:cdr

cc: Mr. Henry Liebman (w/enclosures)

Notice of Entry of Appearance as Attorney or Representative

Appearances - An appearance shall be filed on this form by the attorney or representative appearing in each case. Thereafter, substitution may be permitted upon the written withdrawal of the attorney or representative of record or upon notification of the new attorney or representative. When an appearance is made by a person acting in a representative capacity, his personal appearance or signature shall constitute a representation that under the provisions of this chapter he is authorized and qualified to represent. Further proof of authority to act in a representative capacity may be required. **Availability of Records** - During the time a case is pending, and except as otherwise provided in 8 CFR 103.2(b), a party to a proceeding or his attorney or representative shall be permitted to examine the record of proceeding in a Service office. He may, in conformity with 8 CFR 103.10, obtain copies of Service records or information therefrom and copies of documents or transcripts of evidence furnished by him. Upon request, he/she may, in addition, be loaned a copy of the testimony and exhibits contained in the record of proceeding upon giving his/her receipt for such copies and pledging that it will be surrendered upon final disposition of the case or upon demand. If extra copies of exhibits do not exist, they shall not be furnished free on loan; however, they shall be made available for copying or purchase of copies as provided in 8 CFR 103.10.

In re: AMERICAN LIFE, INC. REGIONAL CENTER	Date:
	File No. None

I hereby enter my appearance as attorney for (or representative of), and at the request of the following named person(s):

Name: American Life, Inc. Regional Center c/o Lincoln Stone - STONE & GRZEGOREK LLP	<input type="checkbox"/> Petitioner <input type="checkbox"/> Applicant <input type="checkbox"/> Beneficiary
--	--

Address: (Apt. No.)	(Number & Street)	(City)	(State)	(Zip Code)
800 Wilshire Boulevard, Suite 350, Los Angeles, CA 90017				

Name:	<input type="checkbox"/> Petitioner <input type="checkbox"/> Applicant <input type="checkbox"/> Beneficiary
-------	--

Address: (Apt. No.)	(Number & Street)	(City)	(State)	(Zip Code)
---------------------	-------------------	--------	---------	------------

Check Applicable Item(s) below:

1. I am an attorney and a member in good standing of the bar of the Supreme Court of the United States or of the highest court of the following State, territory, insular possession, or District of Columbia
California Supreme Court and am not under a court or administrative agency order suspending, enjoining, restraining, disbaring, or otherwise restricting me in practicing law.
Name of Court

2. I am an accredited representative of the following named religious, charitable, social service, or similar organization established in the United States and which is so recognized by the Board:

3. I am associated with _____ the attorney of record previously filed a notice of appearance in this case and my appearance is at his request. (If you check this item, also check item 1 or 2 whichever is appropriate.)

4. Others (Explain Fully.)

SIGNATURE 	COMPLETE ADDRESS Stone & Grzegorek LLP 800 Wilshire Boulevard, Suite 350 Los Angeles, CA 90017
---------------	---

NAME (Type or Print) Lincoln Stone	TELEPHONE NUMBER (213) 627-8997 FAX: (213) 627-8998
---------------------------------------	---

PURSUANT TO THE PRIVACY ACT OF 1974, I HEREBY CONSENT TO THE DISCLOSURE TO THE FOLLOWING NAMED ATTORNEY OR REPRESENTATIVE OF ANY RECORD PERTAINING TO ME WHICH APPEARS IN ANY IMMIGRATION AND NATURALIZATION SERVICE SYSTEM OF RECORDS:

Lincoln Stone, Kathleen Grzegorek, Shabnam Afari, Shino Milby, Victoria Duong; Amanda Paquet

(Name of Attorney or Representative)

THE ABOVE CONSENT TO DISCLOSURE IS IN CONNECTION WITH THE FOLLOWING MATTER:

All matters before the U.S. Department of Homeland Security.

Name of Person Consenting Henry Liebman	Signature of Person Consenting 	Date 6.27.07
--	------------------------------------	-----------------

(NOTE: Execution of this box is required under the Privacy Act of 1974 where the person being represented is a citizen of the United States or an alien lawfully admitted for permanent residence.)



Real Estate Development Company

June 11, 2007

Mr. Maurice R. Berez
Chief Adjudications Officer
Foreign Trader, Investor & Regional Center Program
Business and Trade Services
USCIS Service Center Operations
111 Massachusetts Avenue, NW, 3rd Floor
Washington, DC 20529

Re: **Amendment of Regional Center**

Dear Mr. Berez:

I am President of American Life, Inc. and President of American Retirement, Inc. Both of these corporations are organized and in good standing in the State of Washington. I am fully authorized to submit this request on behalf of the entities involved.

(b)(4) American Life, Inc. and American Retirement, Inc. are the corporations that have acted as the general partners of the Golden Rainbow Freedom Fund and the Gateway Freedom Fund, which were previously designated by legacy INS as a regional center under the Immigrant Investor Pilot Program, 8 CFR 204.6(m). More recently, American Life, Inc. has been the managing general partner of a series of limited partnerships that are presently active in economic development activities consistent with our regional center designation. For example, at present American Life, Inc. is in the midst of raising [REDACTED] immigrant investors to finance the creation of a new Courtyard Marriott hotel in Seattle. The validity of our regional center activities has been reaffirmed through individual case adjudication, which has been the subject of interaction with USCIS offices in California and Washington, D.C. over the past few years.

In response to your compliance letter of July 14, 2006 requesting further information regarding regional center activities, please note that we provided to you a voluminous response in August 2006.

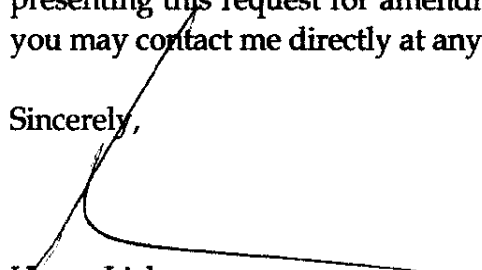
Your compliance letter also encouraged us to propose an update and amendment of the regional center designation if needed. We desire an amendment of our regional center designation in order to accomplish the following:

- (1) to incorporate adjoining geographic areas that were mistakenly omitted from our earlier regional center designation;
- (2) to ensure that your files concerning our regional center designation and business activities are fully updated and exhaustively documented in terms of the investment structures and economic methodologies we are utilizing; and
- (3) to revise your records to reflect that the entity designated as a regional center is American Life, Inc.

With the above in mind, we are proposing an amendment to our regional center designation and are hopeful that this proposal can be acted upon as early as possible.

Should you require any further information, feel free to contact the attorney presenting this request for amendment on our behalf, Lincoln Stone. Of course, you may contact me directly at any time.

Sincerely,


Henry Liebman
President, American Life, Inc.

MEMORANDUM RE AMENDMENT OF REGIONAL CENTER

I. INTRODUCTION

Legacy INS issued a letter dated February 5, 1996 approving regional center designation for the Golden Rainbow Freedom Fund, for the geographic area of Jackson County, Oregon. Following the submission of further documentation, legacy INS issued another letter dated October 25, 1996, adding an area of Seattle, Washington to the regional center's designation. Consisting of an area occasionally known as the Seattle Neighborhood Reinvestment Area, the Seattle regional center area included two sometimes overlapping zones - - the federally-designated enterprise community ("EC") and the State of Washington designated community empowerment zone ("EZ"). The regional center designation has existed in the name of the Golden Rainbow Freedom Fund ("GRFF") and the Gateway Freedom Fund ("GFF"). GRFF and GFF were partnerships acting under the direction of their respective general partners, American Retirement, Inc. and American Life, Inc. Continuously since 1996, the corporations have been involved in economic development activities throughout the regional center area. For the reasons indicated in the cover letter of Henry Liebman, American Life, Inc. now seeks an amendment of the regional center designation for the purpose of:

- (1) incorporating an adjoining geographic area that was mistakenly omitted from the earlier regional center designation;
- (2) ensuring that your files concerning the regional center designation and business activities are fully updated and exhaustively documented in terms of the investment structures and economic methodologies the regional center is utilizing; and
- (3) revising your records to reflect that the entity designated as a regional center for future purposes is American Life, Inc.

II. GEOGRAPHIC FOCUS

The existing regional center designation covers an area including Jackson County, Oregon, as well as an area south of downtown Seattle, which includes both the EC and EZ.¹

¹ The federal enterprise community zone has expired as the U.S. Housing & Urban Development has not re-authorized the zone. However, the regional center designation for purposes of the Immigrant Investor Pilot Program does not depend on continuing HUD authorization.

Exhibit 1 - Letters designating Jackson County, Oregon, and Seattle, Washington

Exhibit 2 - Maps of the Federal Enterprise Community and the State of Washington Community Empowerment Zone

(b)(4) A central purpose of this requested amendment is to add the Ballard-Interbay-Northend Manufacturing/Industrial Center ("BINMIC") to the existing regional center designation. This manufacturing/industrial area along Elliott Bay was inadvertently omitted from the October 25, 1996 letter extending the regional center area. BINMIC is located immediately to the north of the EC/EZ zone. Although at present BINMIC does not include targeted high unemployment areas, American Life, Inc. intends to work closely with the State of Washington Employment Security Department ("ESD") to confirm existing high unemployment areas that can be designated as targeted employment areas for EB-5 petition purposes. Attached hereto is a letter from ESD concerning high unemployment areas in Seattle. It is expected that most EB-5 investors in the BINMIC area will invest [REDACTED] But when necessary American Life, Inc. will obtain a similar letter referencing specific locations in the BINMIC area to support individual I-526 petitions that are based on investment in high unemployment areas.

Exhibit 3 - Letter from ESD regarding targeted employment areas in Seattle

Exhibit 4 - Maps of BINMIC area

III. PROMOTION OF ECONOMIC GROWTH

(b)(4) The regional center already has been a tremendous success over the past decade, notwithstanding the *de facto* suspension of the regional center program from approximately 1998 to 2002. Since the time the regional center was designated, the regional center has attracted more than [REDACTED] from EB-5 investors for job-creating projects. Most of this capital has been used to acquire and substantially renovate older, outdated structures to make them available for multi-tenant uses according to modern requirements. American Life, Inc. also acquires and renovates facilities for single user specific development such as the current [REDACTED] project for the Courtyard Marriott Corporation. American Life, Inc. has included in this presentation substantial documentation concerning past and existing projects.

- Exhibit 5 - Information concerning GRFF/GFF projects
- Exhibit 6 - Information concerning projects in progress
- Exhibit 7 - Map identifying project concentration

American Life, Inc. desires to clarify that the business scope and industry focus of regional center projects are as described below:

- i. Commercial/industrial developments, including but not limited to hospitality, retail, industrial, flex, office, and transportation facilities;
- ii. Public/private arrangements with governmental agencies, non-profits, or other entities to develop civic/public facilities and infrastructure;
- iii. Renovation of functionally obsolete buildings preserving historical features ,where appropriate, within a modern facility;
- iv. Residential developments with or without ground floor retail, including apartments and condominiums;
- v. Provide capital, loans or investment to businesses wishing to locate in the regional center area; and
- vi. Establish or invest in lending institutions such as community banks.

IV. EVALUATION OF INVESTMENT OPPORTUNITY AND JOB GROWTH

Insofar as American Life, Inc. is not an "immigration company" that is solely in business because of the EB-5 program, but instead is a private investor motivated primarily by the profit potential in its projects, the regional center undertakes exhaustive efforts to evaluate the profit potential, feasibility, and job creation potential of each of its projects. Due diligence includes detailed appraisals, engineering reports, environmental analysis, construction feasibility, and thorough financial analysis of the profit potential giving due consideration to the vagaries of the marketplace. Attached hereto are documents indicating the level of due diligence and evaluation. Due consideration is also given to job creation potential.

(b)(4)

Exhibit 5 - Information concerning GRFF/GFF projects

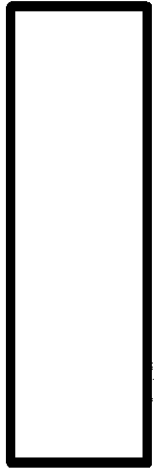
Exhibit 6 - Information concerning projects in progress

Exhibit 7 - Map identifying project concentration

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- iii. Renovation of functionally obsolete buildings preserving historical features, where appropriate, within a modern facility;
- iv. Residential developments with or without ground floor retail, including apartments and condominiums;
- v. Provide capital, loans or investment to businesses wishing to locate in the regional center area; and
- vi. Establish or invest in lending institutions such as community banks.

(b)(5)



IV. EVALUATION OF INVESTMENT OPPORTUNITY AND JOB GROWTH

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(b)(4)

(b)(4)



Exhibit 8 - Sample appraisals and reports concerning projects

Exhibit 9 - Sample financial analysis of project feasibility

Exhibit 10 - Employer Information Form

V. EMPLOYMENT METHODOLOGY



(b)(4)

Exhibit 11 - Resumé of Dr. Paul Sommers

Exhibit 12 - Sample reports by Dr. Sommers

Exhibit 13 - Dr. Sommers report regarding Marriott project

VI. ADMINISTRATION OF REGIONAL CENTER

American Life, Inc. has organized approximately 30 limited partnership entities in the past several years. American Life, Inc. is the general partner or managing general partner of each of these limited partnerships, all of which are involved in acquiring and renovating projects within the regional center area. American

Life, Inc. is fully responsible for evaluating project opportunities, entering into and closing deals for investment, promotion and raising capital from EB-5 investors as well as from local U.S. investors, administration of partnerships, managing project development, and overseeing the immigration process for each of its EB-5 investors. American Life, Inc. is fully committed to meeting the administrative obligations of a regional center, as indicated by USCIS in June 2007. Substantial documentation concerning these administration activities is attached hereto.

Exhibit 14 - Company profile of American Life, Inc.

Exhibit 15 - Sample acquisition contract negotiated by American Life, Inc.

Exhibit 16 - Sample distributions of returns to investors

Exhibit 17 - Sample construction budget

Exhibit 18 - Chart of projects indicating total capital raised and total capital from EB-5 petitioners

VII. CAPITAL COMMITMENT AND PROMOTION

(b)(4) The principals of American Life, Inc. initially capitalized the regional center efforts back in the 1990s with about [redacted] invested over the course of [redacted] years. Since then, insofar as American Life, Inc. and American Retirement, Inc. are operating entities that share in the profits of the various partnerships of the regional center, American Life, Inc. and American Retirement, Inc. have grown substantially in assets. All current and future capital required for the administration of the regional center, as well as for the promotion of investment opportunities, is satisfied from current assets of American Life, Inc.

American Life, Inc. has budgeted approximately [redacted] for promotion of the regional center annually. American Life, Inc. promotes the regional center through an established network of agents worldwide.

All investors deposit their investment capital plus [redacted] in the case of immigrant investors. [redacted]

(b)(4)

Institutional Market

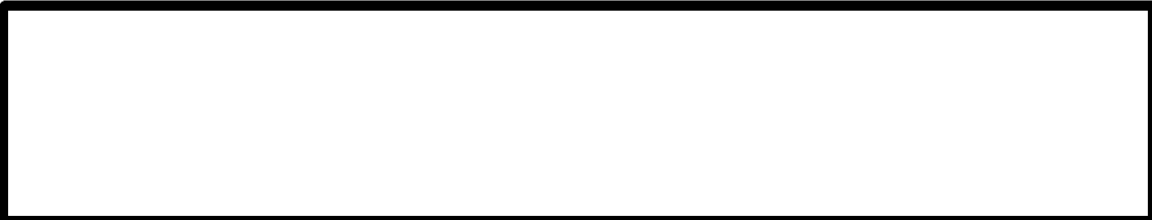
(b)(4)



Attorney Referrals

(b)(4)

(b)(6)



Agents

(b)(4)



The regional center primarily markets in the UK, Netherlands, Japan, India and Korea. American Life, Inc. has exclusive agency agreements with the companies listed below.

Japan

American Life Business Services ("ALBS") in Japan (www.albsjapan.com) regularly advertises in mainstream media, obtains favorable articles from, for example, the Nihon Keizai Shinbun, (equivalent of *The Wall Street Journal*), and maintains a high profile web presence. ALBS also sells HSBC Capital immigrant investment opportunities.

American Life, Inc. has maintained its own office in Japan for over ten years. Henry Liebman began doing business in Japan in the early 1980's representing many Japanese companies establishing operations in the United States. Raymond Klein, 50% owner of American Life, Inc., lives in Japan and manages the office in Tokyo. American Life, Inc.'s Japanese office supports ALBS and solicits immigrant investors and manages relations with agents in China and Southeast Asia. American Life, Inc. is in the process of registering its offerings with the Ministry of Finance so that it may offer its investment opportunities through registered broker dealers in Japan.

Korea

Nammi Immigration (www.2min.com) is a migration consultancy in Korea maintaining two offices in Seoul, including Club Emigration. Nammi regularly holds seminars, maintains a referral relationship with Hana Bank, maintains a high profile web presence and receives favorable press. Nammi has two sub agents, Segyero and Hyundai Immigration. Nammi also sells HSBC Capital immigrant investment opportunities.

Netherlands

Buyse Immigration (www.visaspecialist.com) is one of the largest multi-destinational immigration consultancies in Europe. Mr. Buyse also works with HSBC Capital. Mr. Buyse maintains a very high profile internet presence and has successfully obtained favorable press.

India

Prashant Ajmera works for American Life, Inc. on a commission basis to establish a marketing network in India, placing advertisements in mainstream Indian media. In 2006, Henry Liebman met with U.S. Embassy officials, and gave press conferences and seminars in Mumbai, Chennai, Delhi and Bangalore. The Indo-American Society agreed to print an EB-5 section featuring American Life, Inc. in their immigration handbook and sponsored a seminar.

United Kingdom

American Life, Inc. has its own office in the UK, managed by Mr. Richard Robinson. American Life, Inc. recently obtained an exemption from registration of its offering from the Financial Services Authority. This exemption is valid throughout the European Union and permits advertising and offering investment opportunities to high net worth individuals in the European Union.

Taiwan

Ten members of the immigration consultants association agreed to market American Life, Inc. offerings on a non-exclusive basis.

Direct Marketing

(b)(4)



Exhibit 19 - Current financial statements of American Life, Inc.

Exhibit 20 - Sample documents concerning promotion of regional center

VIII. POSITIVE IMPACT ON ECONOMY

(b)(4)

The substantial activity of the regional center already has had a demonstrable and significant impact on the local economy. The asset holdings of the affiliated partnerships organized and doing business within the regional center area account for nearly [redacted] of all landholdings within the SODO region of Seattle (South of downtown Seattle, commercial and industrial zone). This success has made American Life, Inc. and the regional center a substantial player in terms of the economic lifeblood of the region. The tangible consequence of this concentrated economic activity is that American Life, Inc. and the regional center activities are helping to transform a once-neglected commercial and industrial core that was in dire need of capital investment. This economic activity that has so obviously transformed the area could not have occurred without the EB-5 source of capital and the dedication of American Life, Inc. to investing within a confined area such as the SODO. [redacted]

(b)(4)



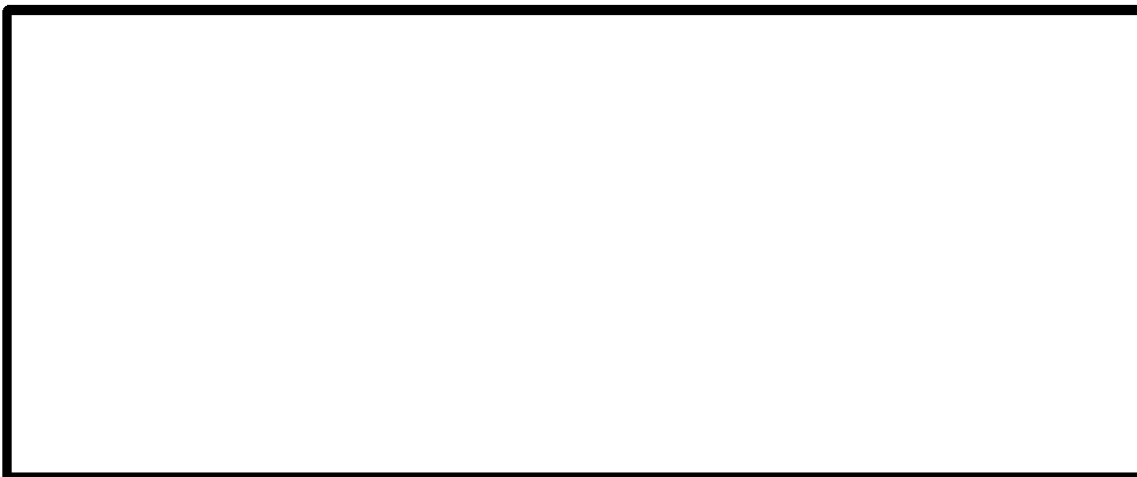
(b)(4)



Exhibit 21 - Sample media coverage of American Life, Inc. activities

IX. ELIGIBILITY OF INVESTORS FOR EB-5 CLASSIFICATION

(b)(4)



Each investment limited partnership has two primary business objectives:

1. Provide secure monthly cash flow for investors.
2. Obtain capital appreciation resulting from excellent location, superior cash flow, and growth in the area.

(b)(4)



(b)(4)

(b)(4)

XI. CONCLUSION

American Life, Inc. seeks amendment and reaffirmation of the regional center designation as follows:

- to identify American Life, Inc. as the regional center entity
- to include BINMIC within the geographic boundary of the regional center
- to reaffirm the business scope and industry focus of the regional center
- to reaffirm the use of the State of Washington input output model as an acceptable methodology for estimating job creation for purposes of EB-5 petitions.

Amend. goals



U.S. Department of Justice
Immigration and Naturalization Service

HQ 204.27-C

425 I Street NW,
Washington, DC 20536

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
720 Olive Way, Suite 1300
Seattle, WA 98101

FEB - 5 1988

RE: Application for Designation as a Regional Center for the
Golden Rainbow Freedom Fund

Dear Mr. Liebman:

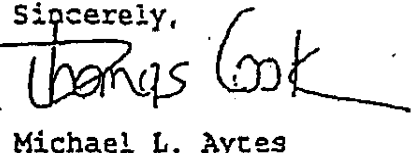
Pursuant to Section 510 of the Appropriations Act of 1993, the Golden Rainbow Freedom Fund (GRFF) has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the GRFF's project to develop an air cargo and manufacturing facility in Jackson County, Oregon.

Alien entrepreneurs who file petitions for commercial enterprises located within the GRFF project site must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies.

The designation by the Service of GRFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. All petitions for alien entrepreneurs who invest within the regional center will be adjudicated by the Service on a case-by-case basis and each petition must be fully documented. The individual petitions must be submitted to the Nebraska service center.

If you have any questions concerning GRFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus at (202) 514-3228.

Sincerely,

for 

Michael L. Aytes
Acting Assistant Commissioner
Adjudications



U.S. Department of Justice
Immigration and Naturalization Service

HQ 70/8.5-C

425 I Street NW
Washington, DC 20536

OCT 25 1996

Mr. Henry Liebman
The Golden Rainbow Freedom Fund
18034 13th NW
Seattle, WA 98177

RE: Application for Designation as a Regional Center for the
Gateway Freedom Fund

Dear Mr. Liebman:

Pursuant to Section 610 of the Appropriations Act of 1993, the Gateway Freedom Fund has been designated as a regional center to participate in the Immigrant Investor Pilot Program. As of this date, aliens seeking immigrant visas through the Immigrant Investor Pilot Program may file individual petitions with the Immigration and Naturalization Service (Service) for new commercial enterprises located within the City of Seattle Neighborhood Reinvestment Area in Seattle, Washington. I note that this office previously approved a regional center designation for the Golden Rainbow Freedom Fund to develop an air cargo and manufacturing facility in Jackson County, Oregon. Per your request, we acknowledge that the Golden Rainbow Freedom Fund uses the name Gateway Freedom Fund (GFF) in Japan. The GFF regional center now encompasses both the air cargo and manufacturing facility in Jackson County, Oregon and the City of Seattle Neighborhood Reinvestment Area.

Alien entrepreneurs who file petitions for commercial enterprises located within the GFF project sites must fulfill all of the requirements set forth in 8 CFR 204.6, except that the petition need not show that the new commercial enterprise hired ten new employees as a result of the alien entrepreneur's investment. The petition may contain evidence that the investment indirectly created or will create ten new jobs, using economically or statistically valid methodologies as described in 8 CFR 204.6(j)(4)(iii).

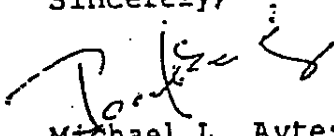
The designation by the Service of GFF as a regional center does not reflect any determination by the Service on the merits of individual petitions filed by alien entrepreneurs under the Investor Pilot Program. All petitions for alien entrepreneurs who invest within the regional center will be adjudicated by the Service on a case-by-case basis and each petition must be fully documented. The individual petitions must be submitted to the Nebraska Service Center.

Page 2

Mr. Henry Liebman

If you have any questions concerning GFF's designation under the Immigrant Investor Pilot Program, please contact Michael Straus or Katherine Lorr at (202) 514-5014.

Sincerely,


Michael L. Aytes
Assistant Commissioner
Benefits Division

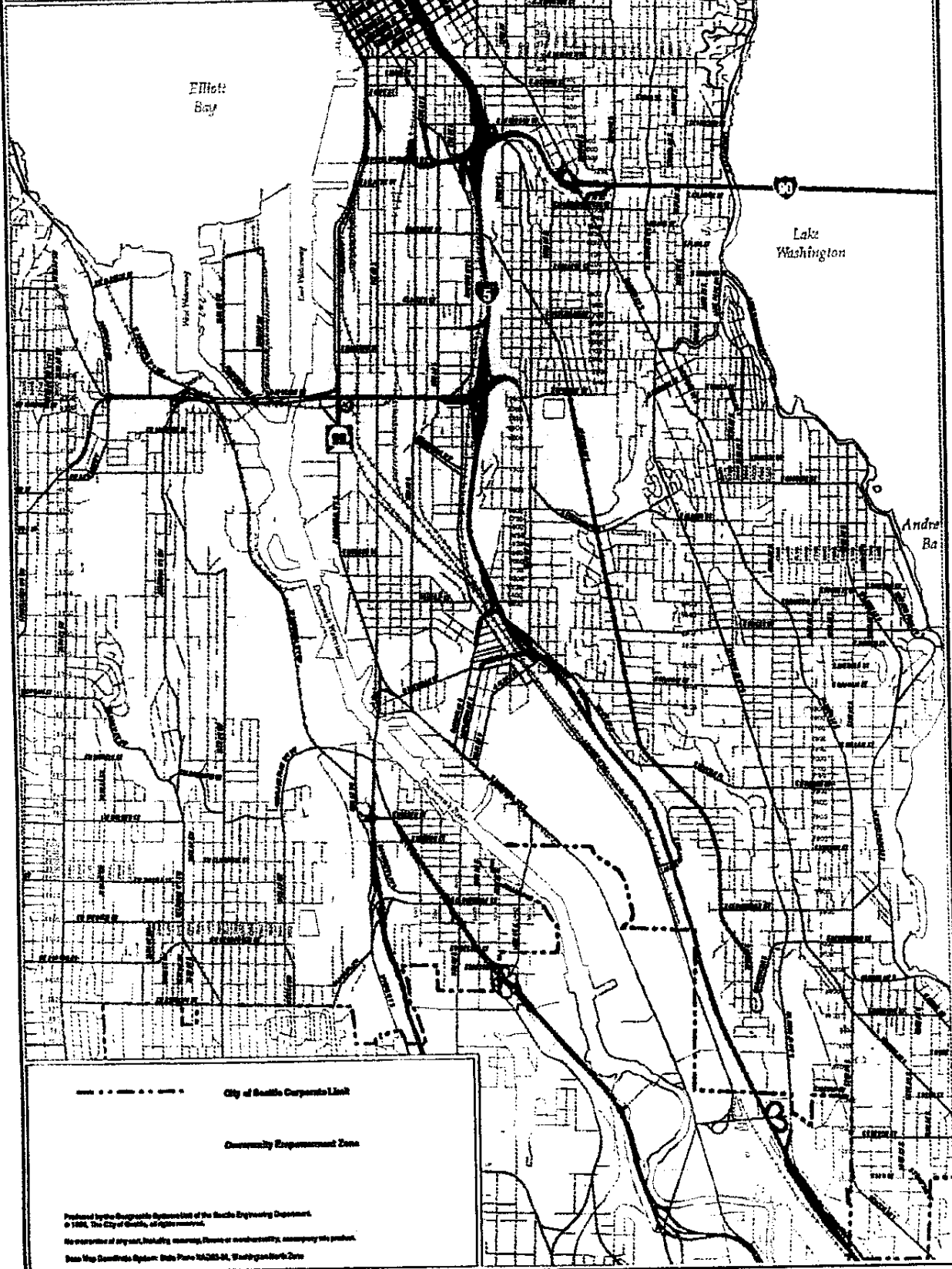


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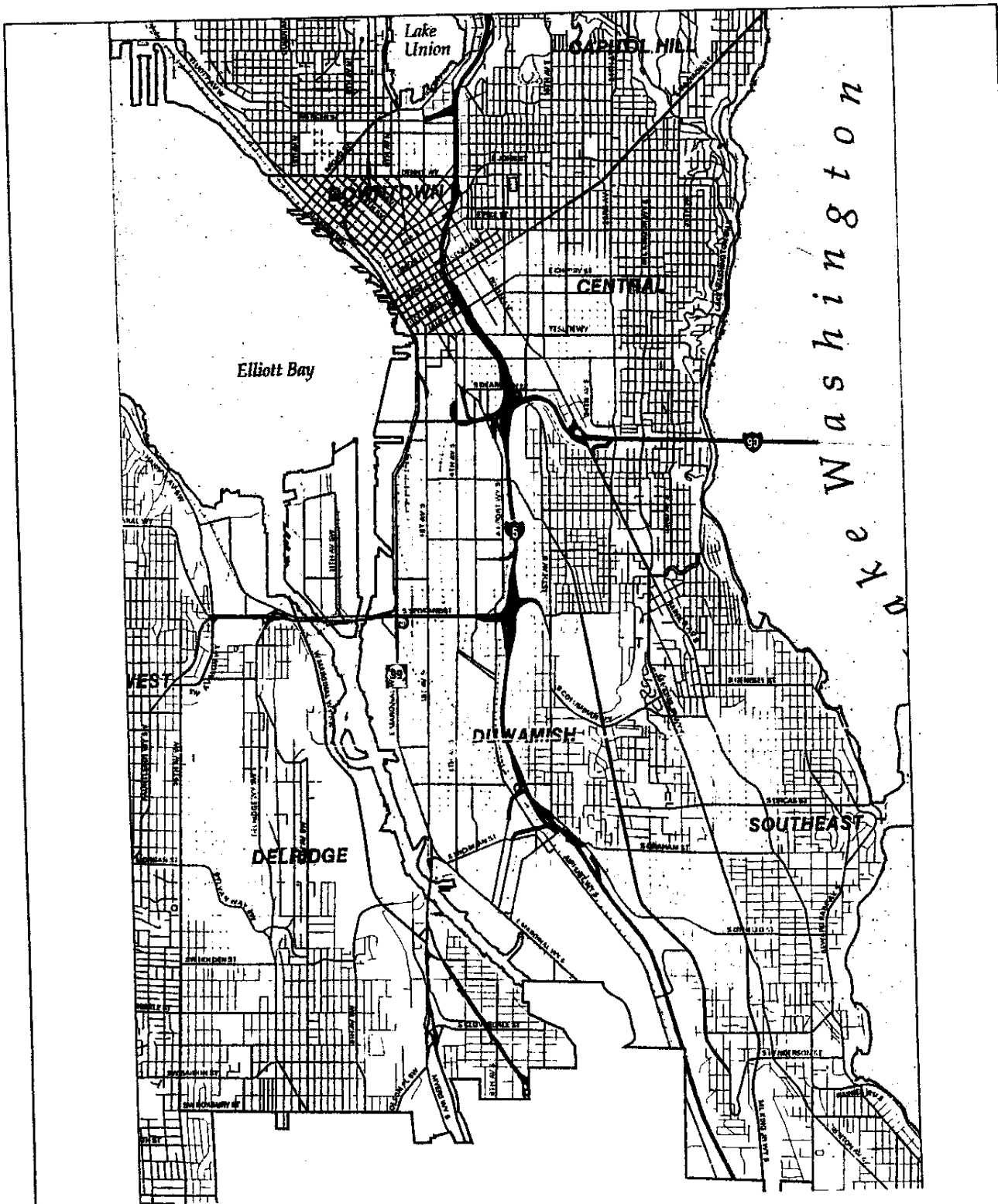
State of Washington Community Empowerment Zone



Scale in Feet
0 2000



Prepared by the Geographic Systems Unit of the Seattle Engineering Department.
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No warranty of accuracy, liability, coverage, fitness or non-infringement, or any other type of product.
Data Map Database System: Data Plane 16283-01, State of Washington



**City of Seattle
FEDERAL ENTERPRISE COMMUNITY BOUNDARIES**

Enterprise Community  Neighborhood Boundaries



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No warranty of any sort, including accuracy, fitness or merchantability, accompanies this product.



Data Sources: 1980 U.S. Census of Population and Housing Summary Tape File 3a and King County Assessor's Office

Produced by the Seattle Engineering Department,
Geographic Systems on November 13, 1985

www.seattle.gov/department/geographic_systems

3



Employment Security Department

WASHINGTON STATE

PO Box 9046 • Olympia, WA 98507-9046

March 1, 2007

Jo Hwang
Administrative and Marketing Director
American Life Inc.
3223 Third Avenue South
Seattle, Washington 98134

Dear Ms. Hwang:

The Washington State Employment Security Department has the delegate authority to certify areas of high employment, defined as unemployment in excess of 150% of the national unemployment rate. The properties listed below are located in the State of Washington Community Empowerment Zone and in the formerly designated City of Seattle Federal Enterprise Community (EZ/ EC). Accordingly we certify that the combined Enterprise Community and Community Empowerment Zone within the city of Seattle, Washington EC/EZ is an area of high unemployment. For your information, the unemployment rate for the EC/EZ in 2006 was 7.7%. The national unemployment rate for the same period was 4.6%. Because the EC/EZ includes several different metropolitan statistical areas within Seattle, the methodology used for calculating the relevant unemployment rate within the EC/EZ is based on current national and local unemployment statistics and on calculations derived from current census factors that are considered the most reliable available factors.

The boundaries of the EC/EZ are set forth in recognized maps that have been submitted to and approved by federal and state authorities. All of the properties listed below are included within the boundaries of the EC/EZ.

- | | |
|---|---------------------------------------|
| 624 S. Lander St. | 618 2 nd Ave. |
| 4660 E. Marginal Way | 2960 – 3200 4 th Ave South |
| 132 S. Spokane St | 4746 Ohio Avenue South |
| 1500 blk. of Utah Ave (includes | 1531 Utah Avenue S.) |
| 2440 1 st Ave S. | 1000 1 st Avenue South |
| 3223 3 rd Ave S. | 2764 1 st Avenue South |
| 3317 3 rd Ave S. | 1762 8 th Ave. S. |
| 270 South Hanford | 2702 6 th Ave. S. |
| 2700 4th Ave S | |
| 3801 W. Marginal Way SW | |
| 3601 Marginal Way SW | |
| 6335 1 st Ave. S. | |
| 2900 4 th Ave. S. | |
| 2962 1 st Ave. S. | |
| 3623 6 th Ave S. | |
| 2944 1 st Ave S. | |
| 2925, 2945 and 2931 1 st Ave. S. | |
| 2963 Utah Ave. S., 2936 Utah Ave. S., 2959 Utah Ave. S. | |
| 66 S. Hanford St. | |
| 3100 Airport Way South | |
| 1016 1 st Ave. S. | |

*TEA
Area defined*

Should you have any questions about this data, please feel free to contact me at (360) 438-4843. I will be glad to answer any questions you may have.

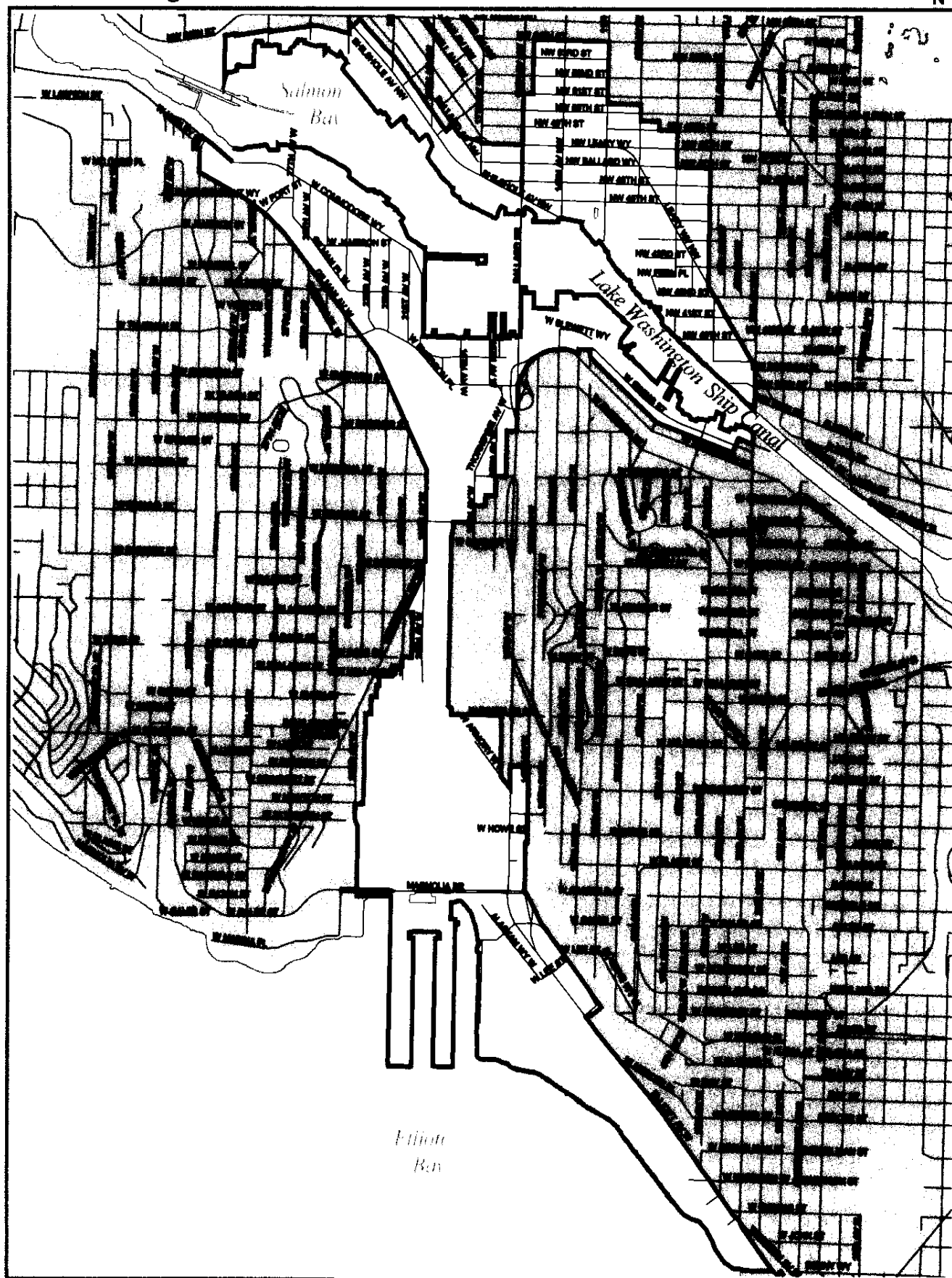
Sincerely,


Joni Wines
Labor Market and Economic Analysis
Employment Security Department



4

BALLARD-INTERBAY-NORTHEND Manufacturing/Industrial Center



0 0.25 0.5 Miles

— CENTER BOUNDARY



City of Seattle
Strategic Planning Office
September 2000

MAP

No warranties of any sort, including accuracy, fitness, or merchantability, accompany this product. Copyright, 2000, The City of Seattle.

Ballard-Interbay-Northeast M&I Center Neighborhood Plan Area

Prepared by:
Strategic Planning Office



Planning Area Boundary

Urban Village/Center Boundary

Urban Village/Center

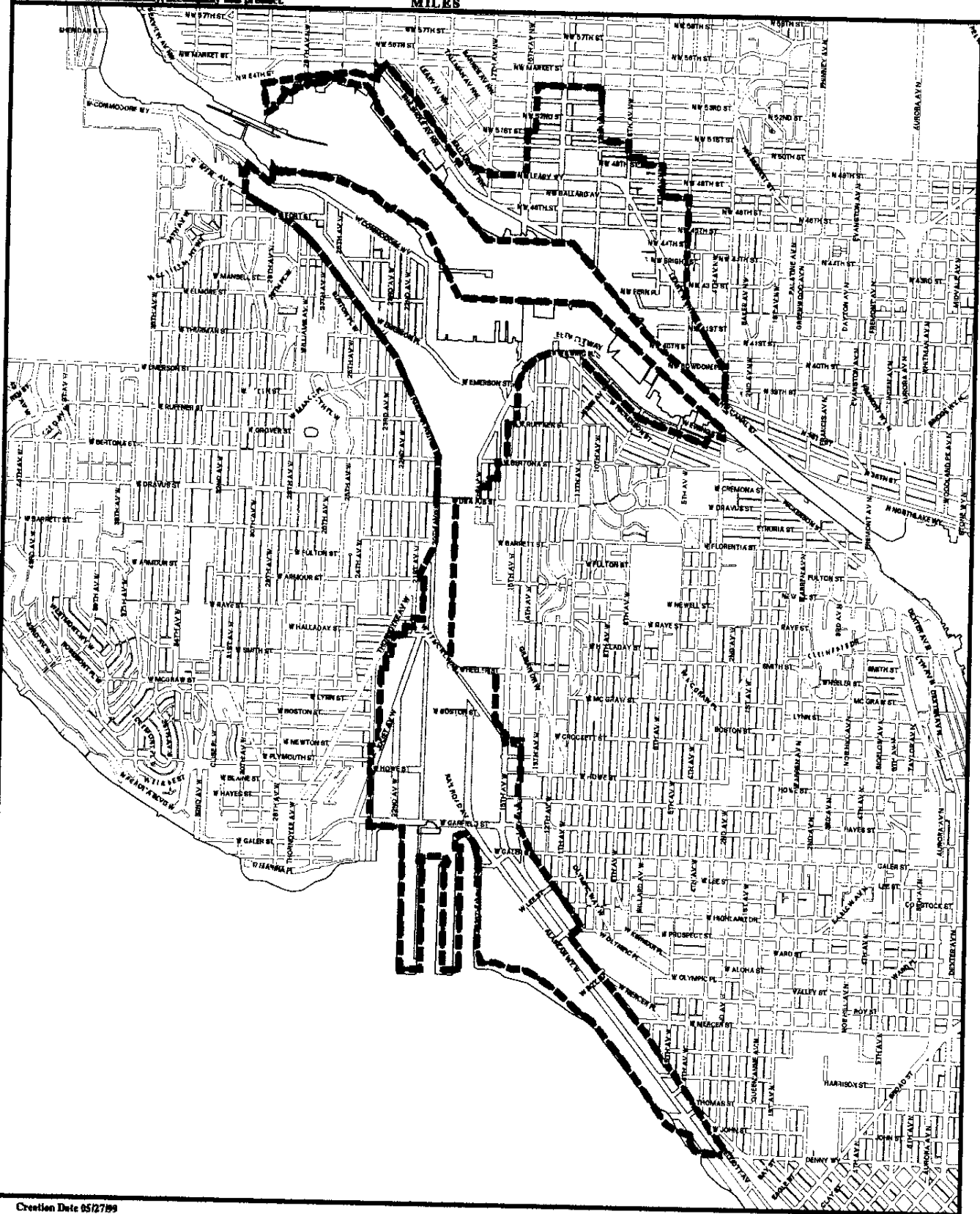
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fitness or merchantability, accompany this product.

MILES



Creation Date 05/27/99
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village: md_bin
planning area: md_bin

BINMIC Manufacturing and Industrial Center

Urban Village/Center Boundary
Study Area 2000 Block Group

Prepared by:
Design, Construction and Land Use



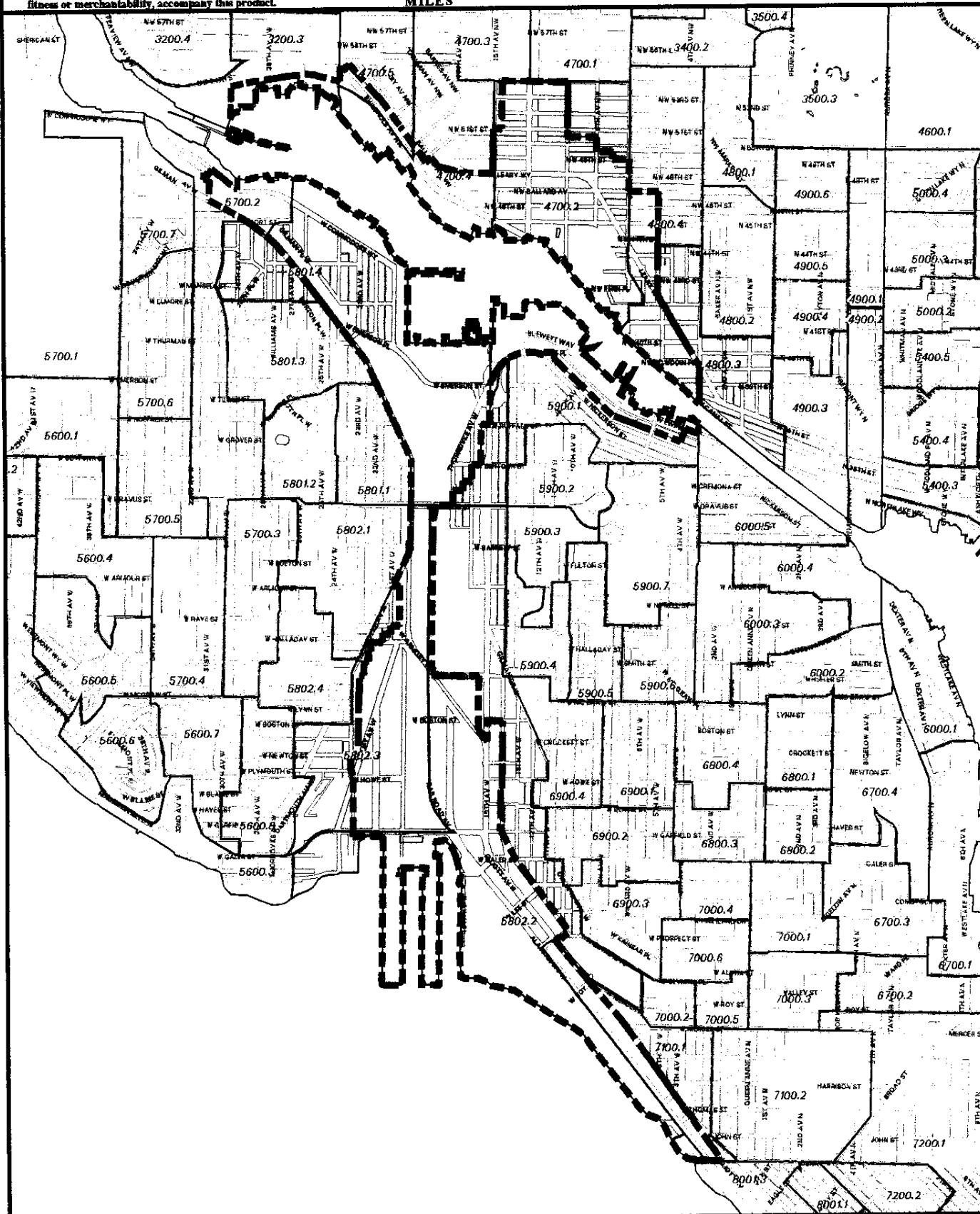
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fitness or merchantability, accompany this product.

MILES



Creation Date 07/18/03
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village: ml_bin



5

GOLDEN RAINBOW FREEDOM FUND
3223 - 3RD AVENUE SOUTH, SUITE 200
SEATTLE, WA 98134

July 13, 2005

To: Maurice Berez

From: Henry Liebman

RE: Golden Rainbow Freedom Fund (GRFF)/American Retirement Inc. and Gateway Freedom Fund (GFF)/American Life, Inc. Investments

GRFF and GFF were established as a pooled fund that invested in several projects within the regional center. The authority to operate as a pooled investment fund was granted by the Service in a letter dated August 10, 1999 from Ed Skerret. The attached chart and each I-526 and I-829 file documents each investor's [redacted] investment, in some cases more; investment in the fund, source of funds, and the methodology used to compute indirect employment. Because GRFF operated as a pooled investment fund there is no direct employment. The following list and the attached chart show how the funds were invested.

The Service designated of a regional center involved two companies, which have developed the Seattle and Medford Oregon regional centers -- American Retirement, Inc., general partner of the Golden Rainbow Freedom Fund Limited Partnership and American Life, Inc., general partner of the Gateway Freedom Fund. Between 1995 and present the two companies built a portfolio of approximately 20 buildings with a fair market value in excess of [redacted]. The insured value of the improvements exceeds [redacted] million. See Schedule of Values attached. Renovation projects exceed [redacted] million.

(b)(4) The narrative below concerns GRFF and GFF investment activity commencing in 1996. GRFF has [redacted] in capital from immigrant investors. Its portfolio at cost is worth approximately [redacted] with a fair market value of approximately [redacted].

Medford Air Cargo

(b)(4) December 18, 1996 [redacted] to build a hanger at the Jackson County International Airport. The hanger was constructed; MAC defaulted on the loan and turned the property over to GRFF. GRFF sold the property at cost to the airport. The building was and still is used to warehouse and distribute air cargo. See promissory note, building diagrams and check delivered to closing agent. Also see attached documents pertaining to the sale to County of Jackson.
Investment Status: Sold

PAGE WITHHELD PURSUANT TO

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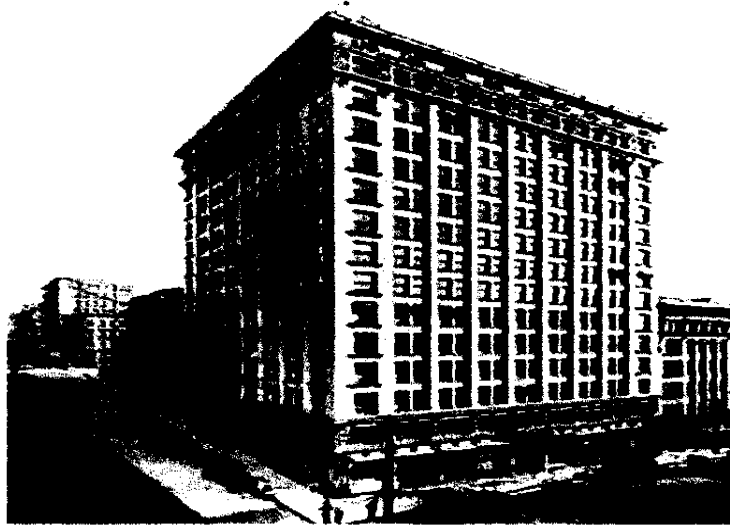
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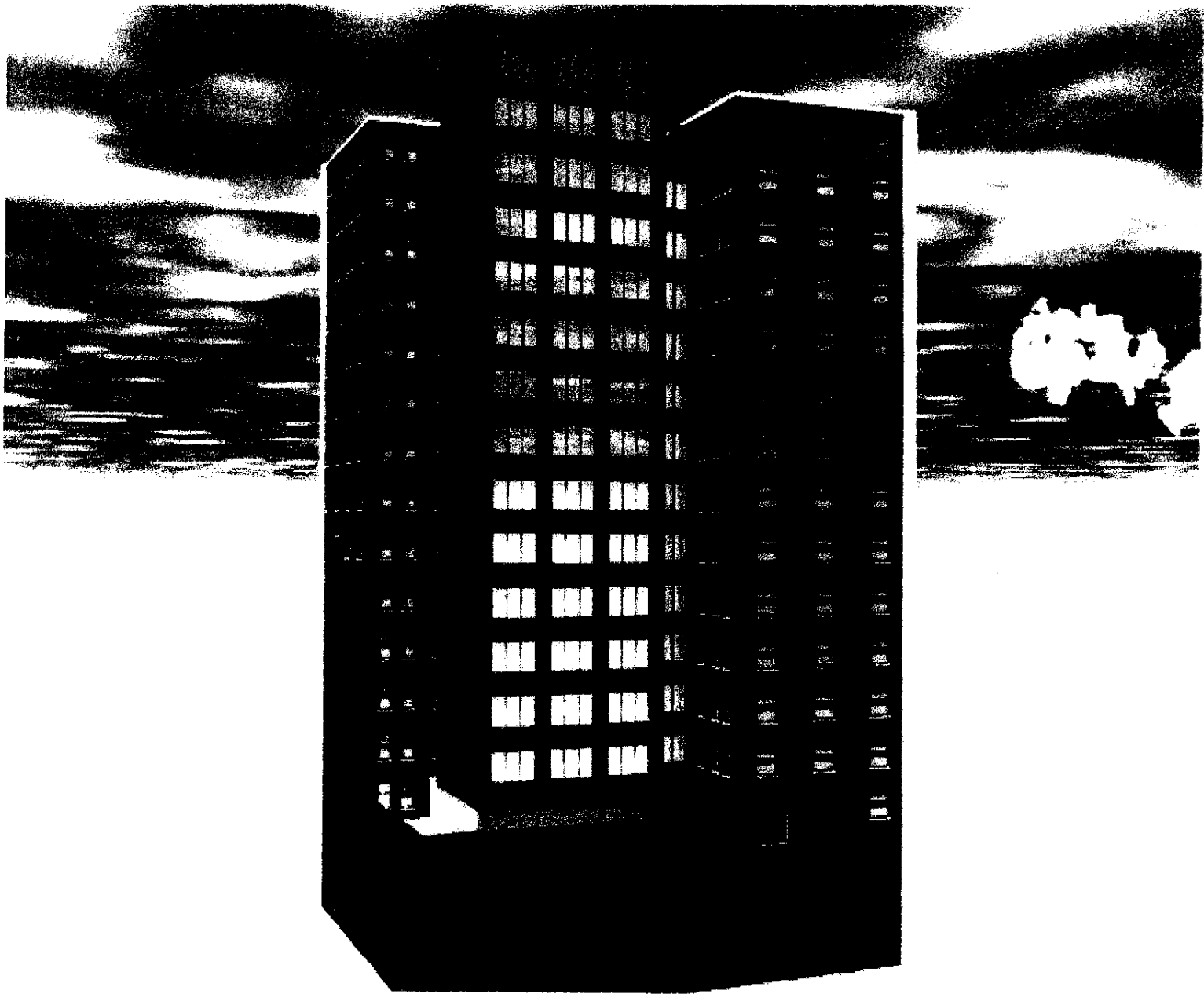
(b)(4)



6

Historic Photo of 618 2nd Avenue







COMPREHENSIVE BUSINESS PLAN
618 SECOND AVENUE LIMITED PARTNERSHIP

Overview

The 618 Second Avenue Limited Partnership ("618 LP" or "Partnership"), a State of Washington limited Partnership will acquire the landmark Alaska Building for conversion to an approximate 250 room Courtyard Marriott® Hotel. The existing 15 floor, 135,045 square foot structure, the first steel high-rise built in Seattle occupies a 12,960 square foot corner lot of 2nd and Cherry immediately south of the Central Business District. The Hotel targets individual travelers and couples.

The Project includes renovating the existing building and constructing an additional tower of 29,039 square feet. Courtyard Management Corporation will manage the hotel (www.marriott.com) for an initial term of 25 years with two-ten (10) year options to renew under certain circumstances. The hotel is scheduled to open beginning of the 3rd quarter of 2009 and projected to achieve stable occupancy in 2012.

The Property located in Downtown Seattle in the Pioneer Square Historic District costs [REDACTED] including plans, permits and the Courtyard management agreement. Closing on the acquisition, contingent upon issuance of a building permit, must occur on or before June 30, 2007. The General Partners made a non-refundable deposit of [REDACTED]

(b)(4)

The Partnership estimates construction costs of [REDACTED] [REDACTED] including renovations, soft costs, taxes and all Furniture, Fixtures and Equipment (FFE) required to meet the standards of a Courtyard by Marriott hotel. To mitigate risk, 618 LP executed a Gross Maximum Price (GMP) contract with the construction manager KADC LLC. The Construction Manager guaranteed the Maximum Project costs and indemnified 618 LP against any cost overruns. The maximum project cost to the partnership including syndication fees is [REDACTED]

Building History and Condition

The Alaska Building, completed in 1904, was the tallest structure in Seattle until completion of the 18-story Hoge Building in 1911 and the 42-story Smith Tower in 1914 (www.historylink.org). The most recent occupant, the City of Seattle, purchased the building in 1988. In August 2005, the City sold the property to the current owner and seller, Alaska Building LLC, who began the rezone and entitlement process for a new hotel.

Renovations

618 LP plans to convert the Property to an approximately 250 room, 164,084 square foot Courtyard by Marriot hotel. Renovations include restoring the existing building façade, all building systems and constructing a new tower in the open space formed by the two existing wings. All improvements must be consistent with the specifications for a Courtyard by Marriott hotel.

Proposed Concept and Design

Basement - indoor swimming pool and spa, exercise room, guest laundry, house laundry, employee break room, mechanical areas, and storage.

First floor retail space - restaurant, hotel lobby, business center, seating areas, and hotel offices.

Guest Floors and Meeting Space - The existing structure houses most of the meeting space and 199 guestrooms, with 12 rooms on Floor 2, 16 rooms apiece on Floors 3 through 13, 9 rooms on Floor 14, and 7 rooms on Floor 15. The new tower includes a divisible meeting room on Floor 2, 4 guestrooms on Floors 3 through 13, and 3 guestrooms on Floors 14 and 15.

Guestroom Unit Mix

174 King, 52 Queen/Queen, 11 Whirlpool King, 12 King Suite, and 1 Queen/Queen Suite for a total of 250 rooms.

Estimated Project Time Line

Closing:	June 30 th 2007
Start Construction:	February 2008
Hotel Grand Opening:	3 rd Quarter 2009
Stabilized Occupancy:	2012

THE OPERATOR

Courtyard Management Corporation is a wholly owned subsidiary of Marriott International, Inc. Marriott International, Inc. has a current market capitalization of over \$19 billion dollars and is publicly traded on the New York Stock Exchange (Symbol: MAR).

The Courtyard® brand consists of the following general characteristics:

- Lodging brand in the upper-moderate price sector
- "Designed by business travelers for business travelers."
- This lodging brand has recently increased its number of downtown locations, often through conversions of historical buildings
- Features include:
 - High-speed Internet access
 - Breakfast restaurant, lounge
 - Business Center
 - Central courtyard
 - Exercise room
 - Swimming pool
- 766 Courtyard by Marriott locations worldwide; 699 US and Canada, 67 internationally

Location

The Property is located in the Pioneer Square Historic District of the City of Seattle at the corner of 2nd and Cherry. The area, initially developed with wood frame buildings in the late 1800s, was leveled by a series of fires. The infusion of capital during the Alaska-Yukon gold rush at the turn of the 20th century, financed multistory concrete buildings, many of which survive to this day. Among these are the Alaska Building (1904), Smith Tower (1914) and the Arctic Building (1916).

Pioneer Square's strict historic preservation regulations tend to restrict development and employment growth. While the hotel location offers easy access to government office buildings, freeways and sports stadiums with the exception of infill, most new development occurs to the north, toward Belltown and South Lake Union.

The Property is located within a regional center area designated under the Immigrant Investor Pilot Program. The Property is also in the Federal Enterprise Community zone. The State of Washington confirmed that the Property is located in a Targeted Employment Area (TEA) which allows a minimum investment of \$500,000 for purposes of immigration eligibility. The primary objective of this regional center is to channel immigrant investor capital to create employment and improve neighborhoods.

The 618 LP purchase and renovation activity is consistent with the goals of the Regional Center. The modernization of an underutilized historically significant structure creates a magnet attracting a variety of uses and employment to the new building and to the surrounding area.

Market Analysis

In 2005, hotels in the Puget Sound region recorded their best performance in recent years. Improvement in the regional economy and a boom year for conventions fueled demand. Fewer new hotels have opened than required to serve demand. As a result, hotel occupancy rates reached a five-year high.

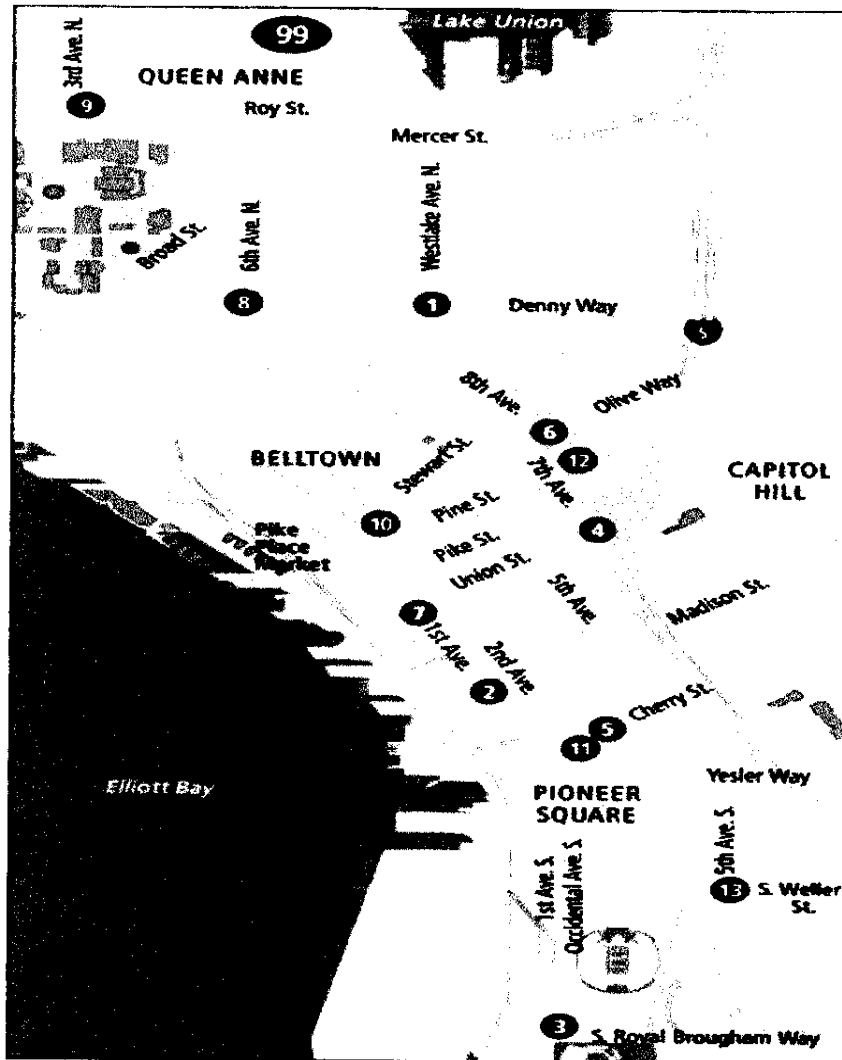
Market occupancy rates are reported monthly in *Trends in the Hotel Industry, Pacific Northwest*, and a publication of Wolfgang Rood Hospitality Consulting. The survey summarizes the performance of over 200 hotels and motels in the region, including nearly 130 properties in Washington.

For the year 2005, participating Seattle hotels reported an average occupancy rate of 75.1%, up from 72.1% in 2004. Growth continued in 2006: for the first nine months of 2006, occupancy averaged 78.8%, up from 77.3% for the same period in 2005. If recent trends continue, occupancy for the year 2006 could approach 77%. Average daily room rates (ADR) increased as well. Among the participating Seattle hotels, the ADR averaged \$157 for the first nine months of 2006, an increase of 11.7% over the same period in 2005.

Overall, the Puget Sound region benefits from a growing population, a diverse economy and an attractive environment. Despite a perceived reliance on aerospace and software, the Seattle economy is quite diversified, with significant employment in wholesale and retail trade, finance, health care and education.

SEATTLE'S HOTEL DEVELOPMENT PIPELINE

The number of three-to five-star hotel rooms near Seattle's core is expected to jump 40 percent in the next two years. Hotel development is driven by tourism demand and fluctuations in the real estate market, which means that hotel proposals could fall through or be enhanced before construction starts.



Name of hotel	Number of Rooms	Opening date
Open		
1 Pan Pacific	160	Open
2 Hotel 1000	120	Open
3 Silver Cloud Hotel	211	Open
Under construction		
4 Sheraton Seattle (second tower)	415	2007
5 Arctic Club Building redevelopment	120	2008
6 Hyatt at Olive 8	346	2008
7 Four Seasons	149	2008
Proposed (planning and design phase)		
8 Hyatt Place	158	2008
9 Maxwell Hotel and Residence	142	2008
10 The "1" Hotel	110	2008
11 Alaska Building redevelopment	250	2009
12 Executive Inns hotel, tower & condos	140	2009
13 Publix Hotel redevelopment & new hotel	203	2009

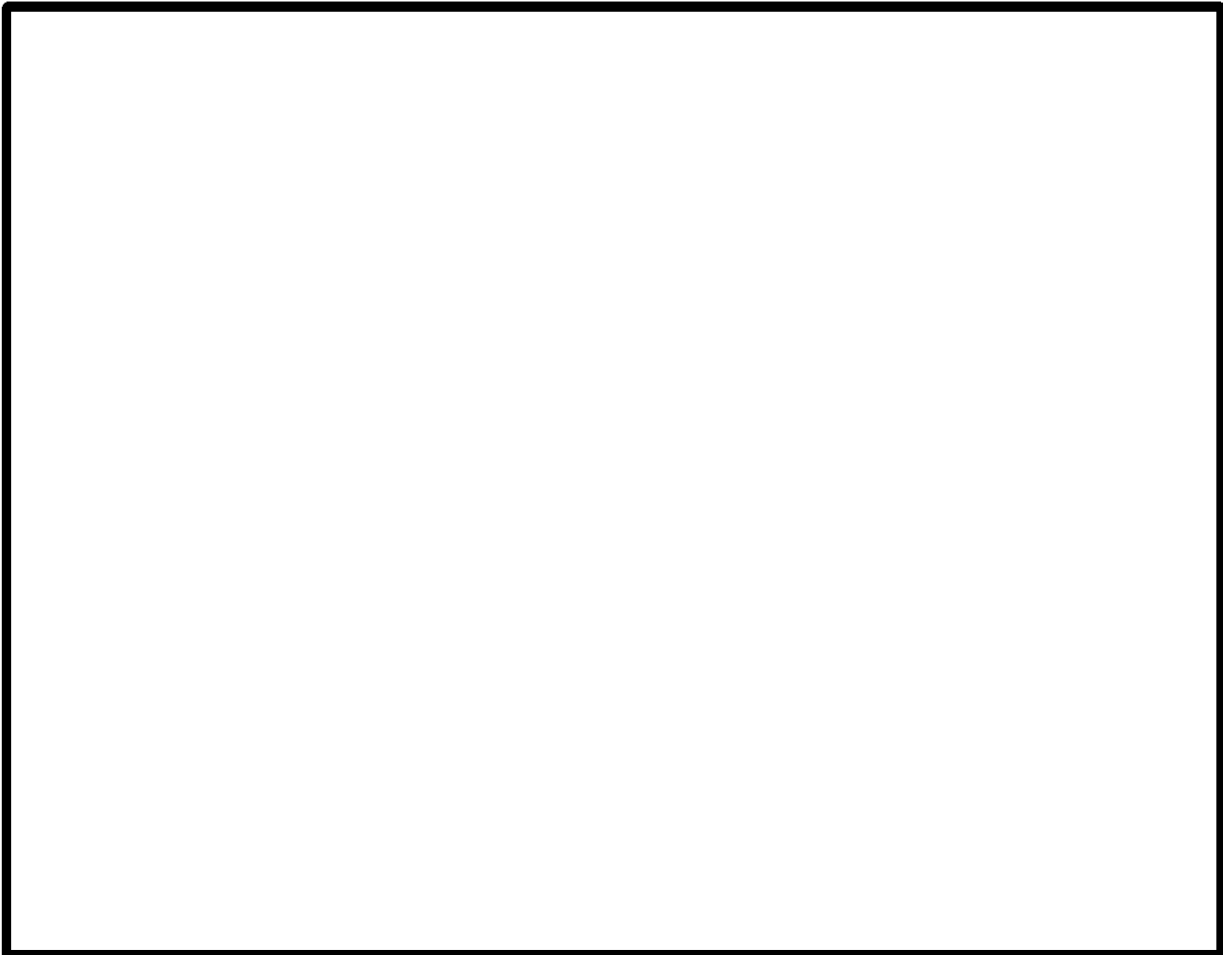
Source: Colliers International Hotels, Seattle's Convention and Visitors Bureau, Puget Sound

Management

618 LP is one of more than 25 investment entities managed by American Life Inc. American Life Inc. acquires, rehabilitates and manages older industrial warehouses located in the Duwamish industrial sector south of downtown (“SODO”) Seattle. The Principals of American Life Inc. began investing in the Seattle area in the early 1980s and made their first SODO investments in 1995. Considering the affiliated investment entities as a group, American Life Inc. is one of the larger landlords in the SODO, with over 1,600,000 square feet of building projects under management.

American Life Inc. and its development partners, H & S Investments 1st Avenue LLC (arieldevelopment.com) and Kauri Investments Ltd (kauri.com) located this investment opportunity, conducted due diligence, negotiated the purchase terms, raised the capital required for the land purchases and developed the initial project concept.

Business Model



(b)(4)

Purchase Terms

(b)(4)



Courtyard Management Corporation Management Agreement

The Partnership concluded a management Agreement with Courtyard Management Corporation for management of the hotel. The terms may be summarized as follows:

Duration: Initial term 25 years, with two ten year renewal terms under certain circumstances

Termination: Manager may be terminated for failure to comply with certain performance standards.

Compensation Structure:

Annual Priority Management Fee



(b)(4)

Courtyard Management Corporation Disclaimer

The limited partnership interests are being sold and the Hotel is being developed by the Partnership (618 LP) and not by Courtyard Management Corporation or by any of its affiliates; Courtyard Management Cooperation has not confirmed the accuracy of any statements made in the Offering, is not part of or an agent for the Partnership and has not acted as broker, finder or agent in connection with the sale of the limited partnership interests; the Partnership and each prospective purchaser of any of the limited partnership interests, irrevocably and unconditionally, waives and releases Courtyard Management Corporation and its affiliates from and against any liability with respect to any representation or defect or any claim whatsoever, relating to the marketing or sale of the limited partnership interests in the Partnership or the construction of the Hotel.

Property Analysis and Valuation

Job No. A6544

Table 1
Competitive Market Profile - Facilities and Room Rates

Property Name Address	Built Renov	Corridors	Std Rooms	Bldg SF	Mtg SF	Summer	Amenities
		Height	Total Rooms	Per Room	Per Room	Winter	AAA
H1 Red Lion Hotel 1415 Fifth Avenue	1973	Interior	291	272,787	13,715	\$290	A B D E
	1996	20 stories	297	918	46	\$290	◆◆◆
H2 Crowne Plaza Hotel 1113 Sixth Avenue	1980	Interior	389	258,352	10,310	\$99-\$300	A B D E
	2006	34 stories	415	623	25	\$99-\$300	◆◆◆
H3 Hilton Hotel 1301 Sixth Avenue	1970	Interior	237	126,240	4,307	\$189-\$378	A B D E
	1995	29 stories	237	533	18	\$159-\$348	◆◆◆
H4 Warwick Hotel 401 Lenora Street	1981	Interior	226	119,890	1,310	\$260-\$290	A B D E F
	2006	19 stories	230	521	6	\$240-\$270	◆◆◆
H5 Best Western Pioneer Square 77 Yelder Way	1914	Interior	75	34,780	300	\$189-\$299	BD
	1990	4 stories	75	464	4	\$149-\$259	◆◆◆
H6 Hotel Monaco 1101 Fourth Avenue	1969	Interior	187	133,884	6,040	\$175-\$309	A B D E
	1997	11 stories	189	708	32	\$175-\$309	◆◆◆◆
H7 Hotel Vintage Park 1100 Fifth Avenue	1922	Interior	125	67,390	700	\$135-\$260	A D E
	1992	11 stories	126	535	6	\$135-\$260	◆◆◆◆
H8 Hotel Andra 2000 Fourth Avenue	1926	Interior	118	104,000	3,450	\$209-\$349	A B D E
	2004	10 stories	119	874	29	\$209-\$349	Not Rated

Source: Property Management
County Assessor
AAA TourBook

A = Restaurant
B = Meeting Rooms
C = Refrig/MW

D = Data Pans
E = Exercise Room
F = Swimming Pool

Other Due Diligence

As part of Due Diligence, the following information has been reviewed:

1. Title
2. Survey
3. Phase 1 Environmental Site Assessment
4. Soils Information
5. Existing Structural Plans
6. Building site survey
7. Appraisal

Exit Strategy

This is a long term investment. 618 LP due to its unique source of financing and business model makes long term improvements to its property. Extensive up-front capital costs may depress near term returns. As room rates and occupancy increase, 618 LP should enjoy steadily increasing income as compensation for improving the Property's use.

Partners may sell their partnership interest at any time. There is an active market for interests in well located income producing real estate. The General Partner upon request will refer those who wish to sell their partnership interest to local companies that specialize in selling private equity interests.

Employment Impacts

618 LP will consist of many U.S. investors as well as immigrant investors. The intending immigrants are required to prove job creation in the Regional Center. Professor Paul Sommers, Ph.D. of Seattle University, renowned economist, earned degrees in economics from the University of California at Berkeley (B.A.) and Yale University (Ph.D.). His distinguished career includes membership on the Governor's Council of Economic Advisors, the study of economic development impact of the technology revolution, and concept papers for use by the Washington Office of Trade and Economic Development.

Dr. Sommers determined in a separate report the total job impacts of the 618 LP investment activity. Estimates of job creation are based on a pro forma statement prepared by Courtyard Marriott management that projects future revenues from room rental. Estimates of job creation also take into account the projected local area expenditures by hotel guests, as determined in studies commissioned by the King County Convention and Visitors Bureau, as well as other likely revenue sources. Utilizing the State of Washington input output model, Dr. Sommers estimated the project will create a total of approximately direct and indirect employees.


(b)(4)

The immigrant investors in 618 LP who will petition for U.S. immigration benefits based on the investments in 618 LP agree to allocate ten jobs to each of the investor-petitioners for purposes of qualifying for U.S. immigration benefits.

****Documents in support of this Business Plan are available upon request. The management agreement contains confidentiality provisions; therefore, it is available for review by potential Accredited Investors and their professional advisors only after execution of a confidentiality agreement. ****

**618 Second Avenue Limited Partnership,
A State of Washington Limited Partnership**

**By: American Life Inc., a Washington
Corporation, Managing General Partner**



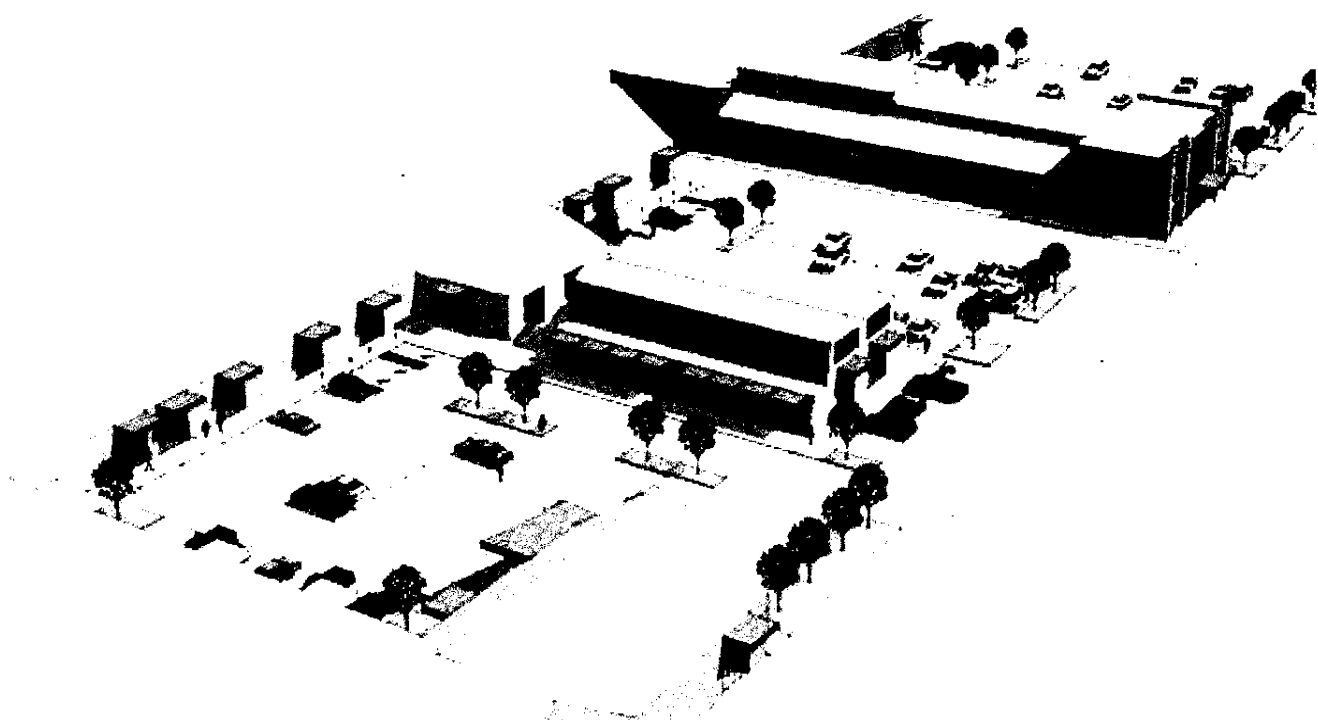
Henry Liebman, Its President

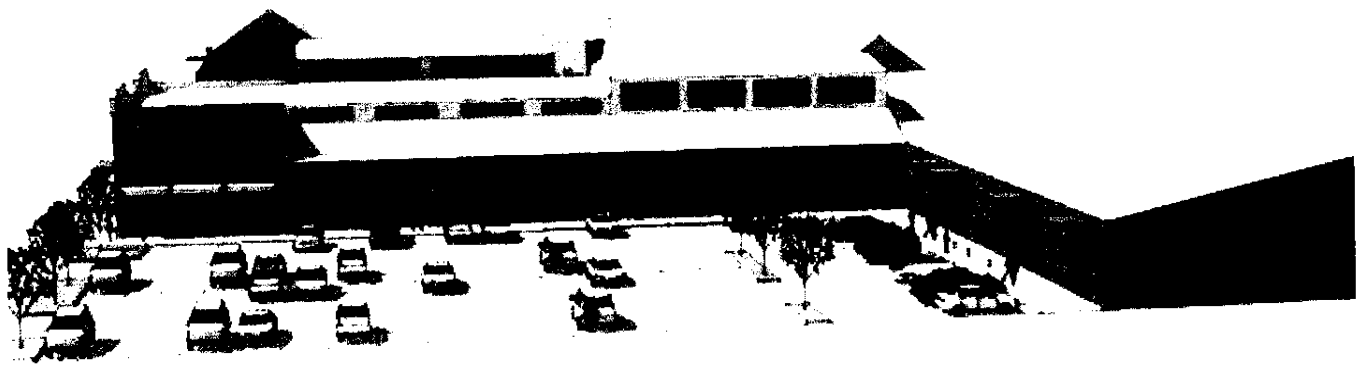
May 30, 2007
Date











COMPREHENSIVE BUSINESS PLAN

PACIFIC INDUSTRIAL CENTER Limited Partnership

Overview

The Pacific Industrial Center Limited Partnership ("Pacific Industrial Center LP" or "LP"), a State of Washington limited partnership will acquire 176,580 square feet of land with 81,000 square feet of vacant buildings which are in various states of disrepair ("Property"). The site lies on the east side of the 2900 block of 4th Avenue South between South Lander and Spokane Street. 4th Avenue South is one of the major arterials connecting the central business district to the SODO industrial area. The Property's prime feature is 654 frontage feet on 4th Avenue South. There are very few sites of this size and street frontage in SODO. The LP has until April 10, 2007 to complete the purchase of the Property. The Pacific Industrial Center LP will remodel the existing buildings which includes demolishing 6,000 square feet of building and adding 18,000 square feet of new buildings to create 87,000 square feet of new showroom and light-industrial space. The Pacific Industrial Center LP will expend approximately [REDACTED] on renovations and improvements to the property, and it intends to manage the project for current cash flow and long-term appreciation. (b)(4)

Building History and Condition

The Property consists of 176,600 square feet of land and 81,000 square feet of low quality warehouse dating from 1929. The 19,000 square foot north building, built in 1929, is a two-story structure made of clay brick and steel. The remaining buildings date from 1962 and are primarily constructed of cement block. The property was part of the Duwamish River tidelands that covered most of the area. The center of the lot was filled with industrial scrap including battery casings. The lot is now completely paved with asphalt and cement in some areas. The Property was always used as an industrial salvage yard selling to wholesale and retail customers. The most recent tenant, Pacific Industrial Supply moved to a newer facility further south of the property.

Renovations

Pacific Industrial Center LP plans to commence renovations upon completing the purchase of the Property in April 2007. The Pacific Industrial Center LP plans to convert the existing structures to flex space or light industrial/showroom, which integrates office, light industrial, showroom and retail uses in one building allowing tenants to continually rebalance uses and hence maximize efficiency. The existing structures lay out as a light industrial business park also suitable for retail uses. The Property requires a new roof, new windows, insulation, restoration of the front brick on the 1929 building, new bathrooms, new heating ventilation and air conditioning systems, new power distribution, reconfiguration of stairways and emergency exits, reconfiguration of upper floors, paving and parking. Superior 4th South frontage and generous parking will attract a variety of light industrial, showroom, retail uses. Work is underway to draw detailed plans and to obtain permits.

(b)(4)

Pacific Industrial Center LP expects renovations to begin April of 2007 and be completed by February, 2008. We project a lease up time of an additional six months. Full rental income recovery may be further delayed by tenant improvements particular to a tenant, market conditions, or by the possibility of having to offer some period of free rent. We estimate the total renovation package to cost approximately [REDACTED] including tenant improvements soft costs, real estate broker commissions, contingencies, reserve, and related costs.

Estimated Project Time Line

Prior to April 2007 Closing - Draw plans and apply for building permits

April 2007 - Closing

April 2007- February 2008 construct tenant improvements.

March 2008- August 2008 lease-up period.

Location

The Property fronts along the east side of 4th Avenue South between S. Lander and Spokane St. The neighboring properties are generally warehouses or retail uses in similar states of disrepair and of similar vintages. There are other remodel projects in the area. The Interstate 5 and Interstate 90 Freeway ramp lies ½ mile to the North of the subject property. 4th Avenue South has among the higher traffic counts in the area and is the primary arterial connecting downtown Seattle to the industrial areas to the South. This Project's superior frontage and parking must be considered a positive factor. The property may be viewed from local.live.com or from Google earth. Type in address 2960 4th Avenue South, Seattle, WA 98134.

The Property is located within a Regional Center under the Immigrant Investor Pilot Program. The property is also located in a Targeted Employment Area (TEA) which allows a minimum investment of \$500,000. A qualifying investment within a Regional Center may qualify for permanent residence status without directly employing ten persons. The Port of Seattle and the City of Seattle sponsored the Regional Center designation. Federal and state governments designated the SODO area as an enterprise community and empowerment zone ("ECEZ") eligible for a variety of grants and tax benefits. The primary objective of this Regional Center is to channel immigrant investor capital to rehabilitate abandoned or dilapidated industrial warehouses in the SODO. The Pacific Industrial Center LP purchase and renovation activity is consistent with the goals of the Regional Center.

Market Analysis

SODO offers proximity to downtown Seattle, superior access to freeways, Port of Seattle, and the regional transportation network, and access to centrally located customers. The Pacific Industrial Center LP targets this market niche by improving functionally useless buildings into a modern, multi-tenant facility.

For at least the past twenty years, many businesses with large warehousing and manufacturing needs relocated away from Seattle to suburban Kent Valley located 20 miles to the south. Kent

Valley offered larger, newer, affordable parcels for development, which drew jobs away from Seattle's industrial core. Warehouse rents in Kent Valley range from \$.35 to \$.45 per square foot per month for warehouse shell compared to average warehouse rents in SODO at \$.55 per square foot per month for a warehouse shell.

Over the past ten years, many metropolitan areas, including Seattle, adapted growth management rules to restrict suburban development and prevent urban sprawl. Growth management coupled with increasing traffic burdens on a freeway system built in the 1970s and the recent doubling of gasoline prices drives many companies to close-in industrial areas such as SODO. Close-in locations compensate for premium rents with proximity to the ultimate customer, less driving time and lower fuel expenses. This nationwide market dynamic drives renovation of outdated industrial properties in close-in industrial areas in cities such as Seattle, Minneapolis, Indianapolis, Denver, Portland, and San Francisco. According to Lamb Hanson & Lamb Appraisers, SODO rents increased on average 7% per annum over the past twenty years.

Management

Pacific Industrial Center LP is one of 25 investment entities managed by American Life Inc. American Life Inc. acquires, rehabilitates and manages older industrial warehouses located in the Duwamish industrial sector south of downtown ("SODO") Seattle. The Principals of American Life Inc. began investing in the Seattle area in the early 1980s and made their first SODO investments in 1995. Considering the affiliated investment entities as a group, American Life Inc. is one of the larger landlords in the SODO, with approximately 1,350,000 square feet of buildings under management.

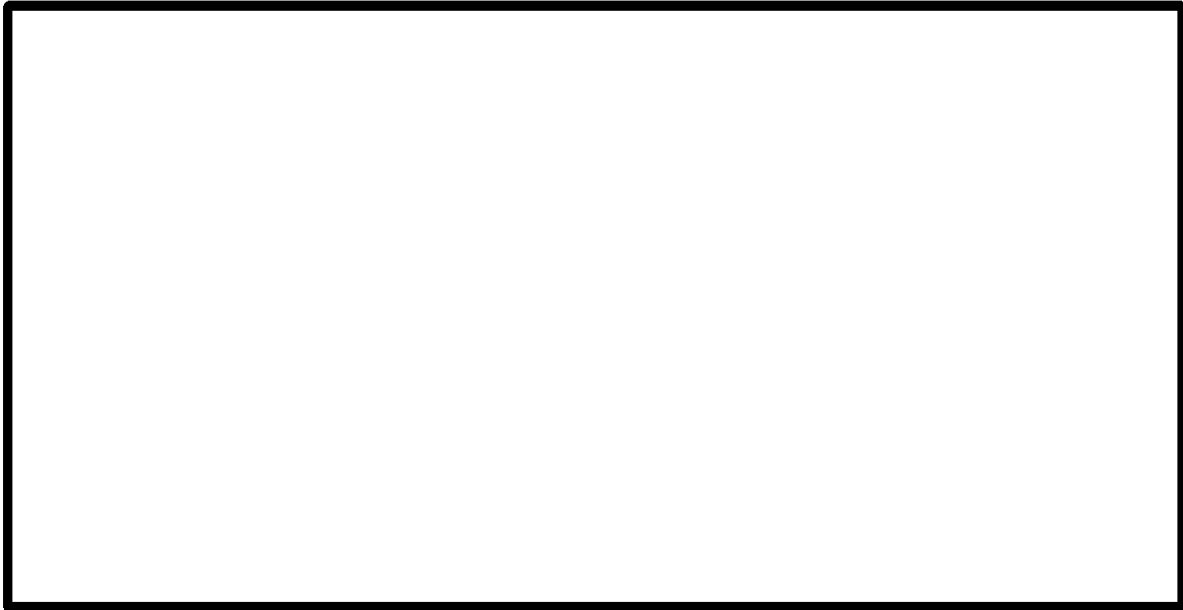
American Life Inc. and its development partner H & S Investments located this investment opportunity, conducted due diligence, negotiated the purchase terms and raised the capital required for the land purchases and developed the initial project concept.

Business Model



(b)(4)

(b)(4)



Purchase Terms

(b)(4)



Property Analysis and Valuation

Comparable sales and rents:

The Romac Building, 64,000 square foot lot with 78,540 square feet of buildings, located on 4th Avenue South 1/2 mile north of the Property recently sold for \$107 per square foot. This is the best comparable sale to the Property. Romac is a smaller property in a more visible location with superior buildings. The Seattle Monorail paid over \$100 per foot for 32,000 feet of land on the corner of 1st Avenue South and Launder Street. This location is about 1/4 mile west of the Property in a busier location but a much smaller parcel of land. The Monorail Authority sold the same site for \$165 per foot in July of 2006. Further north on 1st Avenue South, the 1701 property an old multi story warehouse situate on 27,690 square feet of land sold for \$158 per square foot.

This is an inferior building on a small lot in a more visible situation. There are no comparable sales in the immediate area for properties of similar size, visibility, and building quality. The mean price for virtually any property in the area on a per square foot of land basis is approximately \$100 per square foot of land assuming the building has no residual value. American Life Inc. maintains a library of appraisals and comparable sales that investors may obtain upon request.

Other Due Diligence

(b)(4) The Seller commissioned a Phase I environmental assessment of the property, conducted by Windward Environmental LLC, and a Limited Subsurface Investigation Report prepared by Vernon Environmental Inc. Both reports disclose hydrocarbon contamination above the industrial clean up limits caused by leaking underground storage tanks as well as residual effects of lead and other heavy metals leeching from the industrial wastes used as land fill. The Partnership budgeted [REDACTED] for clean up costs. Both reports are available upon request.

Rezone

The Property lies within the Stadium Overlay Zone which is part of the South Downtown Rezone study. Management is optimistic that the Property will be rezoned to allow larger retail, industrial, and office uses. Such a rezone would increase the utility of the property by allowing a greater variety of uses. A rezone for residential uses is not likely in the near future. While no specific rezone proposals are before the City Council, there have been several studies and public hearings on the topic.

Exit Strategy

Predicting capital gains requires an accurate crystal ball. Occasionally, a so-called expert picks the top or bottom of a market and becomes a hero until his next wrong guess. In a simple world, if one buys a warehouse and sells the same warehouse in the future, most of the capital gain is inflation. In this extreme example, the seller not only pays capital gain tax on inflation but also bears the transaction costs of the sale and the risk of placing the sale proceeds elsewhere. The real benefit is the rental income.

If one buys the same warehouse and changes its use to one commanding higher rents, the reward is a premium for the change of use as well as the increased income stream. The Pacific Industrial Center I P, due to its unique source of financing, changes the Property's use with a structure that has a 25-year or so useful life. Due to the extensive up-front capital costs, near-term returns may seem low. As the leases renew, the Pacific Industrial Center I P should enjoy steadily increasing rents as compensation for upgrading the Property's use.

The SODO transportation infrastructure should be completed and integrated into the fabric of daily life in approximately 10 years. At that point, transportation and trading patterns will be solidified, thus paving the way for the next round of development taking advantage of the convenience afforded by the new transportation systems. The transportation infrastructure includes light rail, grade separation from rail lines, Highway 99 tunnel, and West Seattle

Freeway expansion. These events culminating 10 to 15 years from present time, coincide with the mid-point of the useful life of the Pacific Industrial Center LP's investment, would likely be the optimum time to begin testing the market to sell.

Employment Impacts

The Pacific Industrial Center LP consists of many U.S. investors as well as immigrant investors. The intending immigrants are required to prove job creation in the Regional Center. Professor Paul Sommers, Ph.D. of Seattle University is a renowned economist. After receiving degrees in economics from the University of California at Berkeley (B.A.) and Yale University (Ph.D.), his distinguished career has included many important positions and projects, including membership on the Governor's Council of Economic Advisors. His research has included the study of economic development impact of the technology revolution, and concept papers for use by the Washington Office of Trade and Economic Development.

Dr. Sommers has determined in a separate report the total job impacts of the Pacific Industrial Center LP investment activity. Our plans for renovations will attract new tenants to the Property. Based on the projected tenant mix and corresponding uses we are able to forecast the number of employees our tenants will bring to the site by applying industry standards for employment intensity. Indirect employment estimates are based on a well-known input-output model of the economy of the State of Washington. Using this model, Dr. Sommers has determined that Pacific Industrial Center LP investments will have total employment impacts of at least [redacted] total jobs, which is sufficient for purposes of qualifying the [redacted] for immigration benefits.

(b)(4)

(b)(4)

The [redacted] in Pacific Industrial Center LP who will petition for U.S. immigration benefits based on the investments in Pacific Industrial Center LP agree to allocate ten jobs to each of the investor-petitioners for purposes of qualifying for U.S. immigration benefits.

Pacific Industrial Center Limited Partnership,
A State of Washington Limited Partnership

Henry Liebman
By: American Life Inc., a Washington
Corporation, Managing General Partner

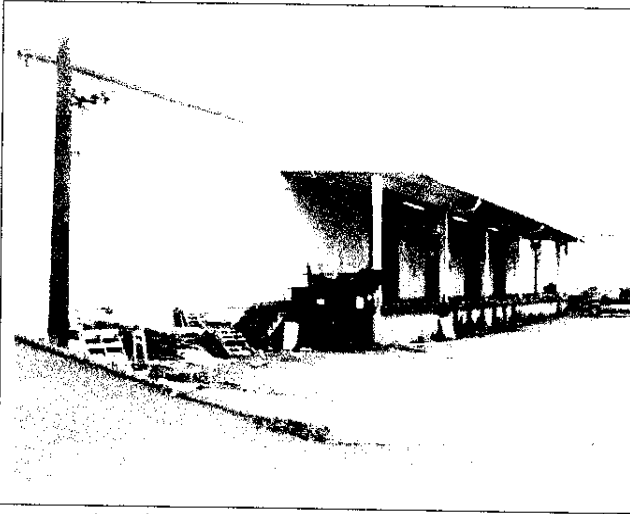
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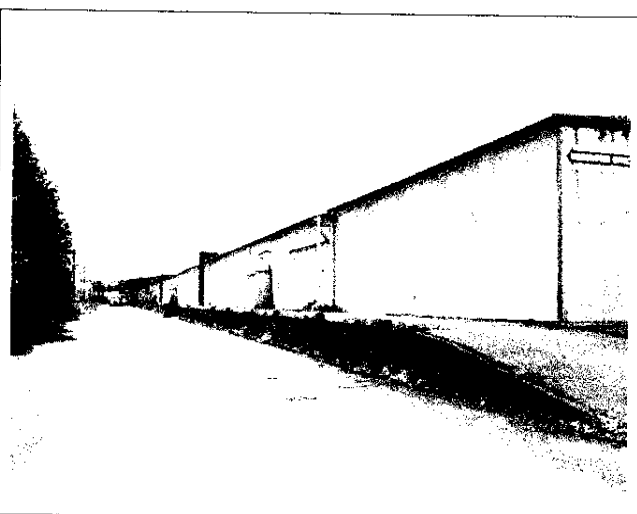
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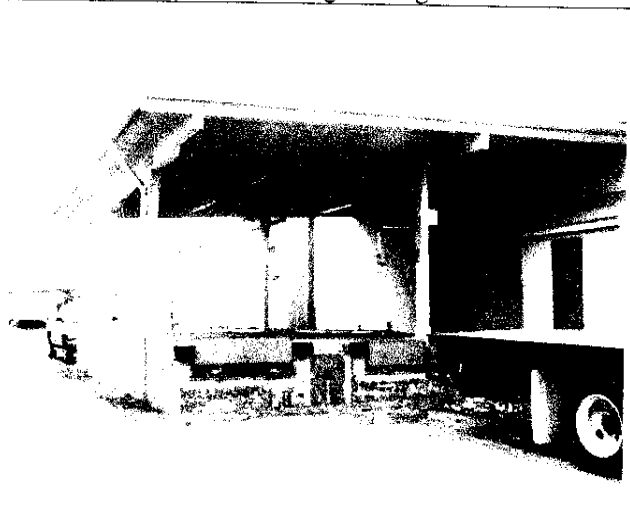
Subject Photos



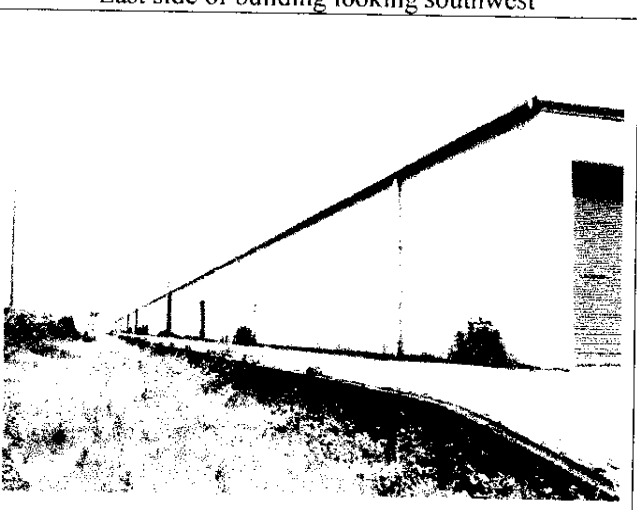
North side of building looking southwest



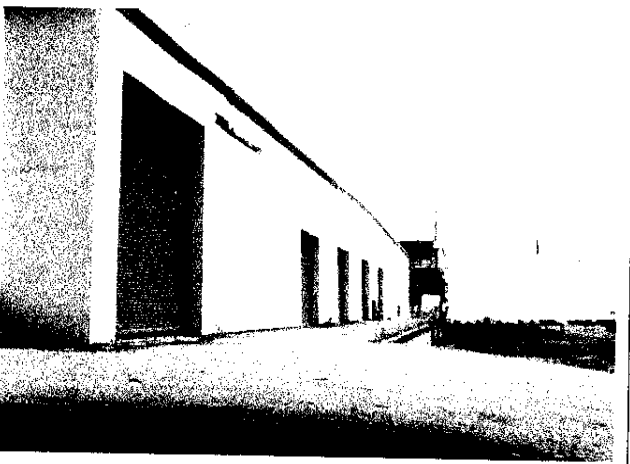
East side of building looking southwest



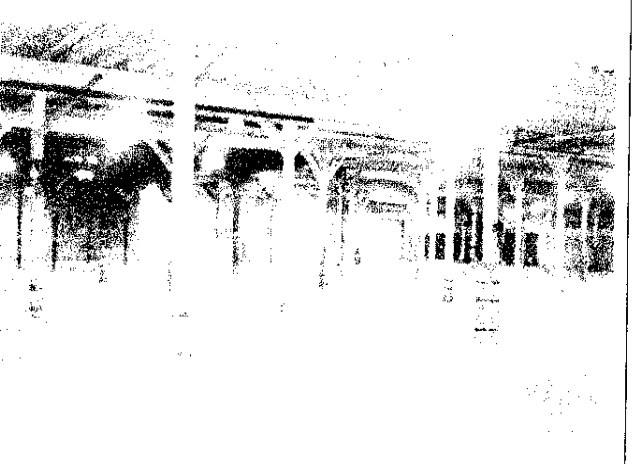
Extended loading platform east side of building



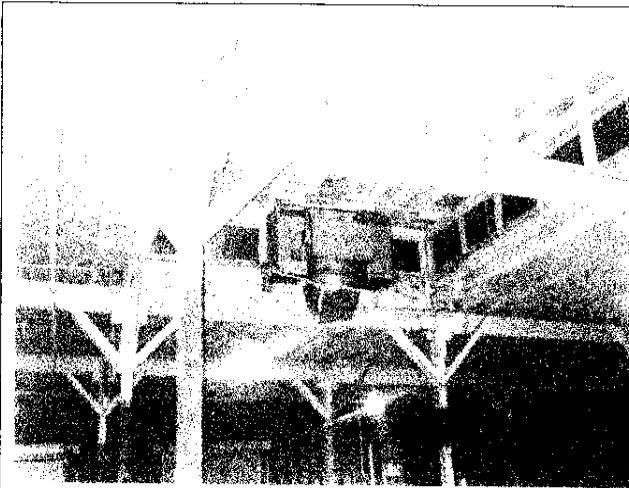
West side of building looking northeast



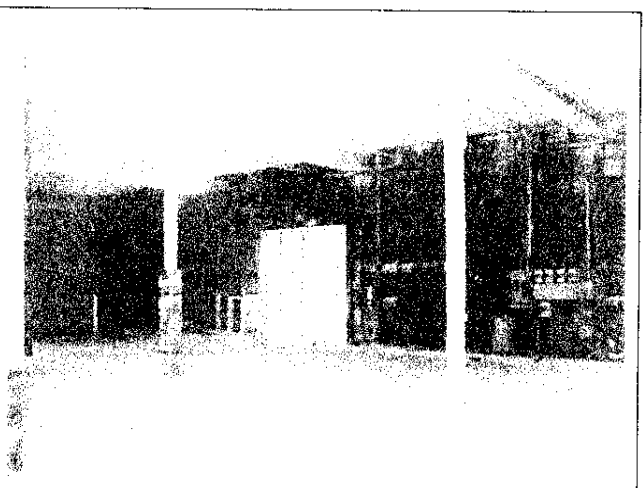
South side of building looking east



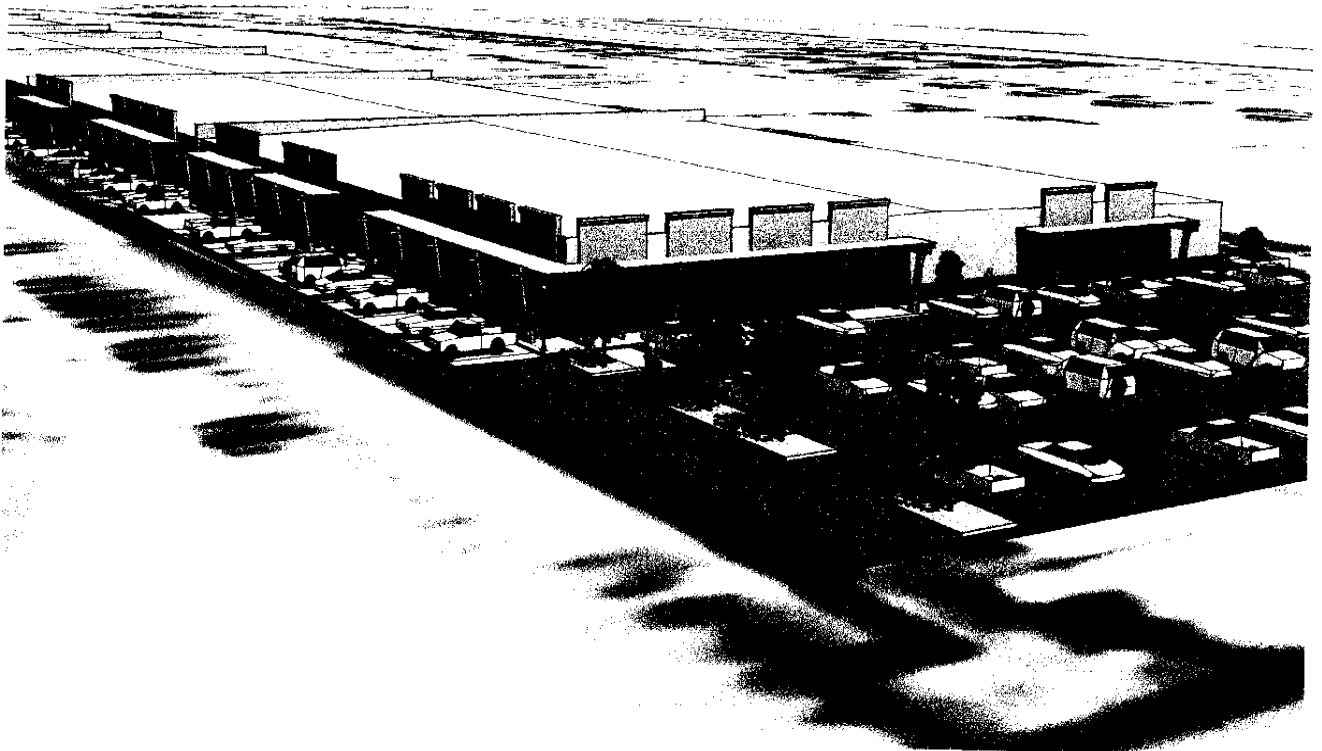
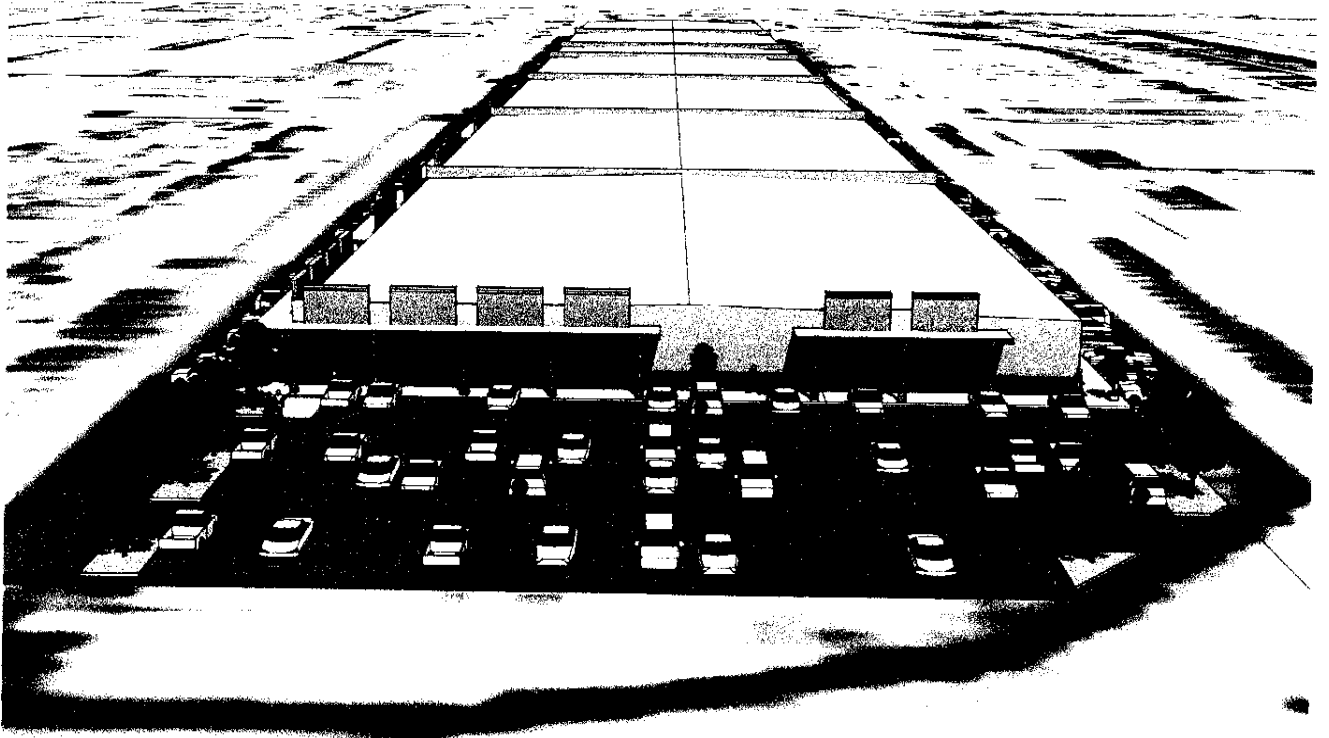
Building interior with firewall in background

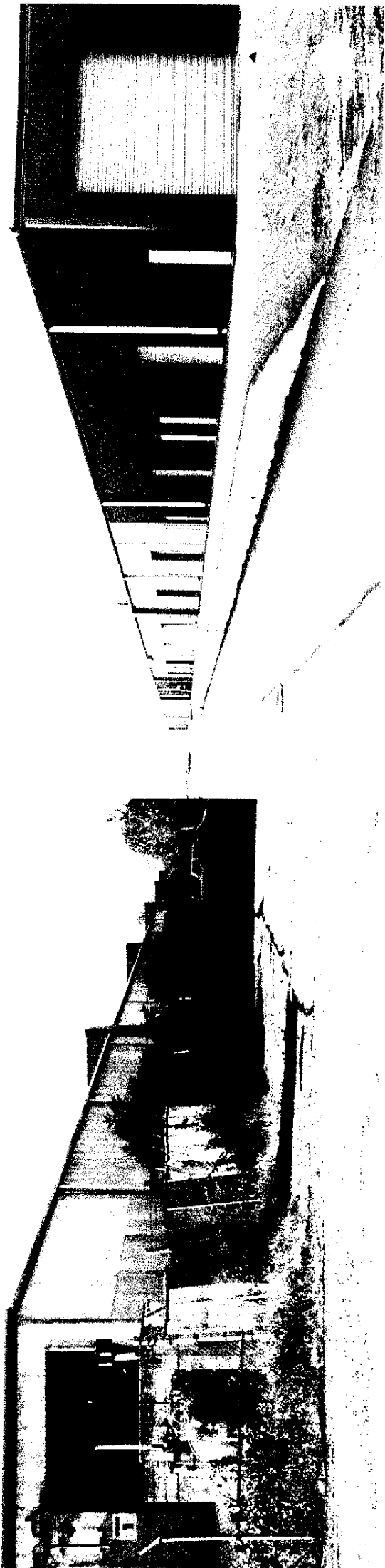


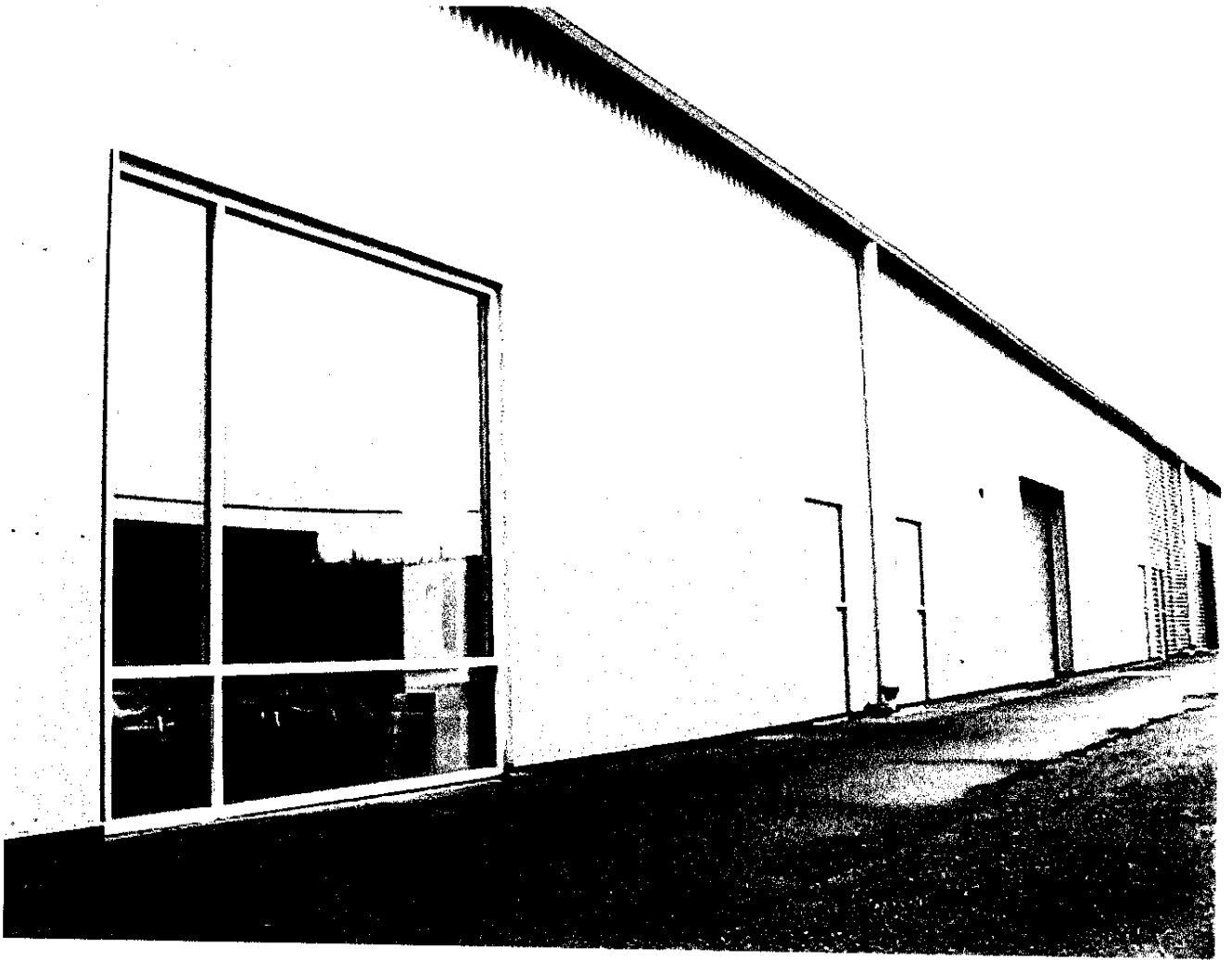
Ceiling and suspended heating unit



Interior of loading door on west side of building







**AMENDMENT TO
COMPREHENSIVE BUSINESS PLAN**

4746 Ohio Avenue South, L.P.

(Amended January 18, 2007)

Overview

The 4746 Ohio Avenue South Limited Partnership ("4746 LP"), a State of Washington Limited Partnership, recently acquired property for \$20 million on August 10, 2006, with Capital raised from outside investors. There are currently building improvements in process, plus there will be future tenant improvement renovation costs. However, it has been determined that some key additional improvements will greatly enhance the value of the property. This additional construction cost is estimated at [REDACTED] for which 4746 LP will need to raise additional capital.

Purpose – The [REDACTED] in new construction costs for this large 283,000 square foot building will be utilized to improve parking, including its appearance and add store front facades to 3 Bays, consisting of 146,000 square feet in the west and south area of the building. In addition, concrete sidewalks will be put in with storefront canopies over the walkways, as well as new storefronts with signage parapet. There will also be improvements to the landscaping and lighting to enhance the property. The end result should greatly attract the retail segment, thus add proportionately more retailers. This will in turn, command higher rents, thus should increase the value of the property.

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Estimated Project Time Line

Current renovations including the new construction are expected to be completed within 12 months, or around July 31, 2007. New tenants are being added with the current renovations in process and additional tenants, primarily retail, will be added as the new construction and improvement cost is completed.

Revised Employment Estimate

(b)(4) We have obtained the Supplementary Report: 4746 Ohio S Limited Partnership, dated December 2006, prepared by economist Dr. Paul Sommers, and hereby revise our business plan to include the following estimates on job creation: The project is likely to attract a total of [redacted] newly created direct jobs in three industries. At the county level, a total of [redacted] total jobs are expected as a result of the investments made by 4746 LP. Statewide, [redacted] total jobs are expected.

COMPREHENSIVE BUSINESS PLAN

4746 Ohio Avenue South Limited Partnership

1. Overview

The 4746 Ohio Avenue South Limited Partnership ("4746 LP" or "Partnership"), a State of Washington limited partnership, will acquire an approximately 283,000 square foot warehouse (4746 Ohio Avenue South, Seattle), situated on a 455,037 square foot lot (10.22 acres). 4746 LP plans to renovate the warehouse and divide the bulk of it into 4800-12,000 square-foot light industrial suites. 4746 LP will renovate and manage the project for current cash flow and long-term appreciation. The total Partnership capitalization is [REDACTED]. 4746 LP's owners include local investors as well as intending immigrants.

4746 LP is one of a group of investment entities that has acquired, rehabilitated and managed older industrial warehouses located in the Duwamish industrial sector south of downtown ("SODO") Seattle. This concerted renovation activity is targeted in a relatively small geographic area and has occurred gradually since 1996, when the legacy Immigration & Naturalization Service ("INS") designated the area a regional center under the Immigrant Investor Pilot Program. The Port of Seattle and the City of Seattle supported the regional center designation. Federal and state government designations of the SODO area as an enterprise community and empowerment zone ("EC/EZ") reflect the widely held view that the area suffers from chronic high unemployment. One of the primary objectives of the INS-designated regional center activities is the channeling of immigrant investor capital to rehabilitate abandoned or dilapidated industrial warehouses in the SODO. 4746 LP is doing exactly that.

2. The Business Model



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3. Market Analysis

4746 LP acquired an underutilized industrial/commercial real estate located south of the central core of Seattle in the SODO area to improve the property in order to enhance the appeal to new tenants, and then to hold that property for the benefit of its income stream and long-term appreciation. The key to the success of the business model is to improve the property in a meaningful way so that tenants can be attracted to the property. This particular location targets smaller businesses which typically have clients in downtown Seattle who can be easily accessed from the nearby SODO location.

As background, for at least the past decade most businesses with large warehousing and manufacturing needs have relocated away from Seattle to Kent Valley located 20 miles to the south. In Kent Valley, where larger, newer, affordable parcels were available for development, the warehousing industry set up business and drew jobs away from Seattle's industrial core. Kent Valley offers better amenities such as extensive parking. Economists have tracked a definite shifting of warehousing and trucking jobs out of the Seattle central industrial core to Kent Valley. Warehouse rents in Kent Valley range from \$.25 to \$.38 per square foot, per month, for warehouse shell compared to average warehouse rents in SODO at \$.50 - \$.55 per square foot per month for warehouse shell. Kent Valley attracts larger users that do not need to be near the urban core.

Older warehouses in the SODO area, generally 30 to 60 years old, are unsuitable for single large tenants due to lack of insulation, insufficient power availability, traffic congestion restricting 24 hour truck access, insufficient floor load factors, and obsolete floor plans with reduced clear span. Many such warehouses have been abandoned or neglected. The SODO area, in fact, has many empty, boarded-up buildings.

Mapping general market trends, the largest manufacturers move to China or to other Asian venues where labor is cheaper. The remaining U.S. operation (sales, R&D, administration) now operates from a suburban office complex. The mid-level user of 25,000 feet to 200,000 feet moves to modern warehouse facilities located in areas where land is plentiful and cheaper such as in the Kent Valley or for example in San Bernardino County near Los Angeles. Such companies sell or distribute through distribution networks and generally do not usually interact with the final customer. The smaller commercial users generally seek close-in industrial areas which have higher land costs but offer proximity to the ultimate customer, such as SODO, or South of Market in San Francisco. This market dynamic occurs through out much of the United States, which is why outdated industrial properties in close-in industrial areas nationwide are challenged to locate capital that can be used for renovations that would suit the needs of the smaller user. Minneapolis, Indianapolis, Denver, Portland, and San Francisco are just some of the cities that exemplify the trend.

Thus, many smaller businesses, on the other hand, desire a SODO location because of its proximity to downtown Seattle and centrally located customers, provided the facility offers required amenities at affordable prices. 4746 LP targets this market niche by improving its property into a modern, multi-tenant facility. The 4746 building will be renovated into multiple suites configured for light manufacturing, warehousing/distribution, and similar uses. Multiple means of ingress and egress facilitate freight mobility as well as expanding each unit's utility. This property enjoys easy access to Hwy 99 and I-5 and is very close to the Port of Seattle Harbor Island Terminals.

As an additional amenity, tenants may move within the family of affiliated properties, as tenant needs change, without being penalized for breaking their lease. In other words a tenant may move from building A to building B at a comparable rate without a penalty. These unique services are important to our competitive advantage. By aggressively pursuing this niche market, we have enjoyed success.

(b)(4) The total capitalization of the Partnership, [REDACTED] for renovations that convert the warehouse from an out dated vacant facility to a modern multi-tenanted facility. The \$85 per-leaseable-foot purchase price inclusive of the renovation costs, leasing commissions, and all project soft costs is a fair market price. The purchase price per square foot of land, approximately \$59 per square foot, is also a fair market price.

There are two comparable warehouse properties currently on the market. The Spokane St. Distribution Center 3800 1st Ave S has a building area of 327,203 square feet with net operating income of \$1,966,771 for 2006. The property is being auctioned. The brokers believe the property will sell for in excess of \$35,000,000 or \$107 per foot for the building and \$83 per foot for the land. This is probably a more visible location than the Ohio Street warehouse, but the buildings are more difficult to divide and it's tight on parking and truck turning radius. The Alaska Distributors Building which is 387,618 square feet situate on 13.53 acres and relatively new construction is being offered at \$36,000,000 as is and vacant for \$93 a foot for the building and \$60.47 feet for the land. The Alaska Distributors Building does not offer comparable visibility to the Ohio St property and is not easily converted into a multi-tenanted facility. If the three buildings were all the same price we would choose the Spokane St. Distribution Building because of its location with the Ohio Street warehouse coming in a close second place. Given the difference in price we think the Ohio Street warehouse offers the most upside of the three buildings.

4. The 4746 Building – History and Renovation

The 4746 property is located at 4746 Ohio Avenue South, Seattle, Washington. It is a 283,000 square foot warehouse with convenient freeway access and visibility from E. Marginal Way, one of the main north-south arterials connecting Boeing Field, and the Port of Seattle to downtown Seattle. The property's superior freeway access makes it an ideal location. The property is 5 minutes from downtown Seattle and the Port of Seattle, and ten minutes from Sea-Tac International Airport.

The subject property lies in the Duwamish River delta, which was drained to form today's Duwamish industrial area aka SODO in the early 1900s. This particular parcel was first developed in 1942/1943 by the US Army Corps of Engineers. The property was used for munitions storage and other war time related activities. The property was later transferred to the Port of Seattle who rented it for Port related warehouse uses. The Port of Seattle sold the property to Triple B Corporation in 2004, Triple B Corporation soon after sold the property to Port 106 LLC, the current owners. Port 106 LLC contacted with the 4746 LP to sell the property for \$20 million including renovations to bring the property to a modern multi tenanted standards.

The Property was appraised to be worth \$12 million in its unimproved condition in March of 2004. In 2004 the building was surrounded by weeds and brush, was not demised into multiple spaces, had very few bathrooms and was not insulated. Approximately \$3 million of the \$20 million purchase price has been allocated to the cost of bringing the property to a modern standard.

The property will be delivered to Purchaser in a turn-key condition with spaces demised and finished to what is known as a warm shell. Such improvements generally include clearing brush around the property, creating access around the property, new siding, demising the property for multiple tenancies. Each tenant bay shall be improved with sufficient handicap bathrooms one or two depending on size of space, finished office equal to 10% of rented area, insulated ceilings and exterior walls, demising walls with dry wall finish and painted, finished and painted dry wall on exterior walls, sufficient lighting for show room and light industrial uses, separate fuse boxes and panels separately metered, gas drop down heaters separately metered, pave south yard, clean exterior, paint exterior, patch asphalt as required, seal asphalt on the east side, pave west side asphalt, stripe parking lot and north and south yards. The Partnership plans to demise each 43,000 foot bay into 4 spaces of 4800 and two spaces of 12,000 approximately square feet per plans submitted to obtain the building permit. The spaces facing west to E. Marginal Way will become primarily showroom, office, retail spaces and the eastward facing spaces will be used for loading and warehouse uses. Shell space rents start at \$.55 cents for large spaces increasing to \$.65 for the 4800 foot spaces.

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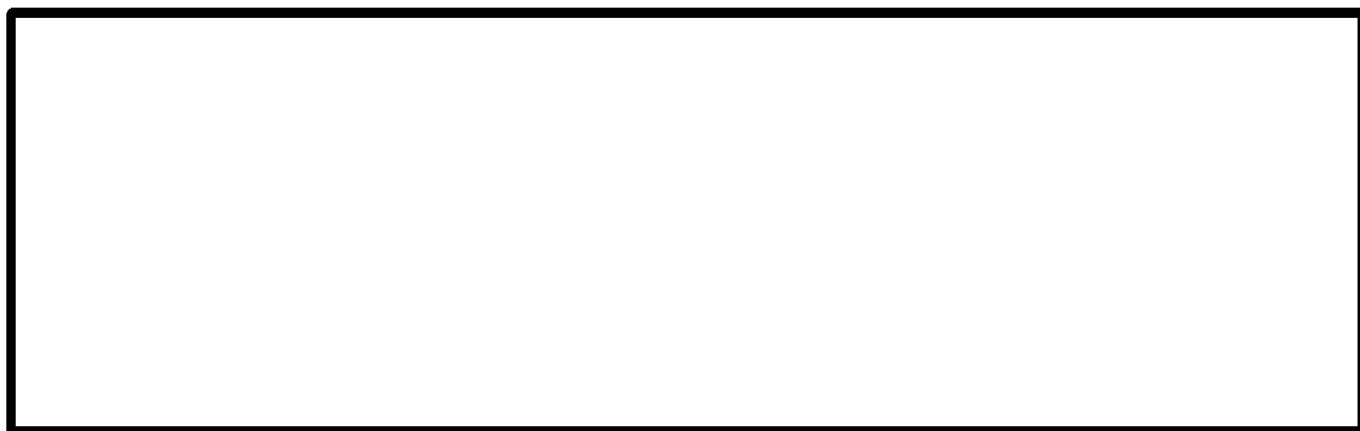


The 4746 property had been vacant for two years. The current owners, who will continue as minority owners of this Partnership, started renovating the Property in January of 2006. There are currently three permanent tenants whose leases commenced January 2006 totaling approximately 69,000 square feet whose spaces are in various stages of renovation. The remaining space will be renovated over the course of the next year or so. See Projections.

The property will be transformed from a single-use freight transfer and storage facility to a multi-tenanted light industrial complex. 4746 LP plans to take advantage of the over 1500 feet length to create superior access and circulation to concert them into office/warehouse units of 4800 square feet and larger. The completed project consists of 283,000 square feet of shell flex space. Each unit will have built out office and roll up doors for freight handling, as well as energy efficient lighting, insulation, and heating systems.

The project's capitalization may be described as follows:

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5. Financial Performance

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6. Employment Impacts

The 4746 LP consists of many U.S. investors as well as immigrant investors. The intending immigrants are required to prove job creation in the Regional Center. Professor Paul Sommers, Ph.D. of Seattle University is a renowned economist. After receiving degrees in economics from the University of California at Berkeley (B.A.) and Yale University (Ph.D.), his distinguished career has included many important positions and projects, including membership on the Governor's Council of Economic Advisors. His research has included the study of economic development impact of the technology revolution, and concept papers for use by the Washington Office of Trade and Economic Development.

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Dr. Sommers has determined in a separate report the total job impacts of the 4746 LP investment activity. Our plans for renovations will attract new tenants to the Property, and we expect the buildings to be mixed-use facilities, allocating one-third of the total space to each of three uses – show room, office and warehouse. Based on the projected tenant mix and corresponding uses we are able to forecast the number of employees our tenants will bring to the site by applying industry standards for employment intensity. We forecast that the new tenants will have employees and consider this to be a conservative forecast. Indirect employment estimates are

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based on a well-known input-output model of the economy of the State of Washington. Using this model, Dr. Sommers has determined that 4746 LP investments will have total employment impacts of approximately [redacted] direct and indirect jobs, which is sufficient for purposes of qualifying the anticipated 48 immigrant investors for U.S. immigration benefits. The immigrant investors in 4746 LP who will petition for U.S. immigration benefits based on the investments in 4746 LP agree to allocate ten jobs to each of the investor-petitioners for purposes of qualifying for U.S. immigration benefits.

Documents in support of this Comprehensive Business Plan are attached.

4746 Ohio Avenue South Limited Partnership,
a State of Washington Limited Partnership

By: **American Life Inc., a Washington
Corporation, Managing General Partner**

By: 
Henry Liebman, its President

Date: 6/13/06

Attachments



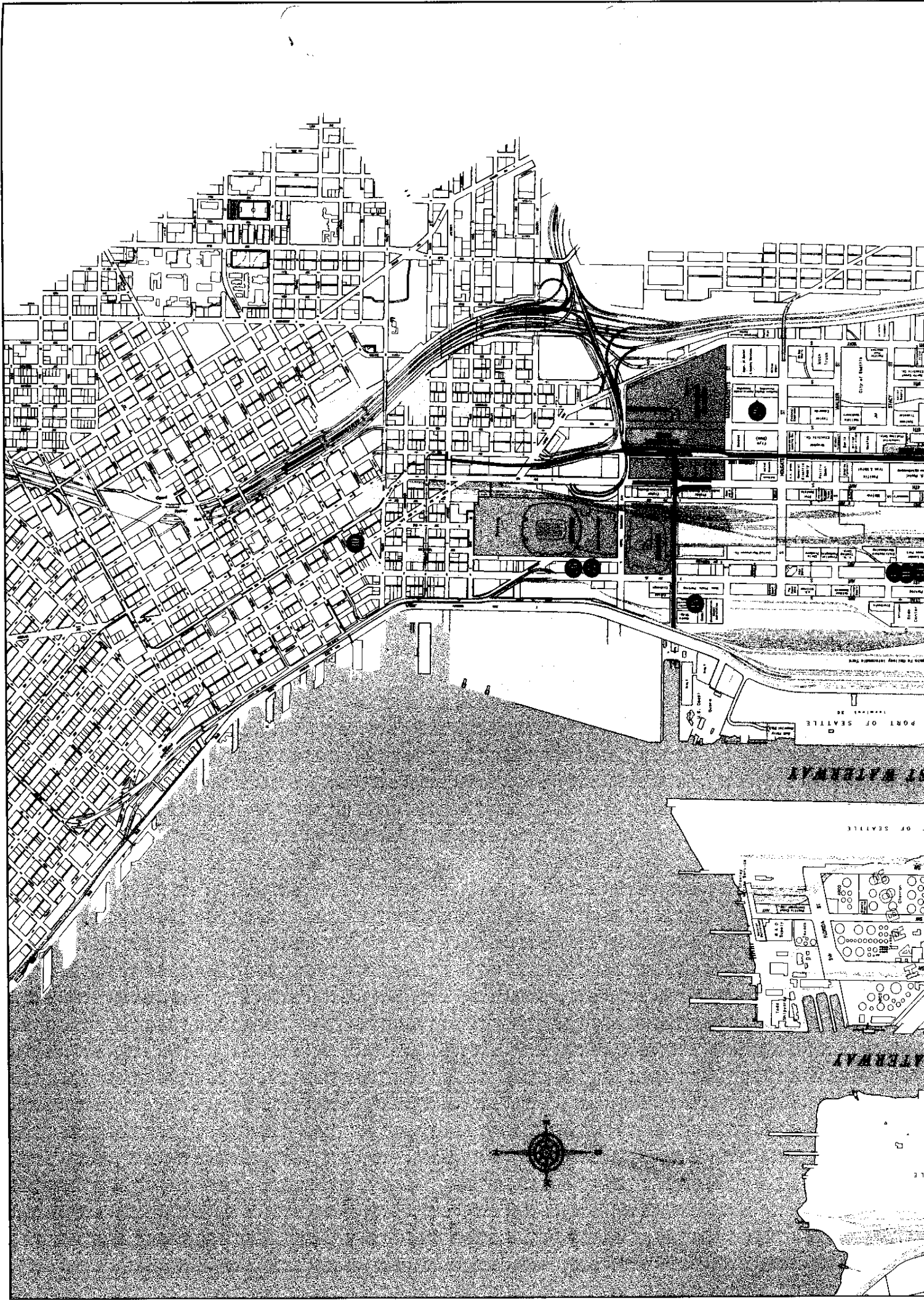
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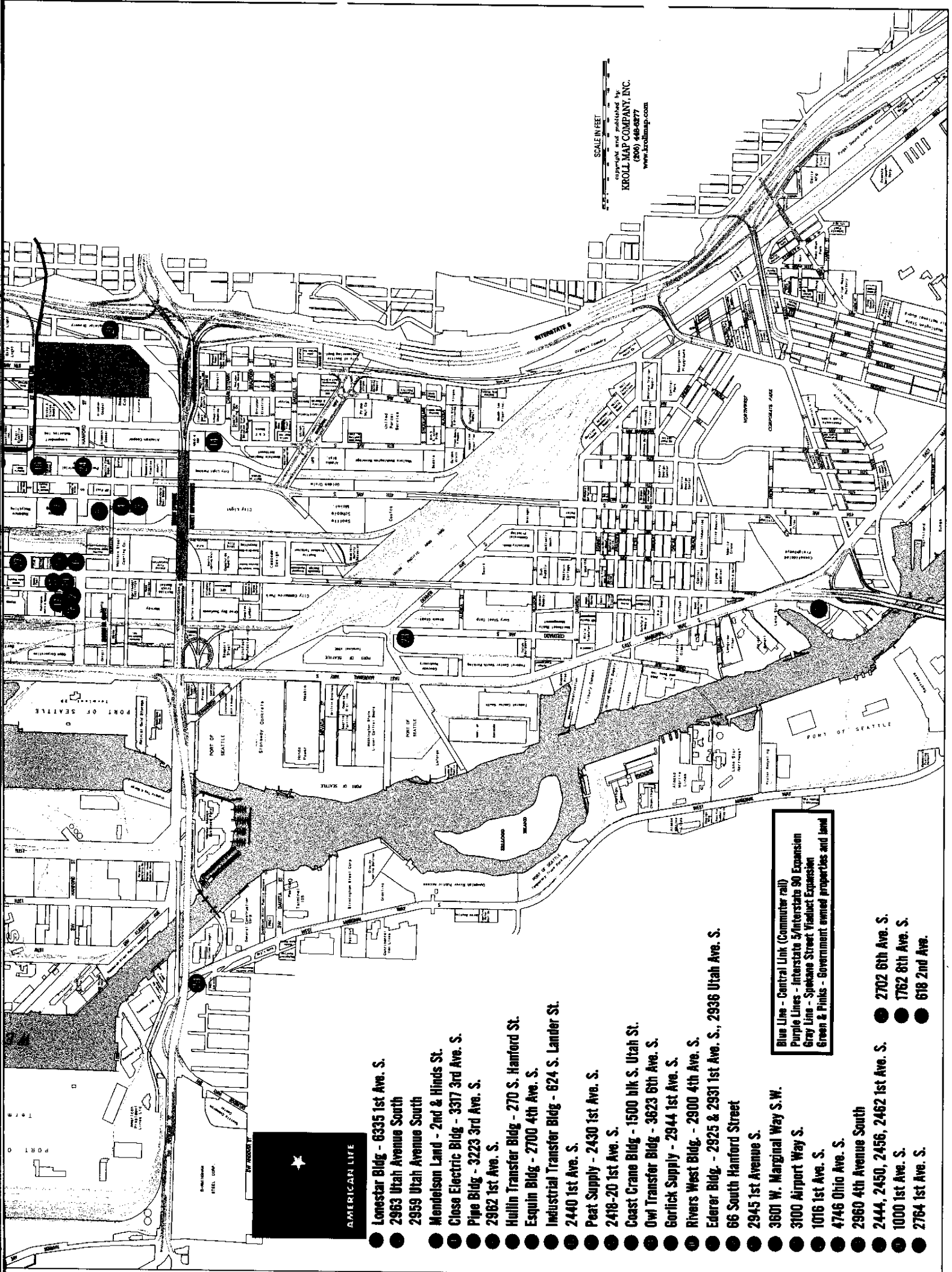
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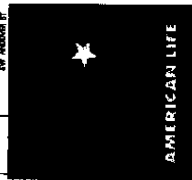


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- Lonestar Bldg - 6335 1st Ave. S.
- 2963 Utah Avenue South
- 2959 Utah Avenue South
- Mendelson Land - 2nd & Hinds St.
- Close Electric Bldg - 337 3rd Ave. S.
- Pipe Bldg - 3223 3rd Ave. S.
- 2962 1st Ave. S.
- Hullin Transfer Bldg - 270 S. Hanford St.
- Esquin Bldg - 2700 4th Ave. S.
- Industrial Transfer Bldg - 624 S. Lander St.
- 2440 1st Ave. S.
- Peat Supply - 2430 1st Ave. S.
- 2418-20 1st Ave. S.
- Coast Crane Bldg - 1500 blk S. Utah St.
- Owl Transfer Bldg - 3623 6th Ave. S.
- Gorick Supply - 2944 1st Ave. S.
- Rivers West Bldg. - 2900 4th Ave. S.
- Ederer Bldg. - 2925 & 2931 1st Ave. S., 2936 Utah Ave. S.
- 66 South Hanford Street
- 2945 1st Avenue S.
- 3601 W. Marginal Way S.W.
- 3100 Airport Way S.
- 1016 1st Ave. S.
- 4746 Ohio Ave. S.
- 2960 4th Avenue South
- 2444, 2450, 2456, 2462 1st Ave. S.
- 1000 1st Ave. S.
- 2764 1st Ave. S.
- 2702 6th Ave. S.
- 1762 8th Ave. S.
- 618 2nd Ave.

Blue Line - Central Link (Commuter rail)
 Purple Lines - Interstate 5/Interstate 90 Expansion
 Gray Line - Spokane Street Viaduct Expansion
 Green & Pinks - Government owned properties and land



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STATE OF WASHINGTON

DEPARTMENT OF LICENSING - BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON NAMED HEREON IS AUTHORIZED, AS PROVIDED BY LAW, AS A

CERTIFIED GENERAL REAL ESTATE APPRAISER



JOHN DAVID GORDON
GVA KIDDER MATHEWS
601 UNION STREET STE 4720
SEATTLE WA 98101

Cert/Lic No.
1100661

Issued Date
07/25/1991

Expiration Date
03/27/2007

Jul. [Signature]
Director



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Employer Information Form

Date: _____

Property Address: _____

IMMIGRANT INVESTOR PROGRAM. Tenant understands that the renovations to this premises were funded through investments made by "Alien Entrepreneurs" pursuant to 8CFR 204.6. This is a Federal program that brings capital into employment generating enterprises by encouraging immigrant investment in certain Regional Centers or Enterprise Zones. A condition of the program is to substantiate new employment created directly or indirectly from the Alien's investment. New employment refers to newly created jobs as opposed to jobs transferred from a different location. Periodically, U.S. Citizenship and Immigration Services will request proof of new employment creation. Tenant hereby agrees to cooperate with Landlord to substantiate its employment creation, in particular upon five days written notice, to provide Labor and Industries, Social Security, Federal Unemployment Tax returns, payroll ledgers or similar official documentation substantiating their employee count.

Company Name or dba _____

Registered Name _____

If Corporation (check one) LP ____, LLC, ____, C Corp ____, S Corp ____, Other _____

Federal Tax ID # _____

Type of Business (check one) Warehouse ____, Trucking ____, Manufacturing ____, Other _____

Previous Address: _____

Reason for Move (Check One):

Startup ____ Relocation ____ Relocation Expansion ____ Relocation Reduction ____

Other _____

Space Size: Previous space _____ sq. ft. New space _____ sq. ft.

EMPLOYMENT DATA:

Note: Full-Time (FT) means NO LESS THAN 35 hours per week and Part-Time (PT) means LESS THAN 35 hours per week.

Number of Employees as reported to Washington State Employment Security, or full-time 1099, or subcontractors, broken out as follows:

Number of FULL-TIME EMPLOYEES at the time of move-in _____

Number of FULL-TIME EMPLOYEES prior to the move-in _____

Number of PART-TIME EMPLOYEES at the time of move-in _____

Number of PART-TIME EMPLOYEES prior to the move-in _____

PROJECTED FT Employment for the next 12 months _____ (including 1099 and/or subcontractors)

PROJECTED FT Employment for the next 24 months _____ (including 1099 and/or subcontractors)

REMOVAL OF CONDITIONS:

In accordance with the Federal program that brings capital into employment generating enterprises by encouraging immigrant investment in certain Regional Centers or Enterprise Zones, U.S. Citizenship and Immigration Services will request proof of new employment creation at a later time, when the Alien investor seeks to remove all conditions on immigration status. During your tenancy, we will request further information concerning the current level of employment in your Company at that particular time.

Number of FULL-TIME EMPLOYEES at present _____

Date of follow-up _____

Number of PART-TIME EMPLOYEES at present _____

Date of follow-up _____



PAUL E. SOMMERS
Economist

EDUCATION

- 1978 Ph.D., Yale University; Economics
1972 B.A., University of California, Berkeley; Economics

SUMMARY

Dr. Sommers was appointed Professor at the Institute of Public Policy and the Albers School of Business at Seattle University, effective July 1, 2004. At Seattle University, he teaches in the Institute of Public Service, a masters level public management program, as well as the Department of Economics in the Albers School of Business. In addition, he is responsible for developing a Center on Metropolitan Development that will involve research on economic trends and effective development strategies in metropolitan areas of the United States, with a particular focus on the Puget Sound. Recent research by Dr. Sommers includes economic impact studies, reviews of forecasting processes, regional economic assessments, economic development strategy assessments, and workforce projections for industry clusters. One recent project was an assessment of the fiscal impacts to local and state governments of proposed development in the South Lake Union neighborhood of Seattle. In 2004, he developed an input-output model for Washington State's Office of Financial Management to assess statewide and county-level impacts of the major military bases in Washington.

From 1998 to 2003 he was a Senior Research Fellow at the University of Washington's Daniel J. Evans School of Public Policy conducting research related to regional economic trends, business assistance strategies, and workforce education and training, and industry clustering, particularly among advanced technology industries. In 2002-03, he completed two papers on technology-based development strategies and trends in the use of information technology for The Brookings Institution, as well as a project examining workforce needs of industry clusters in the State of Washington. In 2003, he also completed a study of the maritime cluster in Seattle.

Dr. Sommers served as Executive Director of the Northwest Policy Center from 1994 to 1998, and as Research Director of the Center from 1988 to 1994. In 1985 he helped create *Pacific Northwest Executive*, a quarterly regional economics publication of the University of Washington Graduate School of Business. He was that magazine's research director from 1985 to 1988. As an economist at Battelle's Seattle Research Center from 1978 to 1985, he directed studies of renewable energy and nuclear safety issues for a number of public and private sector clients. In addition, he served as the associate director of one of the four study centers on the Seattle campus.

He has been a member of the Governor's Council of Economic Advisors in Washington since 1994, and he served on the forecast review committee at Seattle City Light from 1982 to 1986. He served as an officer of the Seattle Economists Club from 1987 to 1990, and was President of the Club during 1989-90; in 1997-98 he served as Vice President and program director for the club. For 10 years he served on the board of the Northwest Natural Resource Group, serving as board president in 2004. He currently serves on the board of the Pacific Northwest Regional Economics Conference, and on the editorial board of the *Northwest Journal of Business and Economics* published by Western Washington University.

SELECTED EXPERIENCE

- 2004- Professor, Institute of Public Service and Albers School of Business, and Director, Center on Metropolitan Development, Seattle University
- 1998-2003 Senior Research Fellow, Daniel J. Evans School of Public Affairs, University of Washington
- 1994- 1998 Executive Director, Northwest Policy Center and Research Associate Professor; Graduate School of Public Affairs, University of Washington
- 1988-1994 Research Associate Professor, 1990+; 1988-1990: Senior Research Associate, Graduate School of Public Affairs, University of Washington, and Research Director, Northwest Policy Center
- 1985-1988 Research Associate, Graduate School of Business Administration, University of Washington, and Research Director, *Pacific Northwest Executive*
- 1984-85 Associate Director, Science and Government Study Center, Battelle Human Affairs Research Centers
- 1978-84 Research Scientist, Science and Government Study Center, Battelle Human Affairs Research Centers, Seattle, Washington

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Moderator for Washington Technology Center Conference "Opportunities for Innovation," March 2-3, 1994.

"Washington Outlook." Western Economic Roundtable, Center for the New West, Denver, Colorado, February 21-22, 1994.

"Value Added Development in Rural Areas," Wilderness Society Rural Communities Conference, Overhills, North Carolina, February 9-11, 1994.

"Federal Forest Policy and the Pacific Northwest," testimony to the U.S. House of Representatives Committee on Small Business, Subcommittee on Regulation, Business Opportunities, and Technology, Portland, Oregon, December 15, 1993.

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Sixth Seminar of the Kellogg National Fellowship Program Group XI, November 8-13, 1992
"Designing the Future: Environment, Technology and Quality of Life," field tour leader for group visiting Olympic Peninsula forests and value added producers.

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"Adopting the Flexible Manufacturing Networks Model: Economies of Scale and Scope, or Just a New Approach to Capacity Building?" General Accounting Office Symposium on Rural America, June 11, 1992.

"Spotted Owls And Old Growth: Policy Responses." Graduate School of Public Affairs colloquium, University of Washington, October 10, 1990.

"Puget Sound Region on Trial -- The Status of our Communities in 1999," defense counsel for mock trial at Leadership Tomorrow, Seattle, Washington, October 11, 1990.

"Living With Public Lands Decisions On Old Growth Forests: The Economic And Political Issues." Presented at the Frank Church Conference on Public Affairs, Boise State University, Boise, Idaho, October 3, 1990.

"Washington's Economic Future And The Implications For Educators." Education Technology Institute, Spokane, August 8, 1990.

"Job Retention And Worker Retraining Opportunities In Pacific Northwest Timber Communities." Testimony for the Subcommittee on Regulation, Business Opportunities and Energy, Committee on Small Business, U.S. House of Representatives, Washington, D.C., July 30, 1990.

Organizer and chair of a plenary session on "Economic Policy Models," Pacific Northwest Regional Economic Conference, Bellingham, Washington, April 27, 1990.

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"Economic Data: Total Quality Control And Oxymorons." Presented at the Bureau of Labor Statistics, U.S. Department of Commerce Annual Labor Market Information Conference, Boise, Idaho, June 5, 1990.

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"What We Know About the Future of Work." Presented at the "Education and the Future of Work III" Conference sponsored by the Washington State Commission for Vocational Education, Seattle, WA, February 26, 1986.

"Industrial Revenue Bonds in Washington: Forecasted and Current Status." Presented at Pacific Northwest Regional Economics Conference, Spokane, WA, May 7, 1982.

Sommers, P. and Cole, R. J. "Regulatory Compliance Costs of Small and Larger Business: Theory, Evidence and Policy Implications." Small Business Research Conference, Bentley College, Waltham, MA, March 11-12, 1982.

Cole, R. J. and Sommers, P. "A Comparison of the Incentives Used to Stimulate Energy," Association of Public Policy Analysis and Management, October 24, 1981.

Cole, R. J. and Sommers, P. "Cost of Compliance in Small and Medium-Sized Businesses," Association of Public Policy Analysis and Management, October 23, 1981.

Sommers, P. and Cole, R. J. "Compliance with Government Requirements: The Costs to Small and Larger Firms." Western Economic Association, San Francisco, CA, July 6, 1981.

"Diffusion Processes and the Validity of the Baughman-Joskow Regional Electrical Model." 1980 Summer Computer Simulation Conference, Seattle, WA, August 25, 26, 27, 1980, (Proceedings, pp. 489-492).

Cole, R. J. and Sommers, P. "Compliance Costs of Small and Moderate Sized Businesses." Pacific Northwest Regional Economic Conference, Portland, OR, May 2, 1980.

PROFESSIONAL AFFILIATIONS

Regional Science Association International

Seattle Economists Club (Secretary-Treasurer, 1987-88; Vice President, 1988-89; President, 1989-90; Vice President, 1997-98)

Board member, Pacific Northwest Regional Economics Conference, 1992-present

Editorial board, *Northwest Journal of Business and Economics*, Western Washington University, 1994-present

Board of Northwest Natural Resource Group, 1995-2004, Vice President, 2002-3, President, 2004



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American Life Management Team

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Kari Knudson
Tel: 206.223.9318

Pacific Continental Bank
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Basant Singh
Tel: 206.676.8880

Wells Fargo Bank
Bill Marshall
Tel: 425.450.8024

Affiliated Offices

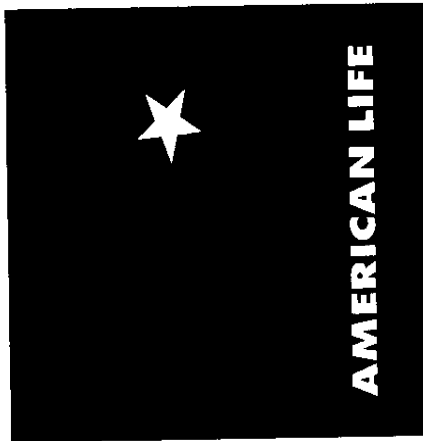
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Real Estate Development Company

*Delivering Optimum Value
and Superior Service*

American Life offers investors a secure investment in prime real estate. The investment offers superior monthly income and a significant capital gain opportunity.

American Life Business Model

- ★ Define a targeted investment area
- ★ Gain an understanding of the area and the key players
- ★ Acquire strategically located properties within the investment area to create synergy among the properties and tenants so that the sum of the parts is greater than the whole

American Life purchases or leases prime industrial warehouse property in the focused region just south of downtown Seattle. This southward expansion, with the addition of a new baseball stadium, new football stadium, new commuter rail system, new freeway off ramps and several new projects, including hotels and office buildings, drive the area's rapid growth.

Investors benefit when American Life adds to the value of their portfolio by converting low-yielding warehouse space into flexible office, high tech, shop and storage space.

American Life's partnerships are free and clear of mortgage financing; this assures maximum safety to the investors. Each property is owned by a separate limited partnership with the Company acting as the managing general partner. Investors as limited partners have no obligation to fund future capital needs, although in the unlikely event that there were a capital call, a non-contributing partner could be diluted. If a need for funds occurs, American Life expects to provide or arrange for required financing and to fund negative cash flow when necessary.

In addition to normal management services, American Life tenants receive free space planning, and may enlarge or reduce their space requirements within any American Life building without penalty. Future plans for this exciting area include further development into mid-rise, mixed-use facilities.

American Life is a real estate

company building a strategic portfolio

of properties in high growth areas sur-

rounding downtown Seattle. We have

built our business on delivering optimum

value and superior service to our clients.

You can expect the integrity of the entire

American Life investment opportunities

team to understand your objectives, and

develop strategies that complement your

investment needs. We enhance the value

of each property acquired and each

property enhances the portfolio.

American Life History

The management of American Life began investing in the Seattle area since 1974. American Life, which was formed in 1996, develops and manages properties in the Seattle Regional Center and currently is one of the largest private holders of real estate available for development in Seattle SODO (South of Downtown) District.

Investment Immigration:

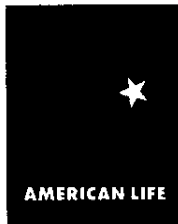
Eb-5 Regional Center

American Life operates the Regional Center in Seattle, Washington. A real estate Limited Partnership investment in the American Life program offers investors the most flexible pathway to U.S. permanent residency (greencard).

- ★ Live anywhere in the U.S. without being tied to a job or a business
- ★ No need for day-to-day management of a business
- ★ Limited Partners have policy-making role
- ★ More than one person may invest in the same business
- ★ EB-5 investor may be a minority owner of the business
- ★ May rely on indirect employment creation through statistically reasonable methodology
- ★ The Eb-5 regulation requires an investment of \$1,000,000, however, if the investment is in a Targeted Employment Area, defined as unemployment in excess of 150 percent of the national unemployment rate, the investment may be \$500,000.







Real Estate Development Company

COMPANY INTRODUCTION

History and Operations

American Life Inc., established in 1996 ("*American Life*" or the "Company"), assembles contiguous and near-by properties within the Duwamish industrial area ("SODO"), a section bordering the south end of downtown Seattle, extending south to Spokane Street. Management believes SODO will grow significantly in importance and value in the mid to long-term. In particular, due to Seattle's geography that severely limits available land near-downtown, management sees that Seattle's historically steady growth will force SODO, presently Seattle's only centrally located industrial area, to transform to a higher-value full mixed-use district. The Port of Seattle and many of the Seattle City Council representatives publicly support rezoning portions of SODO to full mixed-use status.

The management of *American Life* began investing in the Seattle area in 1974. Since its formation in 1996, the Company or persons closely related to it purchased or leased 27 prime warehouse properties in or nearby SODO and added significant value by converting what were low yielding warehouses into higher return, flexible office, hi-tech, shop and storage space. The Company and its principals now control approximately 20 acres within SODO. This represents approximately 9% of the limited portion of SODO land available for private development, making *American Life* one of the largest private holders of SODO real estate.

Initially, *American Life* and its principals relied on their own capital, borrowed funds, and earnings to make acquisitions and property improvements. Soon thereafter they began seeking U.S. and international investment, developing in the process a standard limited partnership format. Under this format, *American Life* acts as general partner with investors entering as legally protected limited partners. Investors earn regular monthly income from their partnership's rent roll as well as future appreciation.

For the safety and security of the investors, *American Life* does not attempt to increase yield to investors maintaining debt. To the contrary, *American Life* strives to reduce existing mortgage balances to zero. *American Life* applies the proceeds of sales of limited partnership interests to investors to pay down debt on the related property. *American Life* closes off further investment in a partnership once the debt on that property had been fully repaid and a reasonable reserve fund established.

American Life pays the mortgage on each property from its own funds until the mortgage is paid in full. The Company's principals have made personal guarantees covering all debt and no debt is cross-collateralized among the properties and partnerships.

The Company runs a lean operation to minimize any direct expenses charged against the partnerships' earnings. To produce a stable income stream, all tenant leases are on a triple-net basis. *American Life* does not charge separate management fees to the limited partnerships.

Company Goals

American Life's goals are simply stated:

1. To build a strategic portfolio of contiguous and near-by properties within and adjacent to SODO, a district in the path of current and future development, that will have a value far in excess of the sum of each property's separate value.
2. To realize such value in the future by:
 - a. Selling part or all of the portfolio to a large developer or real estate investment trust,
 - b. Developing the parcels into a mixed-use campus, or
 - c. Forming a publicly traded real estate investment trust.
3. To earn for the Company and investors a secure income stream.
4. To be the major private sector property holder in the SODO area

Management Team

Henry Liebman - President and Co-Founder

Mr. Liebman graduated from the University of Washington in 1973, receiving a BA in Political Science. Since receiving his JD from the Puget Sound School of Law in 1980, Mr. Liebman has had over twenty years experience in real estate law as Managing Partner of Coe Nordwall Liebman LLC and currently at Liebman-Mimbu PLLC. Mr. Liebman also served as Of Counsel for immigration matters to Musik Peeler & Garret, a Los Angeles based law firm, and was a founder of Northwest Business Bank, serving as the bank's first Board Chairman and now as a Director.

In addition to his professional activities, during the past 20 years Mr. Liebman has been actively involved in commercial real estate management and investment. Mr. Liebman's unique business and legal background provides particular value to *American Life* and its investors. He is a member of the board of Enterprise Seattle, and a founding member of the Seattle SODO Rotary Club.

Ray Klein - Vice President and Co-Founder

Mr. Klein graduated from Rensselaer Polytechnic Institute in 1985 with a BS in Computer Science. He received his MS in Computer Science from Michigan State University in 1987. Three years later in Tokyo Japan, Mr. Klein established a strategic consulting firm specializing in funding Japanese hi-tech companies. Through this firm, TekInvest KK, Mr. Klein successfully funded

several Japanese firms, most notably NetRatings Japan, Inc. (AC Nielsen's Japanese licensee), and Mixx Entertainment Inc.

Mr. Klein has served as a Board Member of NetRatings Japan, Inc. and Watchfire, Inc. He also served as executive advisor to Network Associates, guiding its entry into Japanese markets. Mr. Klein also served as Chairman of the Invest in USA Committee of the American Chamber of Commerce in Japan in 1996 and 1997. In 1998 Mr. Klein turned his attention to real estate investment, focusing on raising capital and developing strategic relationships for *American Life Inc.* Mr. Klein's depth of knowledge, skills, and experience with mergers and acquisitions lend significant strength to *American Life* support of its international investors.

Gregory L. Steinhauer: Chief Operating Officer

Mr. Steinhauer is a graduate of the Wharton School, University of Pennsylvania with a Bachelor of Science Degree in Economics 1984. He has spent his entire working career in Construction and Real Estate Development.

A lifelong resident of Seattle, he was President of a Construction and Residential Development Company for 15 years that specialized in Urban Infill Mid-rise projects. Prior to joining *American Life*, he was most recently a Vice President of Development at a \$1 Billion Dollar Institutional Real Estate Investment Firm where he was active in acquiring and entitling several projects.

Mr. Steinhauer is an active board member of Mercer Island Boys and Girls Club and he and his wife are active longtime supporters of the Fred Hutchinson Cancer Research Center.

Jo Hwang - Administrative and Marketing Director

Ms. Hwang, a long time resident of Seattle, attended the University of Washington. Prior to joining *American Life, Inc.* in 2000, Ms. Hwang spent eight years at Herrmann Law Firm as a paralegal specializing in all areas of immigration, personal injury, and other areas of law. She also successfully managed her own businesses in Seattle-Tacoma area for many years.

At *American Life*, along with managing various properties, tenants and investors, Ms. Hwang assists non-U.S. persons who wish to invest in projects qualifying them for either a U.S. immigrant visa or a non-immigrant visa.

Donald R. Ayres - Property Manager

Mr. Ayers brings 30 years of management and development experience to *American Life Inc.* Prior to joining *American Life Inc.*, he was with HealthForce Partners as a founding member and Senior VP of 12 physical therapy clinics and 4 Regional Occupational Medicine Clinics in King and Snohomish Counties. He has been working in the Seattle business community for 30 years and was a founding partner in Eagle Rehab in 1992, a 40-office group of clinics through Washington State where he served as regional manager in charge of operations, facility development, and property management as well holding responsibility for budgeting and business development for 17 clinics. Prior to that he founded Therapy Network Services, a 175 member IPA in 3 states that contracted

with Insurance Companies to provide rehabilitation.

Mr. Ayers received his BS in Athletic Training from Washington State University and post-graduate degree in Physical Therapy in 1976 from Children's Hospital in Los Angeles. He has served as Board Chair for Washington State Private Practice and Socioeconomic Chairman for The Washington State Physical Therapy Association. He has also served as President of Everett Golf and Country Club in 2001 and currently serves on the BOD and is Vice Chair of the Providence Everett Medical Center Foundation.

Jim Christensen – CFO Consultant

Mr. Christensen graduated from Minnesota State University in 1972 with a BS degree in Accounting and has 30 years of increasingly responsible positions in accounting and finance, both in public accounting and in industry. Mr. Christensen obtained his CPA in 1974 while employed six years with KPMG Peat Marwick in Minneapolis, a large international public accounting firm. While there he performed audit services for a variety of publicly held industries, both medium and large.

During the mid 1980's, Mr. Christensen was the Corporate Controller & CAO for Food Services of America, a large (formerly publicly owned) wholesale distributor/retail food company. Since then he has 16 years of experience as the Chief Financial Officer for small to medium and rapidly growing and privately owned wholesale distribution companies. This includes NutraSource Inc, a leading Northwest natural food wholesaler, successfully sold in 1995. More recently, he was the CFO for Pacific Rim Import Corp, one of the largest independent wholesale gift and houseware import distributors in the nation. Mr. Christensen has a strong background in managing accounting, finance and administration functions.

Richard Robinson - Managing Director (London)

Mr. Robinson attended the London School of Economics where he studied the London Stock Exchange Members course. He joined the firm of Pember & Boyle, the Gilt Edged securities stock broker partnership in 1966 where he became an interbank sterling money dealer. In 1972, he established an investor relations division for one of London's larger public relations companies and opened his own investor relations company in 1977, which he ran until 2003. That same year he formed Robinson O'Connell, a US immigration practice specializing in the Investor Immigrant visa and related Regional Center investments. In May 2006, Mr. Robinson became the Managing Director for American Life, Inc.'s London office.

Shari Hollinger - Account Manager

Ms. Hollinger attended the University of Alaska in Business Administration with an emphasis in Accounting. Ms. Hollinger spent five years with Atlantic Richfield early in her career. For the past 15 years, she has devoted her efforts to working with a variety of small businesses including her family's trucking firm. She brings to *American Life* her experience gained in the areas of cash management, project accounting, finance, and commercial property management. Ms. Hollinger has been with *American Life* since 1998.

Derrick Chasan – Sales and Marketing

Mr. Chasan graduated from the University of Leeds (UK) with a B.A Honors in 1970. In 1973 he was awarded his MBA from the University of Cape Town (South Africa). Mr. Chasan has over 30 years experience marketing brands for a number of prestigious Northwest companies including Starbucks Coffee, Pyramid Brewing, Stimson Lane Winery, the Washington State Lottery and Corbis. In 2003, Mr. Chasan changed his focus to real estate investment and raising capital for *American Life Inc* from domestic investors.


Vincent DeLuca

Mr. DeLuca graduated from Kent State University in 1967 with a bachelor’s degree in marketing and economics. He also earned a masters degree from Cleveland State University in 1972. He was accepted into the Mensa Society in 1975. As a real estate consultant, Mr. DeLuca is a Senior Vice President within the Colliers International office in Seattle. He has been with Colliers working in Seattle and Western Washington real estate for twenty-three years. He has been affiliated with *American Life* and its principals for the past five years.


James Dillon - Construction and Design Manger


Mr. Dillon graduated in 1974 from the Philadelphia College of Art receiving a BS in Environmental Design. He later received his Master of Architecture degree from Carnegie Mellon University in 1978. Mr. Dillon has over 28 years of experience in architectural design and construction as senior designer at DMJM, one of top ten architectural and engineering firms in the world, and currently as the President of Dillon Design and Constructions, Inc. Mr. Dillon manages, builds and designs all *American Life’s* construction projects and remodels.

References

- Smith Barney

Deposit Relationship

(b)(6)

- Pacific Continental Bank

Deposit Relationship

- Wells Fargo

Deposit Relationship

- Keller Rohrback LLP, Attorneys-at-Law



(b)(6)

- Morrow Kessler Dowsing, Certified Public Accountants



Potential Conflicts

Due to the central management by the Company and its principals of all *American Life* properties, each of which has a different set of investors, there are unavoidable potential conflicts that may arise and of which investors must be aware and accept. These include, without limitation:

- Which property's vacant space will be shown and offered to a prospective tenant;
- The pricing allocation among properties when two or more partnerships' properties are to be sold in a single transaction or related transactions; and
- The Company's receipt of certain management fees directly from tenants.

American Life will use its best efforts to resolve any conflicts that arise in a fair and impartial manner.



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EXHIBIT B
TO
AGREEMENT OF PURCHASE AND SALE OF REAL PROPERTY

Form of Deed

FILED FOR RECORD AT REQUEST OF
AND WHEN RECORDED RETURN TO:

Attn: _____

BARGAIN AND SALE DEED

Grantor: PALMER COURT PROPERTIES INC., [FIRST & OCCIDENTAL
INC.] a Washington corporation

Grantee: _____

Abbreviated
Legal Description:

_____ complete legal description appears on Exhibit A hereto).

Assessor's Tax
Parcel No.:

THE GRANTOR, PALMER COURT PROPERTIES INC., [FIRST & OCCIDENTAL
INC.] a Washington corporation, for and in consideration of TEN DOLLARS (\$10.00) AND
OTHER GOOD AND VALUABLE CONSIDERATION, in hand paid, bargains, sells and conveys
to _____, the real estate situated in the County of King, State of
Washington described in Exhibit A attached hereto, subject to the exceptions set forth in Exhibit B
attached hereto.

DATED as of _____, 200__.

L

GRANTOR:

PALMER COURT PROPERTIES INC.,
[FIRST & OCCIDENTAL INC.]
a Washington corporation

By: _____
Name: _____
Title: _____

STATE OF WASHINGTON

COUNTY OF _____

ss.

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of Palmer Court Properties Inc., [First & Occidental Inc.] a Washington corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, 2006.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,
residing at _____

My appointment expires _____

L

EXHIBIT C
TO
AGREEMENT OF PURCHASE AND SALE OF REAL PROPERTY

Form of Bill of Sale

BILL OF SALE

THIS BILL OF SALE is executed as of the _____ day of _____, 200__, by PALMER COURT PROPERTIES INC., a Washington corporation [FIRST & OCCIDENTAL INC.] ("Seller"), and _____ ("Buyer"):

FOR VALUE RECEIVED, receipt of which is hereby acknowledged, Seller does hereby grant, bargain, sell, convey, assign, transfer, and set over unto Buyer all fixtures, furniture, equipment, furnishings, and other personal property owned by Seller and located at 1001 First Avenue South, Seattle, Washington, Seller's fee interest in which has been sold by Seller to Buyer as of the date hereof (the "**Personal Property**").

The Personal Property is transferred on an "as is, where is" basis, with no representations and warranties regarding its condition, merchantability, or fitness for a particular use. However, Seller does hereby covenant that it will forever warrant and defend title to (but not the condition of) the Personal Property against all persons whomsoever claiming by, through or under Seller but not otherwise.

IN WITNESS WHEREOF, Seller has executed and delivered this Bill of Sale as of the day and year first above written.

SELLER:

PALMER COURT PROPERTIES INC.,
[FIRST & OCCIDENTAL INC.]
a Washington corporation

By: _____
Name: _____
Title: _____





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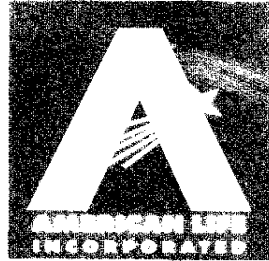
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No. 68191



Real Estate Development Company

Regional Development
in the Southeast
Investors for
Development
Grant
Residency



Introduction



Henry Liebman, founder and president of American Life Inc.

American Life is a commercial property management company offering investments in prime real estate which qualify immigrant investors and their immediate family for Permanent US Residency (a green card) via the EB-5 visa.

The company offers the same properties to non-immigrant investors, usually US citizens living in or near Seattle. We have a successful business model which appeals to resident Americans, usually for pension income, and which provides prospective immigrants with a safe, income bearing investment as well as qualifying for a green card.

There are many visa categories. Some allow you to apply for a green card after you have been in the USA for a minimum period and some do not. The EB-5 visa is unusual in that it provides you with a green card at the outset. It takes a few months for the application process to be completed, but when you emigrate you do so knowing that you and your immediate family have US Residency for life. You may apply for citizenship after five years.

I started investing in property in the 1970s and in the commercial district south of downtown Seattle (SODO) in the 1990s. American Life was founded in 1996 in response to new EB-5 visa rules and in the same year the company had SODO designated as The Golden Rainbow Freedom Fund Regional Center.

We have the most established of the Regional Center programs and American Life consistently attracts immigrant investor capital because:

1. We have a long and successful track record of property management.
2. European investors tend to understand property and its history of stability and growth.
3. Our properties are debt free, to minimize risk.
4. We distribute rental income, providing investors with a typical return of 5%.
5. US citizens invest in our properties on identical terms. Most live nearby.
6. We have a sales operation to assist green card holders to sell their holdings.

We work alongside a number of specialist EB-5 immigration attorneys. Our collective Regional Center expertise has been a major factor in maintaining a 100 per cent success in securing green cards for our immigrant investors.

Regional Center investments are operated as part of the EB-5 Pilot Program, which is due to terminate in September 2008. We are lobbying for an indefinite extension.

The popularity of the program in the UK prompted us to open our first European office in London in 2006. The office is run by Richard Robinson who has been specializing in the EB-5 visa since 2003. He has an investment background and is responsible for citizens of the UK and the Republic of Ireland. His role is to ensure our investors are fully informed and looked after at each stage of the investment and immigration process.

Henry Liebman



The EB-5 Regional Center Immigrant Investor Program For those seeking Permanent US Residency

If you wish to live in the USA with a lifetime's Permanent Residence Status, provided by a green card, you can now do so by investing \$535,000 into a Government designated Regional Center, for approximately three years and applying for the EB-5 visa.

The Direct Route to a Family Green Card

Each year 3,000 people from around the world may secure permanent residency in the USA for themselves and their immediate family via a Regional Center investment.

In doing so you will have the rare privilege of being able to go to the USA without any restrictions and without your visa status being linked to a particular job or business. You will be free to retire, take any job, change jobs, start or buy any number of businesses and to sell them without affecting your immigration status.

Obtaining a green card directly, without first applying for a short term visa which is dependent on a specific activity, is a significant advantage. This is a wonderful opportunity for those wanting the immediate security and flexibility of lifestyle that can only be attained with Permanent Residency.

This brochure describes the EB-5 visa, American Life's operating policy, its Regional Center in Seattle and the properties it manages.

WELCOME TO AMERICA.



Fran and David Hodgkinson planned to retire to the USA but found there was no retirement category visa.

Their immigration lawyer mentioned the new Pilot Program for the EB-5 visa and they waited until December 2003, when President George W Bush signed-off the new legislation.

Having received information on American Life, they visited Seattle and the Golden Rainbow Freedom Fund Regional Center in March 2004.

"When we met Henry Liebman, who founded the company, and saw the properties it manages we felt it was a sound investment irrespective of the visa."

In June 2005 their green cards were issued and they now live in sunny Sarasota.



The EB-5 Visa The Immigration Act of 1990

When introduced in 1990 the EB-5 visa required an investment of \$1,000,000 in a trade or business and the direct full time employment of an additional 10 US citizens. The program reduced the investment to \$500,000 in Targeted Employment Areas, where unemployment is 50 per cent above the national average or rural areas where the population is less than 20,000. This element of the visa remains an option.

Although immigrant investors may play a role in management, the regulations deem limited partners or members of the board of directors as active participants in management.

Funds may come from any legal foreign or US source, including asset sales, gifts, divorce settlements, personal or executive pension plans and loans. However, the EB-5 related investment may not be used as security for such a loan. Whoever receives the visa must make the investment.

The Regional Center Pilot Program Ideal for Retirement

The 10 employee requirement deters most immigrant investors. To resolve this, the Government has introduced a second five year Pilot Program whereby immigrants may invest into CIS (Citizenship and Immigration Service) designated "Regional Centers". Unless renewed the Pilot Program will expire in September 2008.

Investors in a Regional Center do not have to have day-to-day management responsibility and, by virtue of their investment, are deemed to be 'stimulating' employment which qualifies them for the visa.

Successful applicants will receive a lifetime's permanent residency for themselves and their immediate family (children under the age of 21 at the time their visa petition is submitted).

One year and nine months after entering the US investors must apply for Conditions to be removed. This enables the CIS to establish that the investment has been maintained and that some progress has been made with the business. With Conditions removed the investment may be sold.



"Dear Richard

Both Carol and I would like to say a big thank you for all the help you have given us over the past months. It fills us with great reassurance to know that you are someone whom we can trust and we both feel that you are not just a business acquaintance but a friend.

*Regards
John & Carol Gay"*

I met John and Carol in May 2003 in anticipation of the new EB-5 legislation coming into force.

John retained the services of London based US immigration attorney to assess the prospectus for the American Life building available at that time. He recommended it and they invested for their EB-5.

Their visa was issued in June 2004 and they moved into their home in Orlando, Florida a few weeks later.



The Decision Making Process

After reading this brochure, if you decide that a green card is what you want and you are in a position to invest \$535,000, we suggest you:-

1. Meet an American Life' representative to discuss the visa, the company's properties and the project available at that time. There is no charge and no sales presentation, simply the provision of immigration advice and property details to assist you in making an informed choice.
2. Note the cost of fees in addition to the visa related investment of \$500,000.
 - A syndication fee of \$35,000 to American Life. This covers costs associated with structuring the property ready for public offering, and that it meets the requirements for a green card application.
 - Legal fees vary, according to the work involved, but are likely to be \$12,000.
 - The I-526 petition filing fee, payable to the USCIS, is \$465 per person.
 - Medical examinations are \$145 for each adult and \$125 for children under 15.
 - The Immigrant visa fee payable to the USCIS is \$335 per applicant.For a family of four, the total fees will be in the region of \$50,000.
3. Treat this as you would any other significant investment and take independent professional advice.
4. Review our list of Frequently Asked Questions, pages 21 to 24.
5. Talk to other EB-5 visa applicants – we will provide contact details.
6. Consider a flight to Seattle to visit the Regional Center, see the properties managed by American Life and meet its staff.
7. If you wish to secure a place in a specific property you may do so for 90 days with a deposit of \$50,000. If your funds are available and you wish to emigrate as soon as possible, invest the full \$535,000 to enable your visa petition to be submitted.



Jenny wanted to live and work in the USA but knew that securing a work visa can take a very long time due to the limited supply of visas and the procedures any sponsoring employer must go through.

By securing a green card via an Eb-5 visa, Jenny now has the flexibility to seek any employment without it affecting her immigration status and without any additional effort by a potential employer.

Since gaining her green card in November 2005 she has secured a job and is now living and working in New York.



American Life Inc. Executive Summary

Business Strategy

American Life Inc. ("American Life" or the "Company") offers investors a secure investment in prime real estate. The investment offers superior monthly income and a significant capital gain opportunity. The proven strategy developed over the past decade is to:

1. Acquire aging industrial properties immediately south of downtown Seattle (SODO district).
2. Create a footprint of contiguous properties which, at a future date, could be sold to a corporate user or developer as a site for a corporate campus. (Note: this is compelling because the window to find a campus with a Seattle address close to downtown, the port and infrastructure is rapidly closing.)
3. Make limited improvements to allow rental at reasonable rates to commercial tenants, while providing investors with a meaningful income return.
4. Operate with the lowest possible risk by remaining free of debt, and owning all properties unencumbered by bank loans. (Note: by avoiding mortgage interest *American Life* will maximize current income to its investors while awaiting the exit strategy that maximizes investor profits.)

Potential for Capital Gain

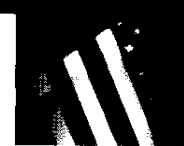
SODO, an industrial area immediately "south of downtown" Seattle, is in transition to mixed-use. Bounded by Seahawks Stadium to the North, Spokane Street to the South, The Port of Seattle to the West and Interstate 5 to the East, it is becoming an urban hub similar to other former industrial areas, such as Coors Field in Denver, South of Market Street in San Francisco, the Docklands in London, and the Daiba area in Tokyo. The transition from industrial to mixed uses (residential, commercial and industrial) stands to significantly increase land values. See Exit Strategy below.

SODO's proximity to downtown Seattle, the Port, Interstates 5, Interstate 90 and Highway 99, and Boeing Field) make it amongst the most accessible zip codes for commerce and industry, in the greater Seattle area. Furthermore, SODO is the last of the downtown Seattle neighborhoods to begin a metamorphosis.

The principals behind *American Life* targeted SODO as a high growth area as early as 1990. *American Life Inc.*, formed in 1996, raises capital to acquire a meaningful market share of SODO real estate. Governmental entities own or utilize approximately 60% of SODO's total of 550 acres. *American Life Inc.*, which now controls, through ownership, leasehold interest or management, approximately 20 acres of the some 220 acres available for private development. It is one of the largest privately owned property portfolios in SODO.

SODO continues to receive an infusion of capital investment. Safeco Field, (home of the Seattle Mariners); Seahawks Stadium, a new football stadium; a new exhibition center, important transportation upgrades and the redevelopment of commercial and retail space adjacent to the Seattle railway station, make an impressive transition from downtown Seattle into SODO. Significant infrastructure upgrades are also underway. Improvements include expansion of all highways that bound SODO, and the extension of commuter lines. These are scheduled for completion by 2009, making SODO the hub of Puget Sound's regional transportation system.

SODO offers the largest and most convenient close-in location to accommodate future growth. Surrounding mountain ranges and large bodies of water limit the land that is available for development and for transportation systems in the Seattle area. As a result, the real estate rental market places a premium on convenient close-in locations. The continuing steady growth of the Seattle area increases pressure on SODO, to transform from industrial to mixed-use.



American Life Inc. Executive Summary cont'd

Significant momentum now exists to change the current zoning from primarily industrial use, to that of mixed-use, large-scale office, retail and residential applications. The Port of Seattle recently announced plans to convert harbor property along Alaskan Way into high-income condo living, and the Old Rainier Brewery/Tully's roasting plant on Interstate 5 has been approved for conversion into live/work apartments. With residential spaces approved for development, demand will increase for retail and schools. Companies such as Starbucks, Boeing, and Amazon.com already maintain substantial office facilities in the area. Major retailers include Sears, Costco, Home Depot and Office Max.

The Port of Seattle and many Seattle City Council representatives publicly support rezoning SODO to full mixed use. While a future rezoning cannot be guaranteed all indications are that it will occur. But, even without rezoning, SODO's superior location will continue to drive land prices and rents upward. The addition of residential uses will merely accelerate the process of increasing land values.

Secure Income Stream

American Life properties have historically maintained 97% occupancy. The overall growth of the Seattle economy, coupled with SODO's location immediately south of downtown, attracts companies to the area. At the same time, government has been acquiring substantial amounts of SODO land and buildings for capital and transportation infrastructure projects. This net reduction in building stock diminishes supply, while the market continues to demand more.

Because of SODO's proximity to downtown and regional transportation infrastructure, warehouse rents tend to be higher than warehouse rents in more distant locations. Over the past twenty years, SODO rents have increased at an average rate of some 7% a year, compared to the South Seattle industrial area average rental increase of 3% a year.¹ *American Life* management believes that investors who wish to project future rental increases may conservatively assume annual rental increases of 5% - 6%. This is higher than current market (location), but lower than the historical norm over past 20 years.

Providing a superior service keeps buildings rented. *American Life* works directly with its tenants in customizing spaces to best suit their needs. In addition to normal property management services, *American Life* tenants receive free space planning and access to loans for tenant improvements. As tenant space needs grow and change, they may also rearrange their space within any *American Life* building without penalty. Referrals from satisfied tenants are our best source of new business.

To prevent cost and level of service issues from affecting investor returns, all tenants sign "triple net leases"². Under these leases, all building operating expenses are charged to tenants.

1. Source: Lamb, Hanson and Lamb Appraisers.

2. Triple Net is a term for all expenses of the building, including: tax, insurance, repairs and utilities

Exit Strategy Options

Management believes the SODO rezone from industrial use to full mixed-use will occur. Even without a rezone, management believes land values will continue to rise as a result of their superior location and increasing income stream. If and when a rezone occurs, the returns will be more significant.



Management considers that the minimum holding period is until all public works projects are completed. These include the various freeway expansion and light rail projects. Regardless of whether a rezoning to mixed-use does in fact occur, exit strategies and options include:

- Selling to a large developer
- Selling to a real estate investment trust
- Developing the parcels and selling each parcel separately as mixed-use campus
- Forming a publicly traded real estate investment trust

Partnership Structure and Investor Safety

American Life's partnerships allow investment until each property is free and clear of mortgage financing.

This assures maximum investor safety. American Life purchases each property with its own funds and interim mortgage financing that is personally guaranteed by the Company's shareholders. Under normal circumstances, each property is owned by a separate limited partnership with the Company acting as the managing general partner.

The property is assigned to a limited partnership, (made up of its investors,) and acts as the investment vehicle for investors. *American Life* uses investor proceeds to pay down the mortgage debt. When the balance of the mortgage reaches zero for a particular property, and when the partnership for that property has adequate reserves for future repairs and renovations, the specific limited partnership is closed to additional investors.

Investors, as limited partners, have no obligation to fund future capital needs, although in the unlikely event that there were a capital call, a non-contributing partner could be diluted. If a need for funds occurs, *American Life* expects to provide or arrange for financing and to fund negative cash flow when necessary. A partnership's investors, as a group, receive 70% of the monthly income and capital gain related to that partnership. Amounts are calculated on a partnership-by-partnership basis and paid monthly; there is no pooling of results from multiple partnerships. Unlike common industry practice, *American Life* charges no asset management fees to the partnerships. It does charge certain service fees to tenants.



Mike and Pam Green wanted to retire to Florida where they already owned a home. Mike researched the Regional Center programs and settled for the American Life offering. Their visa petition was submitted in August 2004 and their green cards were issued in June 2005.



American Life Inc. Company Introduction

History and Operations

American Life Inc., established in 1996 ("*American Life*" or the "Company"), assembles contiguous and near-by properties within the Duwamish industrial area ("SODO"), a section bordering the south end of downtown Seattle, extending south to Spokane Street. Management believes SODO will grow significantly in importance and value in the mid to long-term. In particular, due to Seattle's geography that severely limits available land near-downtown, management sees that Seattle's historically steady growth will force SODO, presently Seattle's only centrally located industrial area, to transform to a higher-value full mixed-use district. The Port of Seattle and many of the Seattle City Council representatives publicly support rezoning portions of SODO to full mixed-use status.

The management of *American Life* began investing in the Seattle area in 1974. Since its formation in 1996, the Company or persons closely related to it, purchased or leased 20 prime warehouse properties in or nearby SODO and added significant value by converting what were low yielding warehouses into higher return, flexible office, hi-tech, shop and storage space. The Company and its principals now control approximately 20 acres within SODO. This represents approximately 9% of the limited portion of SODO land available for private development, making *American Life* one of the largest private holders of SODO real estate.

Initially, *American Life* and its principals relied on their own capital, borrowed funds, and earnings to make acquisitions and property improvements. Soon thereafter they began seeking U.S. and international investment, developing, in the process, a standard limited partnership format. Under this format, *American Life* acts as general partner with investors entering as legally protected limited partners. Investors earn regular monthly income from their partnership's rent roll as well as future appreciation.

For the safety and security of the investors, *American Life* does not attempt to increase yield to investors by maintaining debt. *American Life* strives to reduce existing mortgage balances to zero, applying the proceeds of sales of limited partnership interests to investors to pay down debt on the related property. *American Life* closes off further investment in a partnership once the debt on that property had been fully repaid and a reasonable reserve fund established.

American Life pays the mortgage on each property from its own funds until the mortgage is repaid in full. The Company's principals have made personal guarantees covering all debt and no debt is cross-collateralized among the properties and partnerships.

The Company runs a lean operation to minimize any direct expenses charged against the partnerships' earnings. To produce a stable income stream, all tenant leases are on a triple-net basis. *American Life* does not charge separate management fees to the limited partnerships.

Company Goals

American Life's goals are simply stated:

1. To build a strategic portfolio of contiguous and near-by properties within and adjacent to SODO, a district in the path of current and future development, that will have a value far in excess of the sum of each property's separate value.
2. To realize such value in the future by:
 - a. Selling part or all of the portfolio to a large developer or real estate investment trust,
 - b. Developing the parcels into a mixed-use campus, or
 - c. Forming a publicly traded real estate investment trust.
3. To earn for the Company and investors a secure income stream.
4. To be the major private sector property holder in the SODO area



Management Team

Henry Liebman – President and Co-Founder

Mr. Liebman graduated from the University of Washington in 1973, receiving a BA in Political Science. Since receiving his JD from the Puget Sound School of Law in 1980, Mr. Liebman has had over twenty years experience in real estate law as Managing Partner of Coe Nordwall Liebman LLC and currently at Liebman Mimbu PLLC. Mr. Liebman also served as Of Counsel for immigration matters to Musik Peeler & Garret, a Los Angeles based law firm, and was a founder of Northwest Business Bank, serving as the bank's first Board Chairman and now as a Director.

In addition to his professional activities, during the past 20 years Mr. Liebman has been actively involved in commercial real estate management and investment. Mr. Liebman's unique business and legal background provides particular value to *American Life* and its investors. He is a member of the board of Enterprise Seattle, and a founding member of the Seattle SODO Rotary Club.

Ray Klein – Vice President and Co-Founder

Mr. Klein graduated from Rensselaer Polytechnic Institute in 1985 with a BS in Computer Science. He received his MS in Computer Science from Michigan State University in 1987. Three years later in Tokyo Japan, Mr. Klein established a strategic consulting firm specializing in funding Japanese hi-tech companies. Through this firm, TekInvest KK, Mr. Klein successfully funded several Japanese firms, most notably NetRatings Japan, Inc. (AC Nielsen's Japanese licensee), and Mixx Entertainment Inc.

Mr. Klein has served as a Board Member of NetRatings Japan, Inc. and Watchfire, Inc. He also served as executive advisor to Network Associates, guiding its entry into Japanese markets. Mr. Klein also served as Chairman of the Invest in USA Committee of the American Chamber of Commerce in Japan in 1996 and 1997. In 1998 Mr. Klein turned his attention to real estate investment, focusing on raising capital and developing strategic relationships for *American Life Inc.* Mr. Klein's depth of knowledge, skills, and experience with mergers and acquisitions lend significant strength to *American Life* support of its international investors.

Jim Christensen – CFO Consultant

Mr. Christensen graduated from Minnesota State University in 1972 with a BS degree in Accounting and has 30 years of increasingly responsible positions in accounting and finance, both in public accounting and in industry. Mr. Christensen obtained his CPA in 1974 while employed six years with KPMG Peat Marwick in Minneapolis, a large international public accounting firm. While there he performed audit services for a variety of publicly held industries, both medium and large.

During the mid 1980's, Mr. Christensen was the Corporate Controller & CAO for Food Services of America, a large (formerly publicly owned) wholesale distributor/retail food company. Since then he has 16 years of experience as the Chief Financial Officer for small to medium and rapidly growing and privately owned wholesale distribution companies. This includes NutraSource Inc, a leading Northwest natural food wholesaler, successfully sold in 1995. More recently, he was the CFO for Pacific Rim Import Corp, one of the largest independent wholesale gift and houseware import distributors in the nation. Mr. Christensen has a strong background in managing accounting, finance and administration functions.

Jo Hwang – Administrative Director / Sales and Marketing

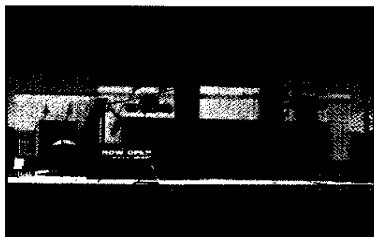
Ms. Hwang, a long time resident of Seattle, attended the University of Washington. Prior to joining *American Life, Inc.* in 2000, Ms. Hwang spent eight years at Herrmann Law Firm as a paralegal specializing in immigration, personal injury, and other areas of law. She also successfully managed her own businesses in Seattle-Tacoma area for many years. At *American Life*, along with managing various properties, tenants and investors, Ms. Hwang assists non-U.S. persons who wish to invest in projects qualifying them for either a U.S. immigrant visa or a non-immigrant visa.



American Life Inc. Company Introduction cont'd

Donald R. Ayres – Property Manager

Don brings 30 years of management and development experience to *American Life Inc.* Prior to *American Life Inc.*, he was with HealthForce Partners as a founding member and Senior VP of 12 physical therapy clinics and 4 Regional Occupational Medicine Clinics in King and Snohomish Counties. He has been working in the Seattle business community for 30 years and was a founding partner in Eagle Rehab in 1992, a 40-office group of clinics through Washington State where he served as regional manager in charge of operations, facility



The 2962 1st Avenue South Limited Partnership was formed in 2004 and in March 2006 had a yield of 4.6 per cent.

development, and property management as well holding responsibility for budgeting and business development for 17 clinics. Prior to that he founded Therapy Network Services, a 175 member IPA in 3 states that contracted with Insurance Companies to provide rehabilitation.

Don received his BS in Athletic Training from Washington State University and post-graduate degree in Physical Therapy in 1976 from Children's Hospital in Los Angeles. He has served as Board Chair for Washington State Private Practice and Socioeconomic Chairman for The Washington State Physical Therapy Association. He has also served as President of Everett Golf and Country Club in 2001 and currently serves on the BOD and is Vice

Chair of the Providence Everett Medical Center Foundation.

Derrick Chasan – Sales and Marketing

Mr. Chasan graduated from the University of Leeds (UK) with a B.A Honors in 1970. In 1973 he was awarded his MBA from the University of Cape Town (South Africa). Mr. Chasan has over 30 years experience marketing brands for a number of prestigious Northwest companies including Starbucks Coffee, Pyramid Brewing, Stimson Lane Winery, the Washington State Lottery and Corbis. In 2003, Mr. Chasan changed his focus to real estate investment and raising capital for *American Life Inc.* from domestic investors.

Vincent DeLuca

Mr. DeLuca graduated from Kent State University in 1967 with a bachelor's degree in marketing and economics. He also earned a masters degree from Cleveland State University in 1972. He was accepted into the Mensa Society in 1975. As a real estate consultant, Mr. DeLuca is a Senior Vice President within the Colliers International office in Seattle. He has been with Colliers working in Seattle and Western Washington real estate for twenty-three years. He has been affiliated with *American Life* and its principals for the past five years.

James Dillon – Construction and Design Manger

Mr. Dillon graduated in 1974 from the Philadelphia College of Art receiving a BS in Environmental Design. He later received his Master of Architecture degree from Carnegie Mellon University in 1978. Mr. Dillon has over 28 years of experience in architectural design and construction as senior designer at DMJM, one of top ten architectural and engineering firms in the world, and currently as the President of Dillon Design and Constructions, Inc. Mr. Dillon manages, builds and designs all *American Life's* construction projects and remodels.

Shari Hollinger – Account Manager

Ms. Hollinger attended the University of Alaska in Business Administration with an emphasis in Accounting. Ms. Hollinger spent five years with Atlantic Richfield early in her career. For the past 15 years, she has devoted her efforts to working with a variety of small businesses including her family's trucking firm. She brings to *American Life* her experience gained in the areas of cash management, project accounting, finance, and commercial property management. Ms. Hollinger has been with *American Life* since 1998.



Thomas T. Wu – Senior Consultant

Mr. Wu has been an executive in the tourism industry for the past 25 years. He has extensive experience in Senior Business Management, Sales & Marketing, and Product Development with solid record of leadership, strategic partnership and profitable international relations. Mr. Wu brings an insightful multi-cultural and diverse understanding, as well as thorough knowledge of domestic and international business practices. He adds significant energy and momentum to *American Life, Inc.* taking full advantage of the rapidly developing opportunity for growth in China. Mr. Wu will provide assistance to Chinese investors in China, Taiwan, Hong Kong and Singapore who wish to invest in projects qualifying them for either a U.S. immigrant visa or a nonimmigrant visa.

Richard Robinson – Managing Director London

Mr. Robinson attended the University of London where he studied the London Stock Exchange Members course. He joined the firm of Pember & Boyle, the Gilt Edged securities stockbroking partnership in 1966 where he became a sterling money dealer. In 1972 he established an investor relations division for one of London's larger public relations companies and opened his own investor relations practice in 1977, which he ran until 2003. That same year he formed Robinson O'Connell, a US immigration practice specializing in the EB-5 visa and related Regional Center investments. He opened *American Life's* London office in 2006.

References

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Bob Over
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- Morrow Kessler Dowsing,
Certified Public Accountants
Chris Dowsing
206-622-8468

Potential Conflicts

Due to the central management by the Company and its principals of all *American Life* properties, each of which has a different set of investors, there are unavoidable potential conflicts that may arise and of which investors must be aware and accept. These include, without limitation:

- Which property's vacant space will be shown and offered to a prospective tenant;
- The pricing allocation among properties when two or more partnerships' properties are to be sold in a single transaction or related transactions; and
- The Company's receipt of certain management fees directly from tenants. *American Life* will use its best efforts to resolve any conflicts that arise in a fair and impartial manner.



PNW/Seattle – General Economic Data and Trends

Introduction – The Seattle Metropolitan Area

The Seattle metropolitan area/Puget Sound region, the economic and cultural capital of the northwestern United States, houses the largest concentration of population north of San Francisco and west of Chicago. The leading regional financial institutions and several major corporations base their headquarters in the Seattle area. Seattle's modern seaport and airport link the area to the outside world and serve as a major transshipment point from Asia to the entire United States. The historic growth of the Pacific Northwest coupled with the expansion of Pacific Rim economies should sustain Seattle's growth well into the future.

Geography

The Seattle metropolitan area lies in the northwest corner of the continental U.S. on Puget Sound in western Washington State. Puget Sound directly connects Seattle and the Pacific Ocean, 110 miles to the west. The Puget Sound region includes four Census-defined metropolitan areas, one of which includes Seattle, Bellevue, Everett and the adjacent areas. Each of the four areas is referred to as a "PMSA" (Primary Metropolitan Statistical Area) while these four PMSAs combined comprise the Seattle-Tacoma-Bremerton Consolidated Metropolitan Statistical Area ("CMSA").

The Seattle urban area is long and slender, sandwiched between an inland sea and two mountain ranges, extending 100 miles from north to south but little more than 15 miles wide in the east-west direction. The city of Seattle lies near the center of this ribbon of urban development, occupying a narrow isthmus that divides Puget Sound to the west from seventeen-mile long Lake Washington to the east.

Economy

Captain Cook visited Puget Sound during his third voyage of discovery. Cook described an area rich in natural resources, blessed with a mild climate, but not practical for colonization due to its distance by sailing ship from European population centers. Modern communications and particularly jet airplane travel, not coincidentally first mass produced in Seattle, conquered the problems of distance and set off a prolonged period of growth and economic development in the Pacific Northwest of North America.

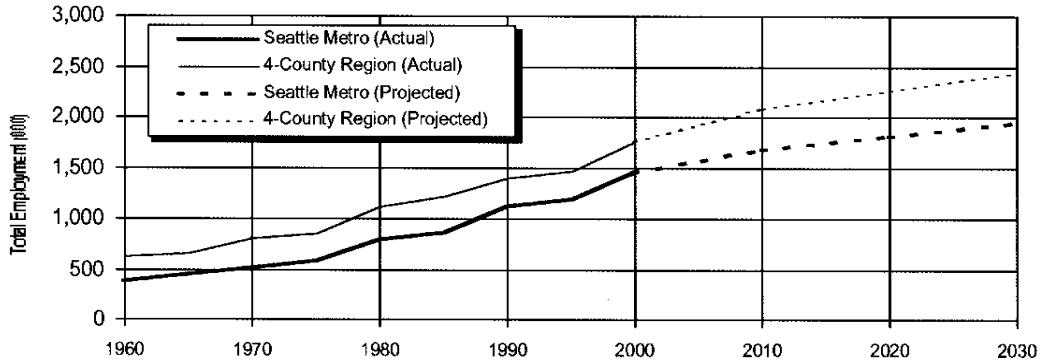
Historically, the aerospace, forest products and shipping industries, along with the military, have formed the economic base of the Puget Sound region. Emerging major industries include software, biotechnology, tourism, Internet services, and telecommunications. Seattle's central residential and business districts have not experienced the blight and decay found in many other big cities. The region's economy has several notable characteristics:

- **Above-average growth.** Historically, the Seattle/Puget Sound economy has expanded faster than the national economy and that of most other West Coast cities. Above-average growth is a long-run trend transcending business cycles that should continue throughout the foreseeable future.

Total employment in Seattle more than doubled between 1960 and 1980, from 370,000 to 780,000. By 2000, total employment increased to more than 1.4 million. The Puget Sound Regional Council (PSRC) projects that metropolitan Seattle will contain 1.66 million jobs by 2010, 1.8 million jobs by 2020, and nearly 2 million jobs by 2030.



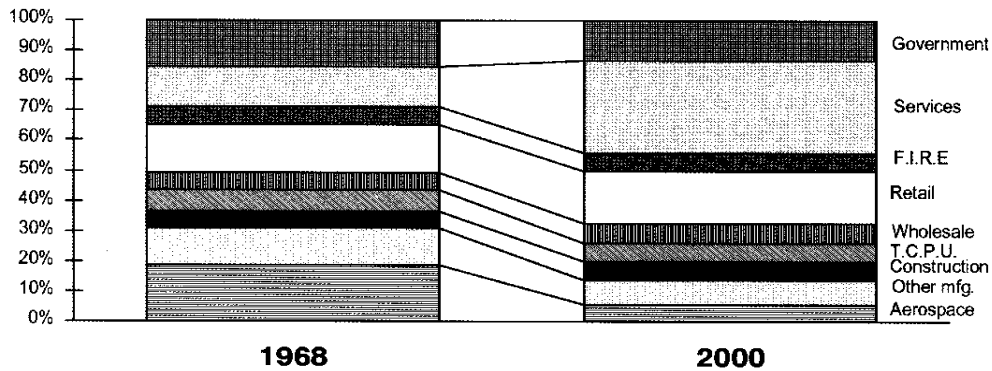
Historical and Projected Employment



Sources: Washington Office of Financial Management; Puget Sound Regional Council; Property Counselors

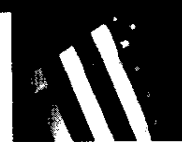
- **Dominance of Boeing.** Seattle has long had a reputation of being a one-industry town and Boeing is still its most important single employer. In 2000, aerospace alone comprised 41.4 percent of all manufacturing jobs in the Seattle PMSA. However, this industry constituted only about 5.8 percent of total non-agricultural employment, down significantly from 18.8 percent in 1968.
- **Strongly cyclical.** The Seattle area has grown in periodic surges associated with economic cycles, lasting roughly a decade. This pattern repeated itself during each of the last four decades. Each decade began with a recession or comparatively slow growth, followed by economic booms and rapid expansion of employment and population in the closing years of each decade. This pattern appears to be repeating itself in the first decade of the 21st century.
- **Shift to Services.** Like other cities nationwide, Seattle's economy is shifting from manufacturing to dominance by service and knowledge intensive industries. This trend is evident in the Changing Employment Distribution table below.

Changing Employment Distribution



Sources: Washington Employment Security Department; Property Counselors

The traditional goods-producing activities are declining relative to services, biotech, wholesale trade, and retail trade. The services sector includes the rapidly expanding computer software industry.



PNW/Seattle – General Economic Data and Trends cont'd

- **Growth of Advanced Technology.** The Seattle area is a leading center of software, telecommunications, biotechnology, and medical-technology industries. Microsoft, now the world's largest software maker, employs approximately 23,000 workers locally, making it the second-largest private sector employer in the region. Biotechnology-centered around the University of Washington, the Fred Hutchinson Cancer Research Institute, and the large complex of medical facilities in Seattle, is another rapidly expanding industry.

In the last half of the 1990s, Internet-related companies grew rapidly. Firms such as F5Networks, Amazon.com, Real Networks and many more expanded rapidly fueling demand for thousands of workers and millions of square feet of office space. In mid-2000, the Internet stocks crashed, and many of the formerly high-flying firms disappeared, evaporating demand for large blocks of office space and causing many developers to place projects on hold. While Seattle still contains a large number of Internet-related companies, many remain in financial difficulty and others have greatly scaled back their growth plans.

Despite the current slowdown, the central Puget Sound region remains attractive to high technology industries principally because it possesses one of the most highly trained and well-educated labor forces in the U.S. Boeing created a large demand for such workers, while the University of Washington and other local higher education institutions provided much of the supply. The aerospace and software industries created numerous spin-off and support activities. The Puget Sound region enjoys excellent access to the high tech industries in both California and Japan. Finally, the region's environmental and cultural amenities attract entrepreneurs and workers alike.

- **Links to the Pacific Rim.** Pacific Rim economic expansion influences the growth of the Puget Sound region. With Boeing, Microsoft, agriculture, and the forest products industry, the Puget Sound economy is the largest per capita exporter in the U.S. The area's location gives it special advantages as a transshipment point between the U.S. economic heartland and Alaska, Japan, South Korea, Hong Kong, Taiwan, and other points around the Pacific. By ship, the Puget Sound ports are a full day closer to the Orient than their competitors in California.

Seattle's port was one of the first in the nation to develop modern container-handling facilities. The Puget Sound "load center" (including both Seattle and Tacoma) is the second-busiest port on the west coast after Los Angeles/Long Beach.

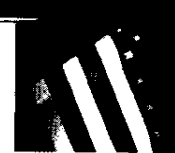
In 1996, the U.S. Navy completed its new homeport for an aircraft carrier battle group in Everett. This base brought 18,000 new jobs to Snohomish County. Higher military spending, pushed by the Bush administration, should increase military expenditures in the region.

- **Alaska.** Alaska, a land area one-sixth the size of the entire continental U.S., is a treasure trove of energy and natural resources. Since the Klondike gold rush of the 1890's, virtually every item needed to support Alaska's 500,000 people, resource and energy extraction comes through Seattle. The business of supplying Alaska, although not publicized, provides one of the mainstays of the Seattle economy.

To summarize, downtown Seattle remains the chief center of financial, administrative and office activities for the Pacific Northwest. Seattle and the Puget Sound area's combination of a central location on the Pacific Rim, highly educated work force, low cost hydro-electric power, and abundant natural resources, despite the ups and downs of economic cycles, continues to create a dynamic and growing economy.

Population Trends

The Seattle area's population has grown in periodic surges associated with economic cycles. This pattern has repeated itself during each of the last four decades. Each decade began with a recession and comparatively slow population growth, followed by economic booms and rapid expansion of employment and population in the closing years of each decade.



Also, several non-economic factors may influence population growth. These are the national publicity that Seattle is the best city to live in from a life-style perspective and some migration that occurs from Californians sick of the expensive crowded conditions in the San Francisco and Los Angeles areas.

According to the Washington State Office of Financial Management, the city of Seattle contained 568,100 people in 2001 with the total population of the Puget Sound region numbering more than 3.6 million. Current and historic population data at the county and metro area levels are summarized in the following table.

Populations of Metro Areas

Metropolitan Area	1970	1980	1990	2000	2001
Seattle PMSA	1,424,611	1,607,618	2,033,128	2,414,616	2,449,300
King County	1,159,375	1,269,898	1,507,305	1,737,034	1,758,300
Snohomish County	265,236	337,720	465,628	606,024	618,600
Island County	27,011	44,048	60,195	71,558	72,400
Tacoma PMSA (Pierce)	412,344	485,667	586,203	700,820	713,400
Bremerton PMSA (Kitsap)	101,732	147,152	189,731	231,969	233,400
Olympia PMSA (Thurston)	76,894	124,264	161,238	207,355	210,200
Seattle CMSA	2,042,592	2,408,749	2,970,300	3,554,760	3,606,300

PMSA = Primary Metropolitan Statistical Area; CMSA = Consolidated Metropolitan Statistical Area

Sources: U.S. Census; Washington Office of Financial Management; Property Counselors

Nearly three-fourths of the Seattle PMSA's population lives within its 60 incorporated cities and towns. The following table lists the largest cities in the PMSA.

Largest Cities, 2001

Rank	City	County	Population	Rank	City	County	Population
1	Seattle	King	568,100	7	Renton	King	51,140
2	Bellevue	King	111,500	8	Kirkland	King	45,770
3	Everett	Snohomish	95,990	9	Redmond	King	45,490
4	Federal Way	King	83,890	10	Auburn	King	43,985
5	Kent	King	81,900	11	Edmonds	Snohomish	39,590
6	Shoreline	King	53,150	12	Sammamish	King	34,560

Sources: Washington Office of Financial Management; Property Counselors

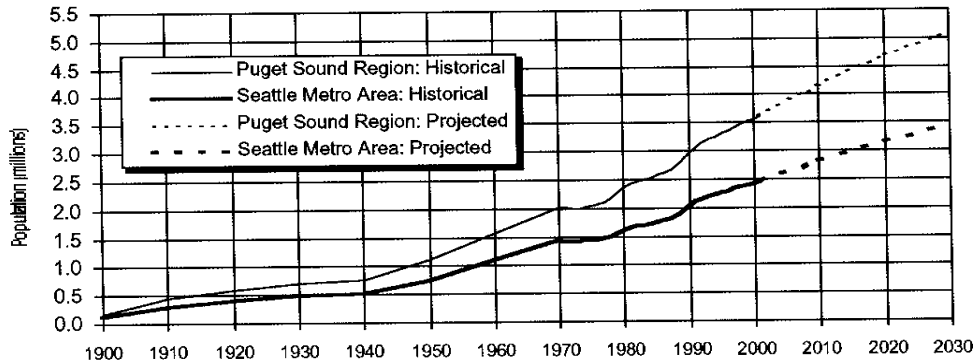
The combined population of all cities and towns in the Seattle PMSA stood at 1,751,998 in 2000, while unincorporated areas contained 697,302 inhabitants.

Like other large U.S. urban areas, Seattle's population was stable or declining prior to 1990. In the late 1980s, Seattle reversed a 30-year decline, and its population rebounded from 493,846 in 1980 to 568,100 by 2001, the highest ever recorded for the city. This growth came despite no significant annexation of territory by Seattle. Seattle's downtown is among the fastest-growing neighborhoods in the region.

By 2010, the PMSA's population is expected to approach 2.76 million (refer to the Population Trends graph below) and should exceed 3.1 million by 2020. The population of the entire Puget Sound region is expected to surpass 4.1 million by 2010 and should approach 4.7 million by 2020. By 2030, nearly 5.1 million people are expected to call the Puget Sound region home.



PNW/Seattle – General Economic Data and Trends cont'd



The most rapid growth is expected to be to the east, southeast, and northeast of Seattle. Modest projected increases in the southwest and North End suburbs are expected to result from a dwindling supply of vacant land and encroachment of commercial and industrial uses on older residential neighborhoods. Seattle and the inner suburbs (Highline, Burien, Shoreline, Bellevue, Kirkland, and Renton) are expected to grow slowly, as increases in the number of new housing units are offset by declining household sizes. Most residential development in these areas will involve infill construction, renovation, and conversion of non-residential buildings to residential use. The number of households in Seattle is expected to continue growing as the proportion of small (one and two person) households keeps expanding.

Incomes and Purchasing Power

Household incomes are higher in the Seattle area than elsewhere in Washington State and the U.S. The distributions of disposable household income for the Seattle PMSA, Washington State, and the U.S. appear in the following Disposable Income table.

Disposable Income for Seattle, Washington, and the U.S.

2000 Household Disposable Income	City of Seattle	Seattle Suburbs	King County	Seattle PMSA	Sea-Tac CMSA	State of Wash.	United States
Less than \$20,000	17.3%	11.1%	12.4%	12.8%	15.2%	19.9%	24.4%
\$20,000 to \$34,999	16.3%	14.7%	14.0%	15.1%	16.9%	19.2%	20.7%
\$35,000 to \$49,999	13.6%	15.5%	14.0%	15.0%	16.1%	16.5%	16.8%
\$50,000 and over	52.8%	58.7%	59.6%	57.1%	51.8%	44.4%	38.2%
Median household EBI	\$53,490	\$58,638	\$60,393	\$57,246	\$51,744	\$44,682	\$39,129
Average household EBI	\$62,552	\$49,744	\$72,038	\$68,094	\$62,263	\$54,921	\$49,252
Per capita EBI	\$29,030	\$30,062	\$29,726	\$27,315	\$24,415	\$21,284	\$18,246
Aggregate EBI (\$million)	\$16,576	\$35,572	\$52,149	\$66,739	\$87,859	\$127,088	\$5,230,825

PMSA = Primary Metropolitan Statistical Area (King, Snohomish, and Island counties)

CMSA = Consolidated Metropolitan Statistical Area (PMSA plus Pierce, Kitsap, and Thurston counties)

EBI = Effective buying income (disposable after-tax income)

Sources: Sales & Marketing Management, 2001 Survey of Buying Power; Property Counselors

The table indicates that the Seattle PMSA has proportionately more households in the over-\$50,000 income group than the U.S. average. The median disposable income of Seattle PMSA households is 28.1 percent higher than the statewide median, and 46.3 percent above the national median.

The principal source of this section's material was Allen N. Safer, MAI.



SODO – Real Estate Market

Background and Description of SODO

Major freeway and transportation access projects, coupled with the recent completion of a convention center and two new sports stadiums, drive SODO's transition from primarily industrial uses to higher yielding office, showroom, high-tech, retail and possibly residential uses. SODO's growth pattern reflects a national trend. Similar development patterns apply to aging, centrally located industrial areas in Cleveland, San Francisco, and Denver.

The SODO district, a roughly rectangular area directly south of downtown, encompasses 550 acres. Its northern edge lies against Seattle's downtown while its eastern edge borders Interstate 5. Puget Sound borders the west, while Spokane Street forms the southern border.

Seattle's first settlers in the last half of the 19th Century initially built up what is now downtown, Belltown, and First Hill. The area's abundant timber was cut and shipped to San Francisco to supply gold rush stimulated construction. In the 1890s industry started to spill over into what is now SODO, a one square mile area located between Puget Sound and the first range of coastal hills, immediately south of Seattle's present downtown area.

With the extensive rail lines that were built within the area, the draining of the Duwamish River delta, and the development of the immediately adjacent port facilities on the western edge of SODO, warehousing and wholesale trade, spurred by the Klondike, Alaska gold rush, grew alongside manufacturing.

By the 1920s, much of Seattle's heavy industry was located in SODO. During World War II, SODO factories built airplanes, ships, components, and munitions. Between the end of the Korean War and 1990, warehousing and light industrial activities slowly replaced heavy industry. Since these early days, SODO has been a primarily manufacturing/warehousing area with little change until relatively recently.

In the early 1990's, businesses that primarily served the downtown core started to move into SODO to take advantage of the proximity to customers and lower rents. These businesses included office supplies, distribution, furniture, building supplies, art supplies, high tech, banks and professional offices. In addition major retailers like Home Depot, Office Max, and Costco opened major sales outlets within SODO. By 1998, with the major renewal of the northern section of SODO due to the two newly constructed stadiums, downtown's central business district itself began moving into SODO and revitalizing its importance as an urban hub.

New transportation infrastructure drives current growth. New freeway accesses and the light rail, all under construction, mean that Puget Sound's regional transportation infrastructure ties together within SODO's one square mile. This will make it one of the most convenient locations in the Seattle metropolitan area.

Various governmental agencies own or utilize approximately 60% of SODO acreage. These uses include; post office transfer facilities, waste recycling facilities, school district office space, social services, the Port of Seattle, mass transit stations and systems, two stadiums and a convention center. As a result, private uses account for a mere 220 acres out of the total 550 acres.

Family run businesses engaged in light industry, warehousing, office and retail activities own most of the privately held land. American Life controls either through ownership, leasehold or management, approximately 20 acres of these 220 acres, or about 9% of the total. American Life focuses on purchasing contiguous properties allowing for future sales of combined parcels of sufficient size to interest institutional developers or real estate investment trusts.



SODO – Real Estate Market cont'd

Dynamics of the SODO Real Estate Market

The strong economy and rapid growth of the late 1980s and 1990s touched off a series of land use conflicts that continue to reverberate throughout the region. The Washington State Growth Management Act (GMA), passed by the Legislature in 1990, mandated the adoption of comprehensive growth-plans to encourage future growth in existing urban areas while restricting low-density "sprawl" in the suburbs. As a result, suburban growth has been slowing while in-fill in established urban areas such as SODO has been increasing.

SODO's small available acreage close to the Port and downtown tends to create a demand for SODO space that generally exceeds the supply. Further, within the Seattle downtown area or near-by districts, the continuing demolition of competing properties for transportation infrastructure and for new office/retail projects creates additional demand because the overall supply of affordable close-in locations is reduced. The approximate 7% average annual rental increases that have occurred over the past twenty years reflect this trend. SODO's 1.5% vacancy rate (north of Spokane St) indicates a tight rental market. This is, by far, the lowest vacancy rate in the region.

SODO's proximity to downtown Seattle, the port, the freeway system, and rail facilities creates demand for space from users with a variety of special requirements for buildings and access. Tenants continue to pay a premium for convenient central locations. As a result, SODO warehouses commonly fetch 50 cents a foot per month as opposed to 35 cents a foot for newer facilities in outlying areas.

SODO's building stock, generally 30 years old or older, works for existing warehouse uses, but not for the new uses moving into the area. As a result, the largest recent non-infrastructure developments within SODO entailed the conversion and re-use of existing facilities, often involving transformation of single-user facilities into multi-tenant properties. The conversion of Sears' turn-of-the-last-century warehouse, distribution and retail facility into Starbucks Coffee's world headquarters, Office Max and other retail uses and the conversion of the U.S. Post Office transfer facility into administrative offices for the City of Seattle School District exemplify this trend.

Growth patterns and infrastructure development continue to increase land prices. In many cases, land values exceed the value of the building. As properties change hands at higher land prices, new owners cannot afford to rent to traditional warehousing and light industrial users. For the foreseeable future, the market dynamics should continue to force the conversion of existing warehouse stock to more intense uses.

Major Infrastructure Developments

A proposal to build a region-wide network of transportation improvements was approved by voters in November 1996. When completed, this system will include a 24-mile light-rail transit system between the University District,



Paul and Lee Gotel married in Maui and promptly applied for their EB-5 visa. They moved to the US on another visa and rather than return to the UK for a Consular interview they opted for an Adjustment of Status. Their green cards were issued in February 2006, the same day that Lee had confirmation she was expecting their first child.



downtown Seattle, and Seattle-Tacoma International Airport; a 1.6 mile light-rail line in downtown Tacoma, 81 miles of commuter rail service linking Everett, Seattle, Tacoma, and Lakewood and bus/carpool ramps serving 100+ miles of HOV (high-occupancy vehicle) lanes on the region's freeway network. The estimated completion date for the project is 2009.

Sea-Tac International Airport is being expanded to include a third runway, new and expanded terminals and parking facilities, improved access and circulation roads, a new hotel next to the main terminal, a people-mover system, and connections to the regional light rail network. There are several other transportation infrastructure projects in varying stages of construction and/or funding.

Much of this transportation infrastructure directly benefits SODO. These include:

- **Automobile access improvements.** Major improvements are now underway at both the north and south ends of SODO.

At the north end, construction proceeds on access to SODO from the Interstate 5 and Interstate 90 freeways. The new freeway extension serves both 1st and 4th Avenues South, the two major SODO north/south thoroughfares.

At the south end, upgrades to Highway 99 and the West Seattle Freeway along Spokane Street will provide significantly better access from a number of directions. (Note that the West Seattle Freeway connects with Interstate 5 allowing direct access for drivers coming from the south.)

- **Light-Rail.** This 24-mile system, now under construction, will run through SODO, include two SODO stations and connect SODO to downtown and the airport. Estimated completion is in 2009.

In addition to transportation infrastructure, SODO benefits from:

- **Safeco Field** (new home of the Seattle Mariners), a new football stadium, and a new exhibition center.
- **Effects of February 2001 Earthquake.** The February 2001 Nisqually Earthquake forced some SODO property owners to upgrade their buildings. These repairs and replacements will upgrade SODO as a whole.

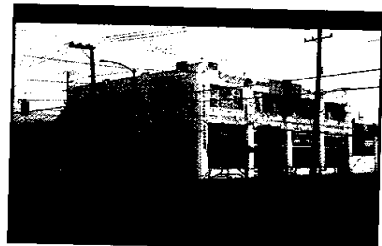
Future SODO Rezone

Despite the above-described expansion from its historical industrial use, SODO remains industrially zoned with exceptions large enough to permit the wide variety of uses now found. There is growing momentum to change SODO's zoning from purely industrial, with exceptions for office and retail, to a full mixed-use zoning that would include residential and large office development. The Port of Seattle and many of the Seattle City Council representatives publicly support rezoning SODO to this full mixed-use status.

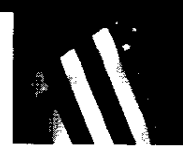
The Port and certain Council representatives only made public their support in mid-2002. As such, the rezoning effort is only in its beginning stages.

American Life Management's Expectation of Future Rentals and Values

American Life partnerships hold land at purchase prices of up to \$110 per square foot (not including building values or improvements). In the future, land sold for high-rise development could be sold for upwards of \$250 per square foot. A SODO rezone to mixed-use supports a potential future realization of such values.

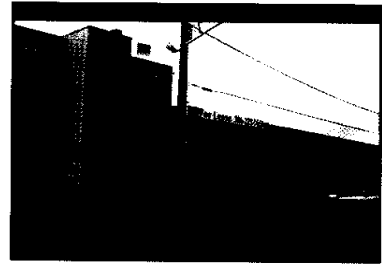


The 2700 4th Avenue South Limited Partnership was formed in January 2004 and following refurbishment, the 60,315 sq ft the building's yield rose to \$428,760 pa, a return to investors of 6.1 per cent in 2006.



SODO – Real Estate Market cont'd

Management further notes that SODO's superior location should continue to drive land prices and rents without a zoning change. The existing zoning prohibits large scale office development (over 50,000 square feet of office in one structure), large box retail, and residential uses, but does not restrict construction of large facilities offering flex space suitable for light industrial, tech, and other modern manufacturing uses. Existing zoning also allows the construction of facilities where employees or owners live in the same structure as where they work. Ironically, Office Max, Home Depot and Costco opened stores in SODO before the advent of the current zoning restrictions. American Life sees that values will continue to increase as a result of steadily rising rents from demand in excess of the limited SODO supply. The addition of residential uses would accelerate the process of increasing land values.



3317 3rd Avenue South. This 37,000 sq ft building was formed as a Limited Partnership in January 2004 and in 2006 had a rental income of \$468,000 pa, a yield of 6.1 per cent.

Since any disposition of American Life properties will be some years from now, the level of future rentals is important to investor returns over an extended period. Over the past twenty years, SODO rents have increased at an average rate of some 7% a year. This compares to an average rental increase of 3% per annum for the South Seattle industrial area. Because the past twenty years were years of steadily increasing economic growth, American Life management believes that investors who wish to project future rental increases may conservatively assume annual rental increases of 3% to 5%.

Outlook

American Life management strongly believes that SODO will continue to move from its industrial base to becoming a mixed-use densely populated downtown area. This trend is based on a number of factors that are independent of the status of the region's economy. These factors include the following:

- SODO's land area provides readily available growth potential for businesses serving Seattle's downtown. No other areas of Seattle effectively serve this market.
- Freeway projects increasing vehicular access to SODO will improve the viability of SODO as a place to do business. Increased vehicular access to SODO should entice major retailers to place outlets in SODO as well as attract developers looking for sites for new retail, light industrial, office and residential centers.
- The lower level of rents in SODO relative to other Seattle areas adjacent to downtown will continue to attract a variety of tenants in addition to those from the service and retail sectors. These include tenants looking for office space, light industrial, flex space, and showroom space. No other areas of Seattle effectively service the downtown market.
- The Monorail and light rail projects will connect SODO to downtown and beyond without depending upon automobile transport. As a result, a variety of new users will want to take advantage of SODO's central location and proximity to downtown.
- Regional traffic congestion coupled with the fact that all of the regional transportation infrastructure comes together within a few SODO city blocks has created a premium on locating in a central area such as SODO.

To conclude, SODO offers a close-in location with the best transportation infrastructure in the Puget Sound region. Given the shortage of available land and the area's highly desirable location near the Port, downtown, and major transportation facilities, and the management of American Life believes that SODO will remain a high-growth real estate market.



Frequently Asked Questions

Q: Is an EB-5 related investment truly passive?

The EB-5 regulations require involvement in management or policy making. The regulations deem a limited partner in a limited partnership that conforms to the Uniform Limited Partnership Act as sufficiently engaged in the EB-5 enterprise. However, the Uniform Limited Partnership, adopted by most states, prohibits the limited partner from actively participating in management.

On one hand you must be involved in management or policy making, while on the other hand you can't. This contradiction is resolved by granting the limited partners the right, as a group, to oust the general partner for "cause" and to suggest or recommend issues of overall policy. American Life's limited partnerships comply with the Uniform Limited Partnership Act.

Q: How is the investment structured?

Each Limited Partnership owns one building. Your investment purchases an interest in a Limited Partnership and you become a Limited Partner. Your share of the Limited Partnership will be proportionate to the percentage your investment bears to the value of the project. The prospectus for each project (building) details the valuation.

American Life Inc. is the General Partner of the Limited Partnership. The General Partner manages renovation, an essential element in qualifying for the EB-5 visa, leasing to tenants and day to day management.

Each month investors receive a rental distribution equal to seventy per cent (70%) of your pro rata share of the total distribution for Limited Partners. When the building is sold you will receive the proceeds, made up of your initial capital plus seventy per cent (70%) of your pro rata share of the capital appreciation.

Q: What is a limited partnership?

A limited partnership combines corporate limited liability with partnership taxation. The limited partnership, formed by filing a charter with a state government, consists of a general partner and one or more limited partners. The charter details the rights and powers of the limited and general partners, percentages of ownership, and distributions of profits. The general partner manages the business. As in a corporation, the limited partners are passive investors liable only for the value of their investment. As in a general partnership, limited partnership income is taxed at the partner level, not at the entity level.

American Life Inc. could use a limited partnership or limited liability company with equal effect. American Life uses a limited partnership because the USCIS regulations specifically refer to limited partners, exempting them from the requirement to actively participate in the business. The regulations make no mention of limited liability companies.

Q: How is my limited partner interest protected?

The Certificate of Limited Partnership must be recorded with the State of Washington as a public record. The Certificate refers to a Schedule A of the limited partnership agreement, which lists the names and percentage interests of the limited partners. The deed for the investment property is held in the name of the limited partnership. The deed is also of public record. This means the property cannot be sold, mortgaged or altered without complying with the terms of the limited partnership agreement.

Q: Is my investment guaranteed?

No. The law requires an "at risk" investment without guarantees or redemption rights.



Frequently Asked Questions cont'd

Q: What are my risks?

As in any investment there is a risk of loss. We invest in real estate without mortgage or bank financing. This lack of debt eliminates much of the risk. Like everybody we risk the deleterious effects of acts of god, war, and market fluctuations in rental income or real estate prices. We urge all investors to visit us, check our references and to independently verify the information contained in our prospectus.

Q: Why should I pay a deposit?

Some visa applicants may wish to secure a place in a specific building while deferring their investment of US\$535,000. A 90 day deferment may be secured with a deposit of US\$50,000, payable to American Life, Inc.

Please note that deposits will be credited to the Limited Partnership when the balance of the investment of US\$485,000 is made into the Limited Partnership. However, a deposit is non-refundable if the balance of the investment is not made within the agreed period of 90 days.

Q: Why must I invest before applying for my green card?

The regulations permit escrow arrangements but we have found that USCIS looks more favorably on petitions based on a completed investment.

In addition, because we offer our properties to US citizens as well as immigrant investors, it is appropriate to do so on a first-come first-served basis, with a reserve option of up to 90 days. If your investment capital sits in escrow or trust pending the results of a visa application, the target investment which formed the basis of your visa petition may have been sold out to other investors. You would be in the unfortunate position of basing your green card application on an investment that was no longer available, thereby jeopardising your visa application.

Our primary business is real estate development. Much of our capital comes from investors who do not seek an immigration benefit. They invest on financial considerations only, without preconditions, whereas EB-5 investors have two considerations, the soundness of the investment and obtaining their green card.

The investment must be analyzed upon its merits. If you believe we offer a sound investment then we require that you commit your capital as any other investor. If for some reason you do not receive your green card, our contract with you requires us to refund your investment. We maintain credit lines with several banks for this purpose. We also have a constant stream of new investors, providing an alternative source of funds to refund your investment.

Q: How does the partnership distribute income?

Rental profits are distributed to investors on a monthly basis. The distributions are based on the prior month's gross rental income net of expenses and investors receive a profit and loss statement with each distribution. At the end of the year the partnership issues a summary report along with Internal Revenue Service form K-1. Form K-1 details your yearly income and expenses. Your accountant will require form K-1 to prepare your US annual tax return.



Q: I understand that EB-5 has been the subject of litigation. Will this history effect my green card applications?

The EB-5 visa category started in 1990. Regional Center investments were started in 1993. American Life Inc. formed its Regional Center in 1996 and raised capital from some 40 investors between 1996 and 1998. Several companies competed for investment capital during this period. Most of the companies didn't offer sound investments and were really in business to collect fees rather than to fund an ongoing business. Many investment opportunities did not even raise the full \$500,000 investment capital or hire the required number of employees.

The CIS rightly wanted to stop these abuses of the program. In 1998, it revised its rules and applied them retroactively, attempting to revoke visa petitions that had already been approved. This started litigation. In 2002, Congress passed a new law to protect the pre-1998 investors. Also, in 2002, in a case commonly known as "Chang the 9th Circuit Court of Appeal" ruled that the CIS may not apply their new rules retroactively.

In the light of the revised legislation the CIS is now supportive of the program and in March 2005 established a visa processing department dedicated to the EB-5 program. In June 2006, when this brochure was being prepared, a further 13 cases had their I-829 petitions approved, thereby removing Conditions and allowing the green card holders to realize their investments. We believe that EB-5 immigration petitions based on sound investments as prescribed by the rules and with proper supporting documentation, will continue to be approved.

Q: What documents must I prepare to process my visa petition?

You must prepare complete biographical information for each applicant and the principal applicant must prove the source of the investment funds. To prove the source of investment funds, USCIS requires five years of tax returns, five years of bank records, proof of ownership in any businesses, financial statements for each business and business licenses. The idea is to present a track record of an honest course of dealing. If your capital came from a specific transaction, such as sale of a house, inheritance or gift, you must prove the transaction occurred by providing an official document, such as a closing statement or contract. Other documents may be required and vary on a case-by-case basis.

Q: Where can I find a copy of the relevant law and regulations to study?

Please go to the USCIS web site. A direct link to investment visa information is:
<http://www.immigration.gov/graphics/services/residency/investment.htm>

Q: How can I verify that American Life Inc. is an honest and competent company?

We offer the references listed below. We can also make arrangements for you to contact existing investors.

Bankers

Bill Marshall	<i>Columbia Bank</i>	bmarshall@columbiabank.com
Basant Singh	<i>Pacific Continental Bank</i>	bsingh@therightbank.com
Hans Soderholm	<i>HSBC</i>	Mire.K.Levy@us.hsbc.Com

Real Estate Professionals

Vince DeLuca		vince_deluca@colliers.com
Rick Osterhoust		rick.o@ikiddermathews.com
Bob Swain		bob.swain@cbre.com
Chuck Foisie	<i>President, Economic Development Council of Seattle & King County</i>	206 389 8652, cfoisie@edc-sea.org



Frequently Asked Questions cont'd

Q: How long will the whole process take?

Processing times vary so we cannot accurately predict or promise a particular processing time, but the table below outlines the procedures and probable timescale:

Action	Months
● Processing at the California Processing Center	3
● Processing at the National Visa Center	4
● Awaiting the consulate interview	<u>2</u>
● Issuance of conditional Green Card	9
● Application for 'removal of conditions' & Permanent Green Card	21
● Removal of conditions	<u>3</u>
● Total	<u>33</u>

Q: What are the processing procedures?

A general outline of the application process follows. Your attorney will be able to give you a more complete description.

Step 1) File form I-526 Petition for Alien Entrepreneur with the California Service Center. This petition requests the CIS to certify the applicant and the investment as eligible for EB-5 visa status.

Step 2) Upon approval of the I-526 petition, (a) if you are in the United States you may apply for Adjustment of Status to Permanent Residence by sending form I-485 and supporting documents to the CIS regional processing center nearest your US residence. (b) If you are outside the US you must wait for notification from the Embassy in your home country to prepare documents for the visa interview.

The purpose of the Adjustment of Status or consular visa interview is to ensure you are not subject to grounds of exclusion such as a criminal past or infectious diseases.

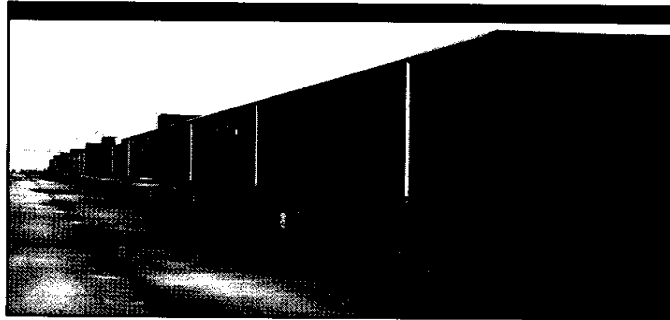
Step 3) upon approval you receive a form evidencing the approval as well as a travel document. You will also receive the temporary green card in the mail. If you are outside the US you must enter the country within six months of the date of the Embassy approval.

Step 4) After one year and nine months, you may file for removal of conditions for your permanent green card using Form I-829. This procedure permits the CIS to verify that you have maintained your approved investment for the required two-year period.

Important Tax considerations

The United States charges income tax on all US citizens and permanent residents based on worldwide income. Treaties and various exemptions eliminate some but not all of the risk

of double taxation. Each state of the United States has its own tax system. All but four states raise revenue through state income tax. Investors should consider the tax effects of becoming a US resident before investing. As a general rule, if you are moving all of your assets to the US you will not have a problem with double taxation. If you continue working or investing in your home country after moving to the US, a trip to your tax advisor is in order.



The 4746 Ohio Avenue South Limited Partnership was acquired in August 2006. This substantial 283,000 sq ft building is on a ten acre site. The net return on the investment is expected to be 5 per cent or more by January 2008.



American Life Properties Data

LAND AREA NORTH OF SPOKANE STREET TO THE STADIUMS AT ROYAL BROUGHAM

Total area +/-550 acres.
Government owned land +/-approximately 230 acres

LAND UNDER AMERICAN LIFE, INC. MANAGEMENT +/-30 acres

1. Lone Star Cement Warehouse

Address 6335 1st Avenue South, Seattle, WA 98108
Land Area 112,000 sq ft
Built out Area 57,960 sq ft
Number of tenants 5
Usage Warehouse/showroom/office

2. St. Vincent Building

Address 2963 Utah Ave South, Seattle, WA 98134
Land Area 10,000 sq ft
Built out Area 10,000 sq ft
Number of tenants 0
Usage Warehouse/showroom/office or parking

2959 Utah Ave.

Address 2959 Utah Avenue South, Seattle, WA 98134
Land Area 19,800 sq ft
Built out Area 7,400 sq ft
Number of tenants 0
Usage Industrial/showroom/flex

3. Mendelson Land

Address 2nd and Hinds St., Seattle, WA 98134
Land Area 22,000 sq ft
Number of tenants 1
Usage Yard Space

4. Close Electric Building

Address 3317 3rd Ave South, Seattle, WA 98134
Land Area 30,000 sq ft
Built out Area 37,000 sq ft
Number of tenants 4
Usage Warehouse/showroom/office

5. Pipe Building

Address 3223 3rd Avenue South, Seattle, WA 98134
Land Area 70,000 sq ft
Built out Area 48,057 sq ft
Number of tenants 6
Usage Office/warehouse



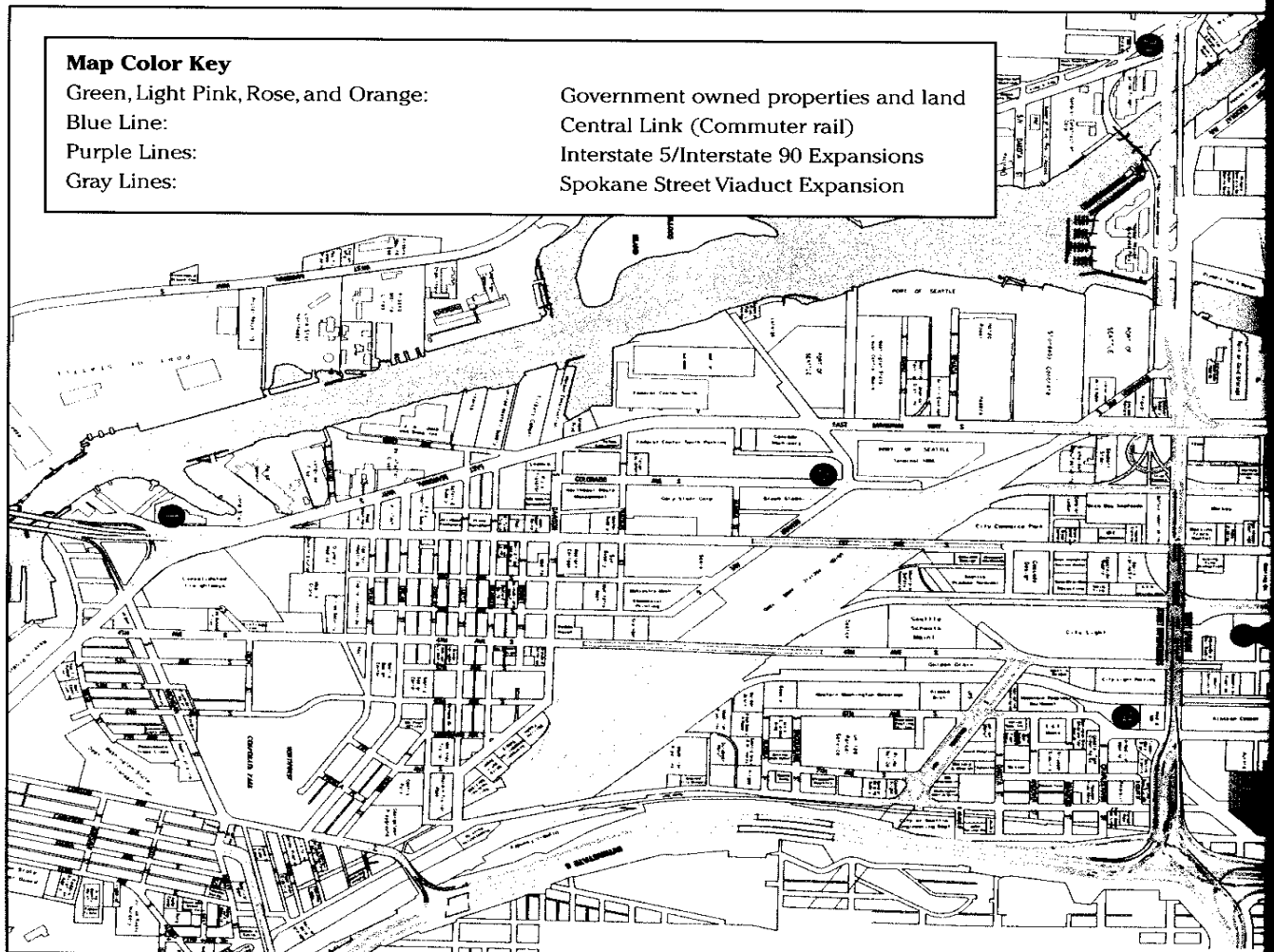
American Life Properties Data cont'd

6. 2962 1st Avenue South

Address	2962 1st Avenue South, Seattle, WA 98134
Land Area	9,000 sq ft
Built out Area	8,000 sq ft - Under Renovation
Number of tenants	2
Usage	Office/retail

7. Hullin Transfer Building

Address	270 South Hanford, Seattle, WA 98134
Land Area	128,500 sq ft
Built out Area	100,913 sq ft
Number of tenants	19
Usage	Warehouse/office/industrial



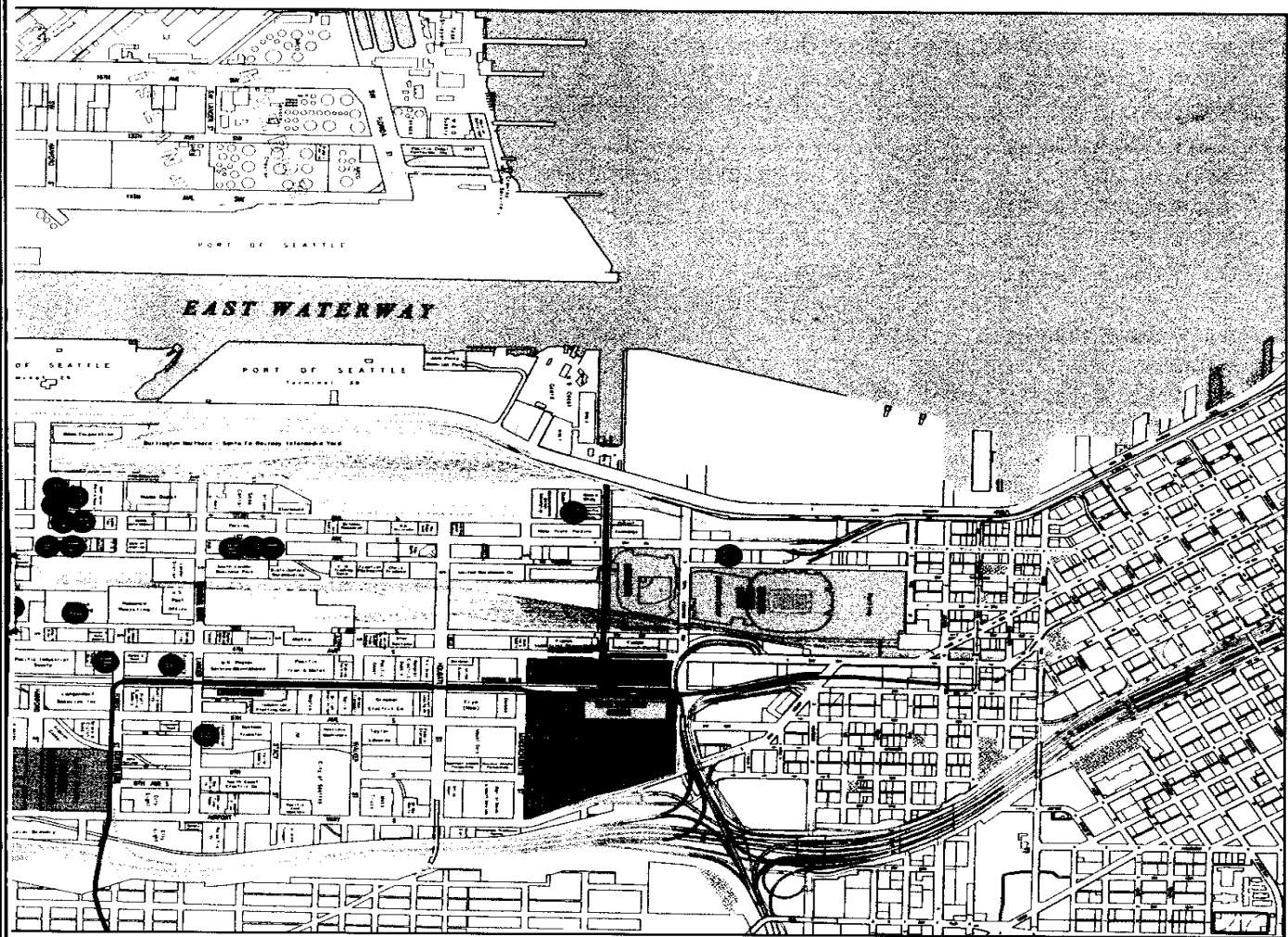


8. Esquin Building

Address 2700 4th Avenue S., Seattle, WA 98134
Land Area 67,315 sq ft
Built out Area 60,315 sq ft
Number of tenants 5
Usage Retail/showroom

9. Industrial Transfer Building

Address 624 South Lander Street, Seattle, WA 98134
Land Area 160,000 sq ft
Built out Area 113,000 sq ft; divided into 1500-5000 square foot industrial suites
Number of tenants +/- 60
Usage Office/warehouse





American Life Properties Data cont'd

10. 2440 1st Avenue South

Address	2440 1st Avenue South Seattle, WA 98134
Land Area	22,662 sq ft
Built out Area	22,662 sq ft
Number of tenants	1
Usage	Retail/showroom

11. 2430 1st Avenue South

Address	2430 1st Avenue South Seattle, WA 98134
Land area	9,000 sq ft
Number of tenants	0
Usage	Parking Lot

12. 2418-20 1st Avenue South

Address	2400 Block 1st Avenue South Seattle, WA 98134
Land Area	27,000 sq ft
Built out Area	27,000 sq ft
Number of tenants	5
Usage	Retail/warehouse strip

13. Coast Cranes Building

Address	1500 block South Utah Street, Seattle, WA 98134
Land Area	70,000 sq ft
Built out Area	23,500 sq ft
Number of tenants	1
Usage	Office/warehouse with event parking

14. Owl Transfer Building

Address	3623 6th Ave South, Seattle, WA 98134
Land Area	140,000 sq ft
Built out Area	73,335 sq ft
Number of Tenants	0
Usage	Industrial/showroom/distribution/flex

15. Gorlick Supply

Address	2944 1st Ave S, Seattle, WA 98134
Land Area	36,000 sq ft
Built out Area	28,000 sq ft, including mezzanine
Number of Tenants	0
Usage	Retail/showroom/office

16. Rivers West Building

Address	2900 4th Ave South, Seattle, WA 98134
Land Area	60,000 sq ft
Built out Area	48,000 sq ft
Number of tenants	3
Usage	Industrial/showroom/distribution



17. Ederer Cranes Building

Address 2925, 2931 1st Avenue South and
2936 Utah Avenue South, Seattle, WA, 98134

Land Area 64,380 sq ft

Built out Area 74,680 sq ft

Number of tenants 1

Usage Industrial

18. Ederer Annex Building

Address 66 South Horton Street, Seattle, WA 98134

Land Area 30,000 sq ft

Built out Area 29,700 sq ft

Number of tenants 0

Usage Warehouse/office/industrial

19. 2945 1st Avenue South

Address 2945 1st Avenue South, Seattle, WA 98134

Land Area 9,000 sq ft

Built out Area 9,000 sq ft

Number of tenants 0

20. 3601 W. Marginal Way S.W.

Address 3601 W. Marginal Way S.W., Seattle, WA 98106

Land Area 20,000 sq ft

Built out Area 17,000 sq ft

Number of tenants 0

Usage Light industrial/showroom

21. 3100 Airport Way South

Address 3100 Airport Way South, Seattle, WA 98134

Land Area 18,000 sq ft

Built out Area 150,000 sq ft

Number of tenants 1

Usage Storage facility/office/parking

22. 1016 1st Avenue South

Address 1016 1st Avenue South, Seattle, WA 98134

Land Area 10,000 sq ft

Built out Area 51,250 sq ft

Number of tenants 9

Usage Retail/office/parking

23. 4746 Ohio Avenue South

Address 4746 Ohio Avenue South, Seattle, WA 98134

Land Area 455,037 sq ft (10.22 acres)

Built out Area 283,000 sq ft

Number of tenants 4

Usage Warehouse/showroom/industrial

American Life Inc.

USA

3223 Third Avenue South

Suite 200

Seattle

WA 98134

Tel: + 206 381 1690

Fax: + 206 381 3927

UK

18 Hanover Square

London

W1S 1HX

Tel: +203 008 2490

Fax: +203 008 8601

e-mail: richard@americanlifeinc.com

www.amlife.co.uk





AMERICAN LIFE



安全で有利な米国外資生命のご紹介



www.amlife.jp



安全で有利な を シアトルからはじめてみませんか？

安心で有利な投資をお考えの皆様。数多くある選択肢からなかなか投資先を絞りきれない皆様。米国の不動産投資をはじめられてはいかがでしょう。まだまだ大きな成長が期待できる米国のシアトルの不動産に日本に居ながら簡単に投資できる方法をお知らせしましょう。

「投資」について
このようにお考えでは
ありませんか？

本業が忙しく投資に
手間をかけたくないが、
資産を増やしたい

高いリターンが
期待できるファンドに
投資をしたい

国内のインフレ、
ペイオフから
資産を守りたい

日本円貯蓄
国債だけで
海外に分散



「アメリカンライフの不動産投資が安心・有利なこれだけの理由」

投資対象地域の「地価上昇」と「高入居率」

●シアトルSODO地区の価格上昇

米国シアトルはMLBのマリナーズやマイクロソフト社、ボーイング社など世界的に有名な企業の本拠地です。全米でも土地の価格上昇率が高く、中でも投資対象物件のあるSODO地区はダウンタウンに隣接し、近い将来において空港とダウンタウンを結ぶ利便性の高い地域へと発展します。したがってスターバックス本社もあるこの魅力的な地域は今後地価の上昇が見込めます。

資料平均上昇率＝年5～6%
地価＝150～200ドル(1平方フィート)

◆SODO地区価格上昇の理由

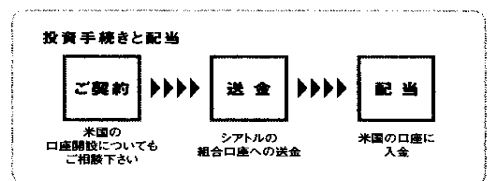
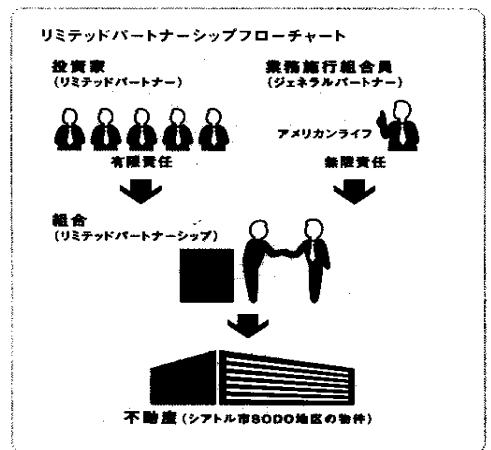
- 経済成長と人口増により土地価格は上昇傾向
- 周囲を山脈や湖、河川に囲まれており、使用可能な土地に制限がある
- SODO地区は工業用途から混合用途(住居、商業、工業)へ区画整理の計画がある
- SODO地区を結ぶ全ての高速道路や通勤線が開通(2010年)し、交通網の中心となる

●テナントにとっても魅力的な物件

弊社は地価の高い地域に物件を所有するだけではなく、テナントの意向に沿った入居空間の自由設計や模様替えが可能なので、人気があり高い入居率を維持しています。

入居率平均＝97%

投資の特長



Q & A

金や
でなく、
投資をしたい



アメリカンライフは米国シアトルに所有する不動産を管理・運用し、
投資家に多大なインカムゲイン(賃料収入)と
キャピタルゲイン(売却益)を得る機会を創出しています。

不動産投資の実績

●実績

弊社は1996年の設立以降、SODO地区やその周辺地域にある30の主要な倉庫物件を購入・賃貸すると共に、低い利回りの倉庫物件をより高いリターンが得られるオフィスやハイテク空間、店舗や貯蔵スペースへと建て替えることにより、多大な付加価値を創出してきました。全ての不動産を銀行融資に頼らず、自己資金と株主の個人的保証による借入資金を元手に各物件を購入しています。従って物件運用リスクを最小限に留め、投資家のインカムリターンとキャピタルゲインの最大化に努めています。

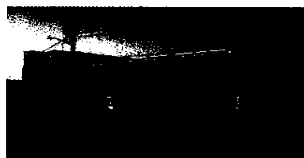
所有面積=約60,000坪(延べ床面積約50,000坪)

所有資産=約3億ドル

米国調査会社D&Bの格付け=Lowest Risk 1
(最もリスクの低い評価)

今までに訴訟を含むトラブル一切なし

【開発事例】 倉庫からオフィスへの改築



開発前



開発後

●リミテッドパートナーシップの仕組み

リミテッドパートナーシップ(組合による不動産の共同所有システム)は物件ごとに構成され、投資家(リミテッドパートナー)はその一員となります。弊社はジェネラルパートナー(不動産の管理・運用)の役割を担います。将来資金需要が生じても投資家が資金を負担する義務がないので安心です。

●インカムゲイン(賃貸による収益)

テナントの賃料から運営管理費用を差し引き、配当として投資家に毎月分配します。

毎月の配当=手取り5~6%/年利

●キャピタルゲイン(不動産譲渡による売却益)

パートナーシップは不動産物件が売却されるまで、事実上存続します。物件の売却とパートナーシップ清算の時点で、投資時点から売却時までに得た譲渡益(キャピタルゲイン)も配当として投資家に分配します。

Q:どのようなリスクがありますか?

A:お客様の元本を保証するものではありませんが、有限責任組合員として、債務に対し何ら責任がありません。

Q:投資物件の売却はどのようなタイミングで行いますか?

A:シアトル港やシアトル市が計画している区画整理が決定した時、あるいは交通のインフラの整備が完了する5~10年後(2007年現在)を目安としています。

www.amlife.jp

American Life

EB-5投資家永住権プログラムとは？

EB-5は、2003年に米国移民局政府により再施行された法律です。

米国の特定地域に投資することで永住権（グリーンカード）を取得できるシステムです。

アメリカンライフでは、投資手続きから永住権取得までをプログラム化し、お客様を完全サポート。

最短12ヶ月で永住権を取得できます。

参加規定

- ◆525,000ドルの投資
- ◆基本費用27,000ドルの永住権申請手続き
- ◆重犯罪歴がない
- ◆伝染病の病気を患っていない
- ◆資産の証明（現金、株、不動産等く相続、借入、贈与等を含む）

メリット

- ◆最短12ヶ月で永住権の取得が可能（2007年現在）
- ◆永住権取得に関わる手続きを移民弁護士が完全代行
- ◆英語力や学歴は問われません
- ◆家族全員に永住権が付与されます（本人、配偶者、21歳未満の子供）

▶▶▶ EB-5のプログラム化により最短取得が可能

EB-5による永住権取得については、法律の解釈や申請書類の作成に専門知識と英語力が必要になるため、個人の手には負えないのが現状でした。しかし当社では移民法の専門事務所と業務提携し、EB-5のプログラム化を実現。永住権取得を最短12ヶ月で行えるようになりました。

▶▶▶ 短期間で永住権を取得する目的は？

米国の永住権を取得すれば出入国や滞在期間に制限がなく、暮らす場所、職業や財産の移動も自由です。したがってビジネスをはじめたい、老後をハワイなど生活環境の良いリゾート地で暮らしたい、あるいはご家族そろってお子様の留学先で生活したい、など短期で確実に永住権を取得されたい方には最適です。

●永住権の取得手続きは、米国移民法事務所のアルビスジャパンが担当します。

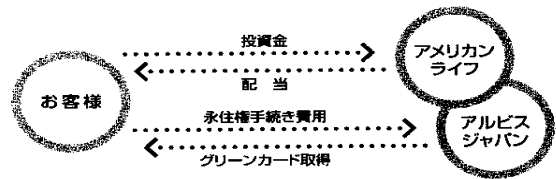
アルビスジャパンインク

www.albsjapan.com

〒150-0021 東京都渋谷区恵比寿西2-2-6 エビスファイブビル

Phone: 03-3780-7021 / FAX: 03-3780-7018 / E-mail: info@albsjapan.com

営業時間: 平日 9:00~18:00



米国 グリーンカード を最短で取得

アメリカンライフの投資メリットは？

- ◆平均年利回り5%以上の配当が得られる
- ◆売却益（キャピタルゲイン）が期待できる
- ◆当社のEB-5対象物件はマリオットホテルなど安全で且つ高配当の物件である
- ◆EB-5プログラムの中で最も人気があり、既に数百人の海外投資家が永住権を取得した実績がある
- ◆弊社の投資プログラムの主要目的は安全な高収益の確保であり、永住権取得はあくまでも恩典の1つとして考えている
- ◆永住権の申請手続きは、日本で移民法の専門家であるアルビスジャパンが担当するため、永住権取得においても万全のサポートを用意している

不動産投資の
安全性
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その方法

その理由

**American Life
EB-5投資家永住権プログラムとは？**

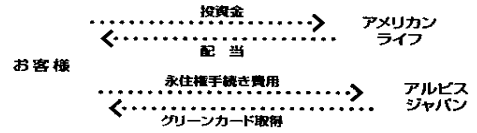
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**米国
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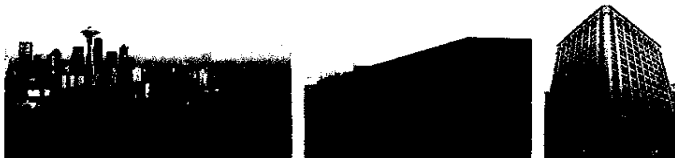
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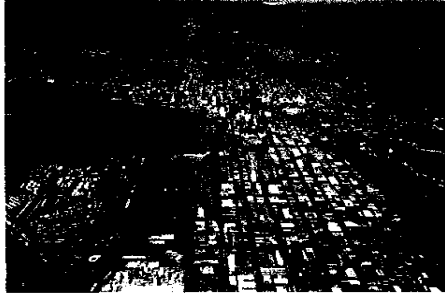
**不動産投資の
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高利回り**



www.amlife.jp

その方法

その理由



▼
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アメリカンライフインク

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Phone : 03-5466-9222
E-メール : japanese@americanlifeinc.com
シアトル本社 3223 3rd Avenue South, Suite 200 Seattle, WA 98134
Phone : 206-381-1690 Fax : 206-381-3927

www.amlife.jp

American Life EB-5

EB-5

投資家永住権プログラム

米国
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American Life
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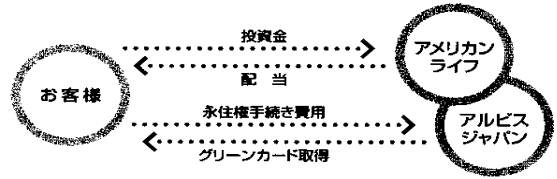
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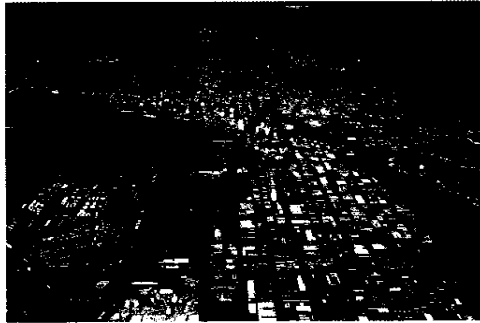
不動産投資の
安全性
高収益
高利回り



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その「方法」は?

その「理由」は?



▼
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American Life EB-5

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※赤いマーキング箇所はアメリカンライフの所有物件です。



シアトル市SODO地区

シアトルは周囲を山脈や湖、河川に囲まれているため、地域の発展のために活用できる土地は限られています。また、シアトル地域は堅調に成長を続けているため、中心地に近接した唯一の工業地域であるSODO地区は、工業用途から混合用途へと変容することをますます迫られています。北はシーホークスタジアム、南はスポケーン通り、西はシアトル港、東は高速道路インターステート5に囲まれており、東京の台場地区といった、かつては工業地域であった他の地域と同様、都会の中心地へと発展しつつあります。今では国際的チェーンに成長したスターバックスやタリーズなどがこの地域に本社を置いています。

シアトル港は、アラスカン通り沿いの港湾地を高所得層向けコンドミニアムへと建て替える計画があります。インターステート5沿いにあるRainier Brewery (ビール工場) 及びタリーズの焙煎工場を住居/事務所兼用のマンションへと建て替える案も承認されています。住居用地としての開発許可が下りれば、小売業や学校の需要も増えるでしょう。スターバックス、ボーイング、アマゾンドットコムといった企業はSODO地域に既に相当数の事務所や店舗を構えており、また、Sears、Costco、Home Depot、Office Maxといった主要な小売業者もSODO地域に進出しています。



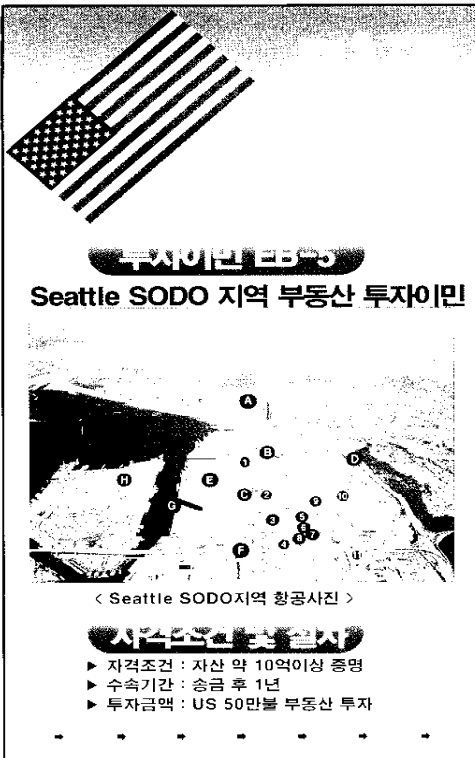
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부자이민 EB-5
Seattle SODO 지역 부동산 투자 이민

Seattle downtown SODO 지역은 산업지역으로 이 지역 내의 건물입니다. SODO 지역은 현재 모노레일 및 경철도 건설 사업이 진행 중이며 사업이 끝나고 개통되는 시기인 2009년 이전에는 다용도 지역으로 용도가 변경될 것으로 예상되며, 이로 인해 곧 시가 상승이 예상되고 있습니다. 현재 미국, 영국, 일본 등의 투자자들이 이곳에 투자를 하고 있으며, 이 중 한국인의 비율은 약 20% 정도 되고 있습니다.

현재 이 지역에는 Starbucks, 아마존닷컴, 스포츠 등 대기업들이 입주하고 있으며 1996년 이민국으로부터 Pilot Program 지역으로 승인되어 50만불을 투자할 경우 정부에 배당되는 소유권과 배급 받는다는 임대수익과 정부 자본금, 이윤과 영수권을 회사에 얻을 수 있습니다. 철저한 기구입니다.

프로젝트 진행 현황

투자지(Bldg. Name)	모집기간	총 외국인 투자자	미국 및 제3국인	현재 진행 상황
Lone Star Bldg	2003년 6월-12월	6명	0명	전원 모두 입주인 완료
C oak Electric Bldg	2004년 1월-3월	4명	10명	2명 유류 임대료 중단 중
2862 1st Ave. Bldg	2004년 1월-1월	2명	1명	1명 National Visa Center 수속 중 1명 이민국 입국완료
Ow Transfer Bldg	2004년 3월-7월	6명	8명	5명 이민국 입국 완료 1명 이민국 입국 완료
Esplan Bldg	2004년 8월-12월	5명	0명	0명 이민국 입국 완료

※ 좋은 프로그램은 현지인이 많이 투자합니다.
(국내 EB-5 프로그램 중에 현지인이 투자참여하는 프로그램은 저희 회사 프로그램 뿐입니다.)



Seattle SODO 지역 부동산 투자 이민

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프로젝트 진행 현황

투자지(Bldg. Name)	모집기간	총 외국인 투자자	미국 및 제3국인	현재 진행 상황
Lone Star Bldg	2003년 6월-12월	6명	0명	전원 모두 입주인 완료
C oak Electric Bldg	2004년 1월-3월	4명	10명	2명 유류 임대료 중단 중
2862 1st Ave. Bldg	2004년 1월-1월	2명	1명	1명 National Visa Center 수속 중 1명 이민국 입국완료
Ow Transfer Bldg	2004년 3월-7월	6명	8명	5명 이민국 입국 완료 1명 이민국 입국 완료
Esplan Bldg	2004년 8월-12월	5명	0명	0명 이민국 입국 완료

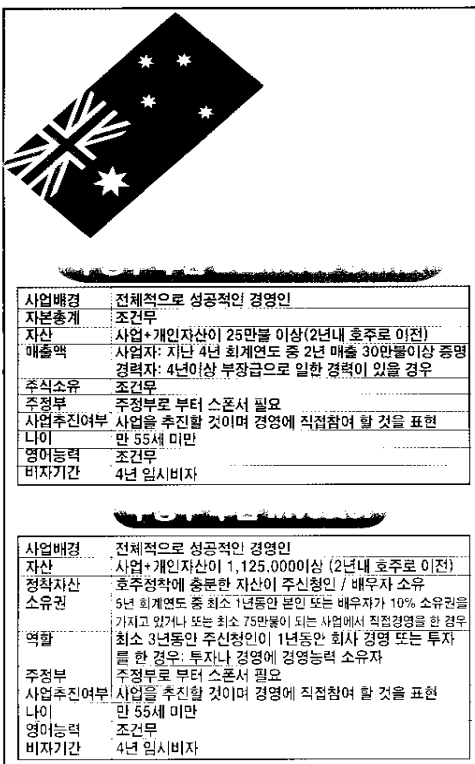
※ 좋은 프로그램은 현지인이 많이 투자합니다.
(국내 EB-5 프로그램 중에 현지인이 투자참여하는 프로그램은 저희 회사 프로그램 뿐입니다.)



말레이시아 Malaysia
My Second Home Program
최소한 재정능력을 증명하면 말레이시아에서 여유있는 라이프 스타일을 즐길 수 있도록 정부차원에서 시행하는 제도

피지 Fiji
제2의 하와이 피지로 가자!
2004년 5월 15일 이후에 신청하면 피지에서 여유있는 라이프 스타일을 즐길 수 있도록 정부차원에서 시행하는 제도

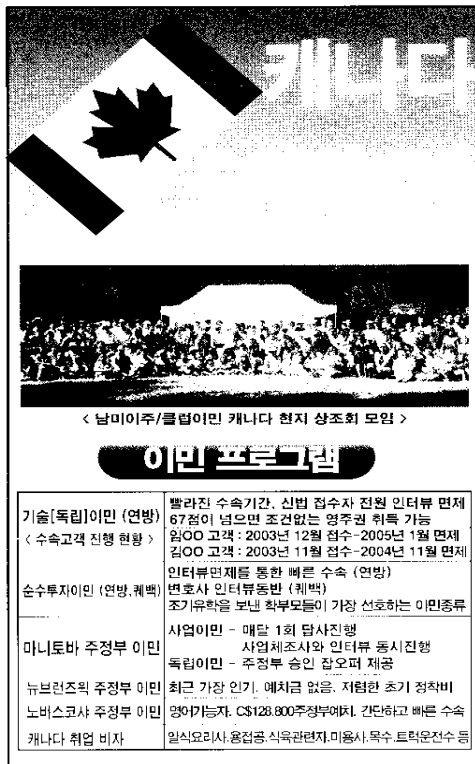
몰타 Malta
유럽의 영구권의 가치
지중해의 영어권 국가!
2004년 5월 EU(유럽연합)가입



호주 이민

사업배경	전체적으로 성공적인 경영인
자본총계	조건부
자산	사업+개인자산이 25만불 이상(2년내 호주로 이전)
매출액	사업자: 지난 4년 회계연도 중 2년 매출 30만불이상 증명 경력자: 4년이상 부장급으로 일한 경력이 있을 경우
주식소유	조건부
주정부	주정부로부터 스폰서 필요
사업추진여부	사업을 추진할 것이며 경영에 직접참여 할 것을 표현
나이	만 55세 미만
영어능력	조건부
비자기간	4년 임시비자

사업배경	전체적으로 성공적인 경영인
자산	사업+개인자산이 1,125,000(1심) (2년내 호주로 이전)
정착자산	호주 정착에 충분한 자산이 주신청인 / 배우자 소유
소유권	5년 회계연도 중 최소 1년동안 본인 또는 배우자가 10% 소유권을 가지고 있거나 또는 최소 75만불이 되는 사업에서 직접경영을 한 경우
역할	최소 3년동안 주신청인이 1년동안 회사 경영 또는 투자를 한 경우: 투자나 경영에 경영능력 소유자
주정부	주정부로부터 스폰서 필요
사업추진여부	사업을 추진할 것이며 경영에 직접참여 할 것을 표현
나이	만 55세 미만
영어능력	조건부
비자기간	4년 임시비자



캐나다 이민 프로그램

빠른 수속기간, 신변 접수자 전원 인터뷰 면제 67점이 넘으면 조건없는 영주권 취득 가능
임OO 고객: 2003년 12월 접수-2005년 1월 면제
김OO 고객: 2003년 11월 접수-2004년 11월 면제
인터뷰면제를 통한 빠른 수속 (연방)
면회사 인터뷰종반 (퀘벡)
조기유학을 보낸 학부모들이 가장 선호하는 이민종류

마니토바 주정부 이민
사업이민 - 매달 1회 당사 진행
독립이민 - 주정부 승인 함오더 제공

뉴브런즈윅 주정부 이민
최근 가장 인기. 예치금 없음, 저렴한 초기 정착비

노바스코샤 주정부 이민
영어가능자. CS128,800주정부에서 간단하고 빠른 수속

캐나다 취업 비자
일식요리사,음식점,식육관리자,미용사,목수,트럭운전수 등



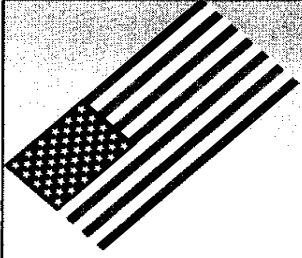
캐나다 이민 프로그램

빠른 수속기간, 연방정부 순수투자 면제 행정, 영어능력 무관, 2003년 8월 접수자 까지 전원 인터뷰 면제
국내 교육여건 약화와 사교육비 부담으로 인해 많은 분들이 자녀의 조기유학을 고려하고 계십니다. 이미 조기유학을 보내신 많은 부모님들께서 안전하고 빠른 캐나다 순수투자 이민으로 영주권을 취득하셨습니다.

※ 경력: 사업가는 2년간의 직장 혹은 사업 경력을 기준으로 아래 4가지 요건 중 자본총계 2개 2가지 이상을 충족시켜야 한다.
회사원인 경우 본인의 지사를 받는 부하직원인 5명 이상임을 증명하면 된다.

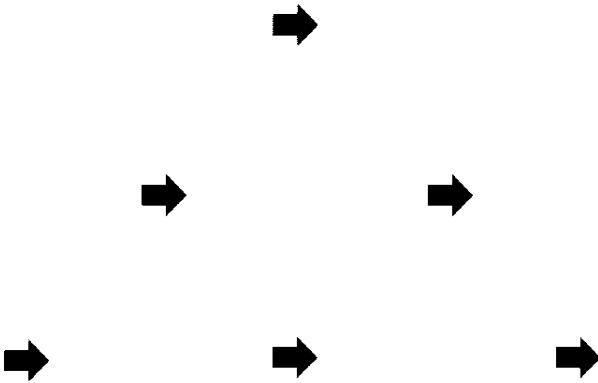
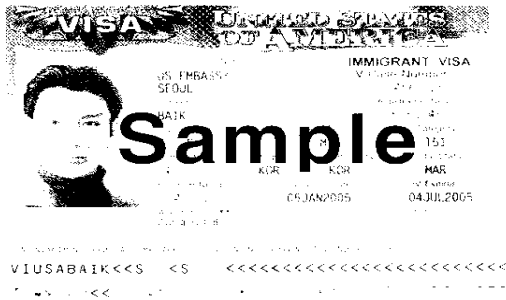
지분율	100%	50%
고용인	2명	4명
매출액	CS 500,000 (약 4천 3백만원)	CS 1,000,000 (약 8천 5백만원)
소득액	CS 50,000 (약 4천 3백만원)	CS 100,000 (약 8천 5백만원)
자본총계	CS 125,000 (약 1천 7백만원)	CS 250,000 (약 2천 1천만원)

※ 재산: 약 7억 원 (CS 800,000) 이상 증명 (상속 재산도 인정)



투자이민 상담

투자실행 순서




투자건별

<p>3.54%</p> <p>Lonestar Cement Warehouse</p>	<p>2.42%</p> <p>3317 Close Electric Building</p>	<p>5.55%</p> <p>Owl Transfer Building</p>	<p>3.98%</p> <p>Esquin Building</p>	<p>4%이상</p> <p>Industrial Transfer Building</p>
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미국 USA

투자이민 EB-5



Seattle SODO 지역 항공사건

자격조건 및 절차

- ▶ 자격조건 : 자산 약 10억이상 증명
- ▶ 수속기간 : 송금 후 1년
- ▶ 투자금액 : US 50만불 부동산 투자

영주권 → 1년 비자 → 10년 비자 → 이민 → 1년 비자 → 10년 비자 → 송금 → 1년 비자 → 10년 비자 → 투자금 환급

미국 USA

Seattle SODO 투자이민

현지에 거주하는 투자자 중, 50만불을 투자할 경우, 지분매각을 통한 수익과 함께 발생하는 임대수익과 향후 자본증식, 아울러 영주권을 동시에 얻을 수 있는 절호의 기회입니다.

프로젝트 진행 현황

투자처(Bldg. Name)	도입기간	총 투자금	투자자	미국 및 현지인	현재 진행 상황
Lone Star Bldg.	2003년 8월-12월	4명	9명	전액 모두 이민자 투자	
Cloze Electric Bldg.	2004년 1월-3월	4명	10명	전액 모두 이민자 투자	1명 이민자 투자금 송금 후
2822 1st Ave. Bldg.	2004년 1월-1월	2명	1명	1명 이민자 투자금 송금 후	1명 이민자 투자금 송금 후
Owl Transfer Bldg.	2004년 4월-7월	6명	6명	5명 이민자 투자금 송금 후	1명 이민자 투자금 송금 후
Esquin Bldg.	2004년 8월-12월	5명	8명	5명 이민자 투자금 송금 후	3명 이민자 투자금 송금 후

※ 좋은 프로그램은 현지인이 많이 투자합니다. (국내 EB-5 프로그램 중에 현지인이 투자참여하는 프로그램은 저희 회사 프로그램 뿐입니다.)

미국 USA

피지 FIJI

제2의 하와이 피지로 가자!

파라다이스란 맑은 영국 소설가가 이곳을 지칭한 것입니다. 스트레스를 풀고 편히 살기에 가장 좋은 나라입니다.

몰타 Malta

유럽 영주권의 기회
자중해의 영어권 국가!
2004년 5월 EU(유럽연합)가입

에콰도르 Ecuador

가장 빠른 영주권이 보장되는 나라
스쿠르 자연어 이민으로 새로운 인생을 설계할 수 있는 나라
자금이 풍부하고 자연환경이 수려한 적도상의 국가

호주 AUSTRALIA

주정부 후원 Business Owner

사업자, 투자자, 이민자에게 적합한 것을 표현

나라	호주
영주권	주정부
비자기간	4년 임시비자

주정부 후원 Investor

사업배경	전체적으로 성공적인 경영인
자산	사업+개인자산이 1,125,000이상 (2년내 호주로 이전)
경력자산	호주정착에 충분한 자산이 주신청인 / 배우자 소유
소유권	5년 회계연도 중 최소 1년동안 본인 또는 배우자가 10% 소유권을 가지고 있거나 또는 최소 75만불이 되는 사업에서 직접경영을 한 경우
역할	최소 3년동안 주신청인이 1년동안 회사 경영 또는 투자를 한 경우: 투자나 경영에 경영능력 소유자
주정부	주정부로부터 스폰서 필요
사업추진여부	사업을 추진할 것이며 경영에 직접참여 할 것을 표현
나이	만 55세 미만
영어능력	조건부
비자기간	4년 임시비자

캐나다 CANADA

" 현지 교민의 소개가 가장 많은 이유가 있습니다. "

이민 프로그램

영국, 호주, 캐나다, 미국 등 7월 중에
영국, 호주, 캐나다, 미국 등 11월 중에
영국, 호주, 캐나다, 미국 등 11월 중에

순수투자이민 (연방, 주)

연호시 인터뷰(연방, 주)
연호시 인터뷰(연방, 주)
연호시 인터뷰(연방, 주)

마니토바 주정부 이민

사업이민 - 매달 1회 심사 진행
사업체조사 및 인터뷰 동시 진행
독립이민 - 주정부 승인 필요

뉴브런스윅 주정부 이민

최근 가장 인기. 애처금 없음, 저렴한 초기 정착비

노바스코샤 주정부 이민

영어가 능숙, C\$128,000주정부에서, 2년하고 빠른 수속

캐나다 취업 비자

일시요리사, 용접공, 식육관련자, 마중사, 육수, 트럭운전수 등

캐나다 CANADA

" 현지 교민의 소개가 가장 많은 이유가 있습니다. "

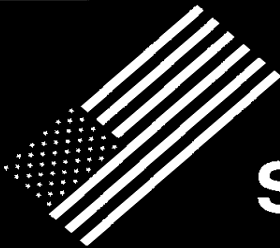
순수투자이민

국내 교육이건 학력과 상관없이 무조건 간해 좋은 결과가 기대되는
조기유학을 고려하고 있습니다. 이미 조기유학을 보낸 경우 부모님에게서
안건하고 빠른 캐나다 순수투자 이민으로 영주권을 취득하겠습니다.

※ 경북 : 사업가는 2년간의 직장 혹은 사업 경력을 기본으로 하여 4가지 요건 중 자본유예
및 2가지 이상을 충족시켜야 한다.
원사정인 경우 본인의 지식을 받은 부하직원이 5명 이상임을 증명하면 된다.

자본율	100%	50%
고용인	2명	4명
매출액	C\$ 500,000 (약 4억 3천만원)	C\$ 1,000,000 (약 8억 5천만원)
소득액	C\$ 50,000 (약 4천 3백만원)	C\$ 100,000 (약 8천 5백만원)
자본유예	C\$ 125,000 (약 1억 7백만원)	C\$ 250,000 (약 2억 1천만원)

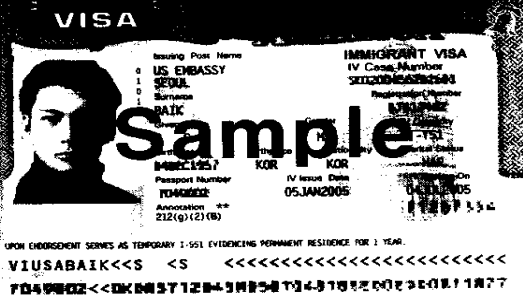
※ 재산 : 약 7억 (C\$ 800,000) 이상 증명 (상속 재산도 인정)



미국 투자이민(EB-5) 프로그램 Seattle SODO 지역 부동산 투자이민

- 2004년 본사 소개 5개 프로그램은 아래와 같이 흑자수익을 유지 하고 있으며 임대료가 완료되면 현 수익의 약 2배를 예상합니다.
- 영주권 취득과 동시에 수익을 창출하는 것은 본사 프로그램 밖에 없습니다.
- 1998년 미국 이민국 EB-5 프로그램 정지 이후, 본사 고객이 세계 최초 영주권전원 취득하였습니다.
- 이민 희망자로만 구성된 프로그램이 아니라 미국 현지인의 투자 참여가 40% 이상이라는 면은 본 프로그램 이 객관적으로 좋다는 것을 입증합니다.
 ○ 미국현지인 참여 40% ○ 영국,일본 및 제3국인 참여 40% ○ 한국인 20%
- 국내에 소개된 여타 프로그램은 이민희망자 자금으로만 운용되는 프로그램이므로 객관적 검증의 기회가 희박합니다.
- 보다 자세한 내용은 www.2min.com을 방문하여 확인하세요.

투자이민 영주권



수속 진행 순서



프로젝트 수익률

3.54%	2.42%	5.55%	3.98%	4%이상
Lonestar Cement Warehouse	3317 Close Electric Building	Owl Transfer Building	Esquin Building	Industrial Transfer Building

고객에게 믿음을 주는
대한민국 최고의 해외이민기업

(주)남미이주공사 | 클럽이민(주)

www.2min.com

퍼스트 클래스 이민수속 | 신뢰성 · 정확성 · 신속성

미국
USA

캐나다
Canada

호주
Australia

말레이시아
Malaysia

피지
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(주)남미이주공사 | 클럽이민(주)

고객에게 믿음을 주는
대한민국 최고의 해외이민기업

(주)남미이주공사 클럽이민(주)



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(주)남미이주공사 클럽이민(주)

남미이주공사와 클럽이민주는 캐나다, 미국, 몰타, 피지, 호주, 뉴질랜드, 에콰도르, 카자흐스탄, 말레이시아 등 전세계 해외이민을 전문으로 하는 국내최고의 해외이민업체입니다.

지난 1962년, 우리나라에 최초의 이주법이 제정되면서 브라질, 파리와이 등에 영농이민 그리고 현재의 캐나다, 미국, 몰타, 피지, 호주, 뉴질랜드, 카자흐스탄, 에콰도르, 말레이시아 등의 이민에 이르기까지 그 동안 수많은 이주자를 송출한 남미이주공사와 클럽이민주는 현재까지도 민원이 없는 무범업체임을 자랑으로 여기고 있습니다. 그 이유는 항상 이주자의 입장에서 이민 프로그램에 대한 안전성과 확실성에 대해 전문가적 안목으로 세심한 검증을 통해 안전한 프로그램만을 소개했기 때문입니다.

특히 캐나다 생활 30여년째 접어드는 강영호 이사장과 캐나다 이민 전문 변호사인 Colin R. Singer와 미국 이민 전문 변호사인 Henry Liebman 등 이민전문변호사와 함께 전문적인 직원을 두고 섬세하고 신속한 업무처리를 하고 있습니다.

저희 남미이주공사와 클럽이민주는 이주 후에 두 고객을 잊지 않습니다.

주택, 교육, 취업, 사업 등 정착에 필요한 현지 생활 전반에 관한 사항은 밴쿠버, 토론토, 몬트리얼, 시애틀, LA, 수버, 타스마니아, 알마타, 런던, 타이완, 상해, 몰타 등 현지 연락망을 두고 있어 어려움 없이 정착할 수 있도록 최선을 나하고 있으며, 그런 취지 하에 본사는 오래 전부터 대부분 정책과 클럽이민 상조회 행사를 진행해 오고 있습니다.

대부식 정책이란 편지에 오래 전부터 정착해 온 현지 교민기성과 새로 이주하는 가정을 연결하여 한 가족이란 개념으로 정착의 세심한 부분까지 많은 도움을 주고자 하는 제도로써 교민사회에 작은 파문을 일으킬 정도로 호응도가 높음 것으로 평가되고 있습니다.

특히 클럽이민 상조회는 서로 상부상조함은 물론 해마다 막대한 예산을 들여 정기적 대행사와 각종 세미나 등을 개최, 최신정보 등을 제공합니다.

또한 이민닷컴(www.2min.com) 이라는 이민정보



사이트를 운영함으로써 이민에 대한 전문가와의 상담과 현지 선배와 정보를 교류할 수 있으며, 직원들 및 해외 커뮤니티와 손쉽게 연락하여 정보를 함께 할 수 있도록 운영함으로써 조직화된 시스템을 제공하고 있습니다.

지난 1976년에 설립된 명문 이주공사로 뿌리 내린 남미이주공사와 클럽이민주는 국내에 8개 지사, 북미, 남미, 유럽, 오세아니아, 아시아 지역에 지사를 두고 있으며, 교민관계 일반만 아니라 이주법인 전체의 공동질서 정확화 이주개발을 위해 다각적으로 노력하고 있습니다.

본사는 외무부 공식업체로서 그 동안 쌓아온 역사만큼이나 오랜 경험으로, 전문성 있는 임직원들과 함께 여러분들의 제2의 인생설계에 큰 힘이 될 수 있는 든든한 동반자로서 함께 하겠습니다.

회사 연혁 company history

- 1976년 07월 (재)남미이주공사 창립
- 1977년 02월 파리와이지사 설립 및 영농이민 송출
- 1981년 02월 미국 취업이주 72세대 선발 추진
- 1982년 06월 국내지사 설립(동두천, 송탄, 문산, 대구, 인천)
- 1983년 11월 (주)남미이주공사로 재편 외무부 소관 법인으로 이관
- 1984년 01월 국내지사 설립(의정부, 평택, 강남 설립)
- 1984년 06월 국내최초 캐나다 이민 소개
- 1985년 02월 국내최초 캐나다 투자이민 이주사업
- 1990년 04월 국내최초 호주, 뉴질랜드 투자이민 이주사업
- 1992년 03월 국내최초 미국 투자이민 이주사업
- 1996년 07월 (사)한국 국외이주알선 법인협회 회장 피선
- 1997년 04월 국내최초 피지공화국 개발 이주사업
- 1998년 07월 국내최초 남아프리카 공화국 개발 이주사업
- 1999년 07월 남미이주공사 강남센터(압구정) 설립

2000년 10월 해외이민 정보사이트(2min.com) 오픈

2001

- 03월 제1회 해외이주 · 이민박람회(한국전람회) COEX 참가
- 03월 국내최초 중앙 아메리카 에콰도르개발 이주사업
- 09월 제2회 해외이주 · 이민박람회(한국전람회) COEX 참가
- 09월 남미이주공사 강남센터 클럽이민(주) 법인변경

2002

- 03월 제3회 해외이주 · 이민박람회(한국전람회) COEX 참가
- 04월 국내최초 중앙 아시아 카자흐스탄개발 이주사업
- 10월 클럽이민(주) 설립 (前 남미이주 강남센터)
- 11월 MBC아카데미국제교류센터와 제휴, 이민사업 전담

2003

- 01월 국내최초 유럽 몰타(Malta)국 개발 이주사업
- 02월 제1회 MBC아카데미 해외이민 · 유학 박람회 개최
- 03월 제5회 해외이주 · 이민박람회(한국전람회) COEX 참가
- 05월 국내최초 유럽 몰타(Malta)국 이주자 정착
- 08월 제2회 MBC아카데미 해외이민 · 유학 박람회 개최
- 07월 국내최초 말레이시아(Malaysia) 개발 이주사업
- 09월 제6회 해외이주 · 이민박람회(한국전람회) COEX 참가
- 12월 스포츠서울 선정 2004 대한민국 이민/유학 기업 대상

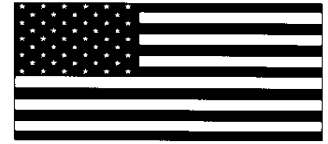
2004

- 01월 랭카닷컴 웹사이트 분석평가 분야별 1위 사이트 선정
- 02월 제3회 MBC아카데미 해외이민/유학 박람회 개최
- 03월 제7회 해외이주 · 이민박람회(한국전람회) COEX 참가
- 05월 국민은행과 제휴, 콘텐츠 및 상담 서비스 제공
- 07월 하우스24와 제휴, 콘텐츠 제공
- 09월 제8회 해외이주 · 이민박람회(한국전람회) COEX 참가
- 10월 제1회 세계이민박람회(한국해외이주알선협회) 참가
- 11월 클럽이민(주) 사무실 역삼동으로 확장 이전

2005

- 01월 대한개원의사협의회 '부자의사만들기' 세미나 참가
- 03월 데일리포커스와 제휴, 뉴스, 칼럼, 콘텐츠 제공
- 03월 제2회 세계이민박람회(한국해외이주알선협회) 참가
- 03월 제9회 해외이주 · 이민박람회(한국전람회) COEX 참가

USA



미국

아직 끝나지 않은
아메리칸 드림

경제 대국으로서, 이주자에게 다양한 기회를 제공하는 이민의 근원지
전 세계에서 가장 명문 학교가 많은 교육 중심의 나라
그 희망찬 꿈을 안고 21세기를 만들어 갑시다.

미국 담당 변호사
Henry Liebman 全美 최다 투자이민 기록, 어메리칸 라이프사 대표이사,
이민 베스트 셀러 "The Immigration Handbook" 저자

초청이민이란?

미국 시민권자나 영주권자가 가족을 이민 초청하는 것을 초청 이민이라고 합니다.

● 자격조건

신청인은 반드시 미국 시민권자 이거나 영주권자이어야 하며 피신청인과의 가족 관계를 증명해야 가능합니다.

* 비자를 받기 위한 수속기간이 초청순위에 따라 다릅니다.

EB-3 취업이민: 영주권 Green Card

취업이민은 노동허가가 필요하며, 연간 4만명의 취업이민 비자와 1, 2순위에서 사용되지 않은 비자가 할당됩니다.

본사는 미국최대의 취업알선 및 이민전문 수속회사와 제휴되어 미국기업들로 부터 공급받은 잡 스폰서를 제공하고 있습니다.

• 전문직(Professionals)

해당 전공의 학사학위 이상, 3년이상 관련 경력자

• 숙련공(Skilled workers)

3년이상 관련 경력 소유자

• 비숙련공(Non-Skilled workers)

학력, 성별 무관

• 절차

1. 자격상당
2. 약정
3. 노동 허가 승인
4. 이민 허가승인
5. 국내 수속/이민 Visa 수속
6. 출국

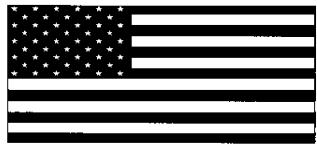
● 초청순위

순위	설 명
제 0순위	시민권자의 직계 가족 초청 미국 시민권자의 직계 가족이 되면 비자 문호가 항상 개방되어 있어서 기다릴 필요가 없습니다. 모든 서류가 준비되면 바로 비자 면접을 하게 되며, 미국 시민권자의 직계 가족으로 신청이 승인된 후 약 6개월 정도가 지나면 모든 수속을 마칠 수 있습니다. 미국 시민권자의 직계 가족은 미국 시민권자의 배우자와 미성년 자녀, 만 21세 이상인 미국 시민권자의 부모님 등이 해당됩니다.
제 1순위	시민권자의 21세 이상의 미혼 자녀 초청 미국 시민권자의 미혼 자녀이며 미국 시민권자의 직계 가족과 마찬가지로 신청서에 승인이 나면, 즉시 곧바로 비자 수속을 할 수가 있습니다. 미국 시민권자의 직계 가족과 달리 조금 시일이 걸리며, 미 이민국에서 허용하는 신청 예상 인원보다 신청서를 낸 사람이 많으며 기다려야 합니다.
제 2순위	영주권자의 미혼 자녀 초청 및 배우자 초청 영주권자들은 그들의 부모님과 기혼 자녀들을 초청할 수 없습니다. 영주권자가 부모님이나 기혼 자녀를 초청하기 위해서 먼저 시민권을 취득해야 하며, 영주 권자의 신분으로 초청할 수 있는 대상은 영주권자의 미혼 자녀와 배우자에 해당합니다.
제 3순위	시민권자가 그의 기혼 자녀를 초청 현재로서는 초청 허가가 난 후에 이민 비자를 받기까지 4년 정도 소요됩니다. 그러나, 미혼 자녀 순위는 기혼 자녀보다 수속 기간이 훨씬 짧기 때문에, 만약 수속 진행 중 기혼 자녀가 이혼을 해서 신분이 바뀌면 이민국에 즉시 알려 수속기간을 단축시킬 수 있습니다.
제 4순위	시민권자가 형제 초청 현재로서는 초청 허가가 난 후 10년 정도 소요됩니다. 수속기간이 오래 걸린다 하더라도 미국에 이민 올 계획을 세웠다면 초청장을 받고 수속을 신청하는 것이 좋습니다.

● 초청이민 필요비자 및 수속기간

순위	설 명	수속 소요 시간
F1	시민권자 부모의 21세 이상 미혼자녀 초청	약 2년
F2A	주권자 부모의 21세 미만 미혼자녀 초청	4년~5년
F2B	영주권자 부모의 21세 이상 미혼자녀 초청	8년~10년
F3	시민권자 부모가 기혼자녀 초청	4년~5년
F4	시민권자의 형제, 자매 초청	10년~13년
IR-1	국제결혼 (시민권자와 결혼)	6개월~1년
IR-2	시민권자 부모의 21세 미만 미혼자녀 초청	6개월~1년
IR-5	시민권자 자녀의 부모초청	6개월~1년
K-1	국제약혼	6개월~1년

www.2min.com



미국

아직 끝나지 않은
아메리칸 드림

USA

가장 빠른 수속으로 영주권과 투자수익을 동시에

EB-5 투자이민 영주권 Green Card



투자이민(EB-5) 신청자의 자격 조건

- 미화 100만불 이상의 자산증명이 가능한 자 (증여, 상속자산 인정)
- 미화 50만불 투자 가능한 자
- 신원조회상, 신체상 해외이민의 결격 사유가 없는 자

투자이민(EB-5)의 역사

미국 의회는 1990년 미국 경제 활성화를 위한 목적으로 미국에 투자하는 일정한 자격이 있는 외국인 사업가 혹은 투자자들에게 영주권을 취득할 수 있는 길을 열어 놓았습니다. 개정된 법안 제 203조(b)(5) 장에 의하면 투자금액은 100만불 이상 투자하고 도착 후 2년간, 10명 이상의 새로운 고용 창출을 지속해야 하는 조항이 있습니다. 단, 투자금 50만불 지역은 인구 2만명 미만의 도시 및 미국 내 평균 실업률 150% 이상 되는 지역으로 제한하였습니다. 이에 1991년 세계 최초로 남미아주공사에서는 유료 양로원 SUNRISE 프로그램을 한국에 소개, 한국인으로는 약 50명의 인원이 영주권을 받았습니다.

이후 매년 세계적으로 1만명의 쿼터에 투자이민 신청자는 10% 미만이라 소기의 법 취지를 이룰 수 없게 되자, 1993년 이민국은 본래의 이민법 취지에 어긋나지 않으면서도 투자자들에게 부담이 없게끔 '10명의 새로운 고용창출' 조건을 '간접고용'으로도 인정하는 특정지역(Regional Center)을 지정하였고 "Pilot Program"으로 불리는 투자이민 프로그램을 개발하여 소개하기 시작했습니다.

한편, 1995년부터 1998년에 국내에서 투자이민의 프로그램으로 미화 135,000불만 투자하고 원금이 없어지는 조건의 투자이민 법과 어긋난 프로그램이 소개되면서 EB-5 전 프로그램이 2002년 까지 동결되었다 다시 오픈 되었습니다.

2003년부터 남미아주공사와 클럽이민은 American Life Inc.와 함께 미 이민국으로부터 허가 받은 Regional Center(일명 Pilot Program) 시에틀 SODO 지역에 부동산 개발업으로 투자이민을 시작하였으며, 지난 투자이민법 동결 이후 2005년 1월 7일, 본사 첫 프로젝트인 Lonestar 빌딩을 통해 세계최초로 한국인 총 6명이 영주권을 받았습니다.

www.2min.com



USA



미국

아직 끝나지 않은
아메리칸 드림

가장 빠른 속도로 영주권과 투자수익을 동시에

EB-5 투자이민

American Life 사가 소개하는
Seattle SODO 프로그램

- 투자금액 : US\$ 500,000 투자
- 투자업종 : 부동산 개발 및 임대업
- 투자수익 : 임대수익에 따른 월 소득과
부동산 가격 상승으로 인한
추가 기대 수익 배당
- 수속기간 : 12개월

P
5
USA



Seattle SODO 지역 부동산 투자 프로그램을 선택하는 이유

그것은 영주권과 투자수익을 동시에 갖을 수 있는 유일한 프로그램이기 때문입니다.

현재 이 지역에 투자하는 투자자는 영주권을위한 투자자 외에도 미국 현지인 및 외국인, 그리고 외국 투자 회사들의 투자가 함께 이루어 지고 있습니다. 이는 이 지역에대한 투자 가능성을 보여주는 예라 할 수 있습니다.



[American Life Inc. 의 투자지역 - 항공사진]

● 주변 안내

- Ⓐ Seattle Downtown
- ⓓ I-5
- Ⓒ East Duwamish Waterway
- Ⓑ Safeco Field
- Ⓔ Highway 99
- Ⓜ Harbor Island
- Ⓒ Starbucks World HQ
- Ⓔ Spokane Street
- Ⓛ Elliott Bay

● American Life Inc. 관리빌딩

- ① Coast Cranes
- ② 2418-20, 2430, 2440 First Ave
- ③ 2962 First Ave
- ④ 132 South Spokane Street
- ⑤ Hullin Transfer Building
- ⑥ 3223 Third Avenue South
- ⑦ 3317 Third Avenue South
- ⑧ Mendelson Land
- ⑨ Esquin Wine Building
- ⑩ Industrial Transfer Building
- ⑪ Owl Transfer Buildin
- ⑫ Lonestar
- ⑬ 2944 First Ave



Lonestar Cement Warehouse



3317 Close Electric Building



2962 1st Avenue Building



Owl Transfer Building



Esquin Building



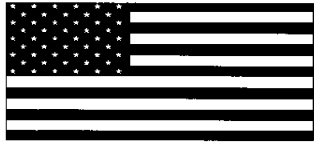
Industrial Transfer Building



2944 First Ave Building

위 사진은 투자이민으로 성공리에 영주권 취득 및 수속 중인 프로젝트입니다.

www.2min.com



미국

아직 끝나지 않은
아메리칸 드림

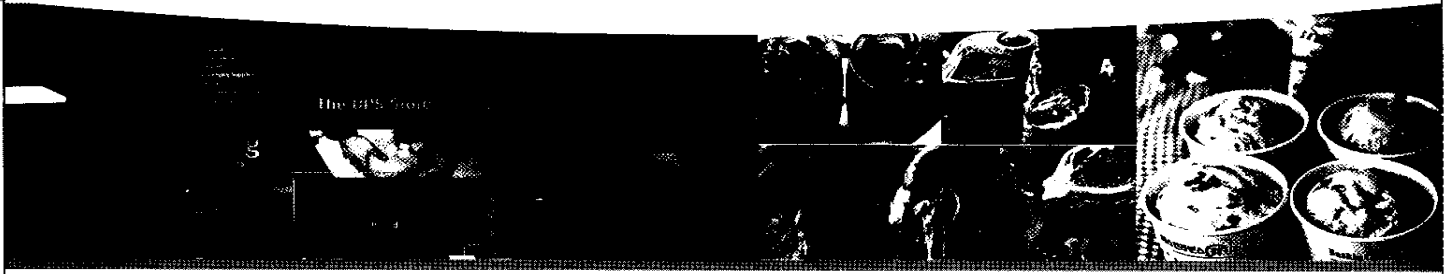
USA

E2 투자비자 Mini Green Card



SUB

Baskin **31** Robbins.



E2 투자비자

E2 비자는 영주권 없이도 미국에서 거주하고 사업할 수 있는 자유를 주며, 직접 사업체를 소유하고 경영할 경우 혹은 직접 경영을 피하고 투자할 경우 소액투자자로 E2 VISA를 받아 합법적으로 영주권자와 동등하게 거주 가능한 비자입니다.

- 액수 : \$200,000 이상 투자
- 업종 : 베스킨라빈스 31, UPS, 서브웨이, 퀴즈노
- 자격 : 자산 5억 이상
- 기간 : 약 6~10개월
- 안내
 - 자녀 공립학교 입학 및 교육혜택
 - 사업체 운영시 비자연장 가능(5년비자, 2년씩 체류가능)
 - 배우자 직장 취업을 통한 영주권 취득 가능
- 사업의 종류
 - UPS(우편물, 출력, 복사, 각종 상품 및 서비스 판매)
 - SUBWAY(샌드위치 프랜차이즈)
 - BaskinRobbins 31(아이스크림 프랜차이즈)

● 자격조건

- 미국과 투자협정이 체결된 우방 국가의 국민 (한국 등)
- 미국에 투자 혹은 설립할 사업체의 투자자, 고용 경영자, 임원, 특별한 업무 수행재(동업일 경우 50% 이상의 권리가 있어야 함)
- 최소 투자 한도는 없으나, 대개 US\$ 200,000 이상의 소액 투자가 가능한 자

● 장점

- Quota 제한이 없으며 속속이 빠르다. (대사관 접수 후 약 2주)
- 가족(만 21세 미만 자녀 포함)이 미국에 체류가 가능하고 비자 연장이 가능하다.
- 출입국이 수월하고 자녀의 입학 등 대부분의 혜택을 받으며 생활할 수 있다. 자녀의 공립학교 입학도 가능하며 학비가 유학생보다 월등히 싸다.
- 비자 기간은 5년이며 연장 가능하고 사업체를 운영하는 한 체류 가능하며 사업체를 정리하여도 다음 사업을 준비할 충분한 시간적 여유를 가질 수 있다.

영어능력이 부족한 투자자를 위한 위탁 경영 프로그램

Pacific Business Management Service 회사가 관리하는 UPS 프로그램

PBMS가 관리하는 UPS 프로그램은 한국 투자자에게 E2비자를 받을 수 있도록 안정적인 비즈니스를 선택하여 투자자가 사업체의 일상적인 운영과 경영에 대하여 걱정을 하지 않아도 됩니다.

본 프로그램은 프랜차이즈를 하기 위해 갖춰야 할 자신의 영어구사능력에 대하여 걱정없이 사업체 운영 기회를 제공합니다.

- 위탁 경영 프로그램 가능 지역 : 서부 워싱턴주 또는 오리건주
- 투자금액 : US\$ 170,000 ~ 250,000 (가맹점 개발비, 운영자본금 포함)
- 투자기간 : 5년 (3년 후 PBMS사와 협의, 직접 운영으로 전환 가능)

Canada



캐나다

21세기 자녀교육을 위한 최고의 선택!

부담스러운 자녀의 사교육비, 유학비 부담
 교육천국 캐나다의 영주권을 받으시면 해결됩니다.
 광활한 국토와 풍부한 자원, 완벽한 사회보장제도,
 매년 "살기 좋은 나라" 최고 순위를 차지하는 캐나다
 30,40대 학부모가 가장 선호하는 이주국가입니다.
 현재 이민법 개정으로 인하여, 5년중 2년만 체류해도 영주권 자격이 유지됩니다.
 캐나다 현지교포의 소개가 가장 많은 (주)남미이주공사 | 클럽이민(주)의
 전문 컨설턴트와 함께 여러분 가족의 새로운 삶을 열어 보시기 바랍니다.



▲ (주)남미이주공사 | 클럽이민(주) 캐나다 상조회 행사

전문인력이민[Skilled Workers Category] (구 독립이민)이란?

전문인력이민은 이민희망자의 학력, 경력, 나이, 영어 능력, 자국의 친척여부, 고용계약 등 기준을 정하여 자국에서 필요한 능력이 있는자들을 받아들이기 위한 이민제도를 뜻한다.

국가에 따라 독립이민 또는 기술이민이라고도 하며, 일반적으로 점수제 이민이라고도 불리기도 한다. 캐나다에서는 해당 카테고리를 전문인력이민(Skilled Workers Category)라고 하며, 해당 국가별로 그 특성과 자격조건 등이 다양하니 정확한 정보와 자격판정을 위해서는 전문 컨설턴트와의 상담이 바람직하다.

전문인력 (무조건 영주권 / SW)

학력, 경력, 나이, 언어능력(영어/불어), 캐나다 내 삼촌 이내 친척 유무, 배우자 학력, 캐나다 내에서의 직장경력, 유학 경험 등을 점수화하여 총 100점 만점에 67점이 되면 자산과는 무관하게 조건 없는 영주권을 취득한다.

전문인력이민은 연방정부 전문인력이민과 주정부 전문인력이민으로 구분되며, 주정부 전문인력이민은 퀘벡 주 전문인력이민, 마니토바 전문인력이민이 있다.

전문인력이민 점수표를 이용하여 자신이 연방정부 전문인력이민이 가능한 지 확인해 볼 수 있으며, 합격점에 근접한다면 자신이 합격점을 위한 부족한 부분을 알 수 있다.

캐나다 전문인력 점수표

항목	내용	점수	본인	
학력	대학 석, 박사 학위와 교육기간 17년 이상	25		
	2개 이상의 학사 학위와 교육기간 15년 이상	22		
	학사 학위와 교육기간 14년 이상	20		
	3년제 수료증과 교육기간 15년 이상	22		
	2년제 수료증과 교육기간 14년 이상	20		
	1년제 수료증과 교육기간 13년 이상	15		
영어능력	각 요소: 말하기, 듣기, 읽기, 쓰기	영어	불어	본인선택
	유 청 (각 요소당 영어 4점 / 불어 2점)	16	16	
	보 통 (각 요소당 영어 4점 / 불어 2점)	8	8	
	기 본 (각 요소당 영어 4점 / 불어 2점)	4~8	4~8	
	전혀못함 (각 요소당 영어, 불어 0점)	0	0	
경력	4년 이상	21		
	3년	19		
	2년	17		
	1년	15		
연령	21 ~ 49세 인 경우	10		
	20세 또는 50인 경우	8		
	19세 또는 51인 경우	6		
	18세 또는 52인 경우	4		
	17세 또는 53인 경우	2		
	나머지 나이에 포함된 경우	2		
고용계약 (Arranged Employment)	노동성(HRDC)에서 승인한 영구 고용계약서 소지 캐나다에서 단기 취업비자를 소지하고 영주권 신청시 (노동성에서 승인한 경우나 NAFTA와 같은 국제협약에 의한 경우)	10		
	배우자의 학력			
캐나다 사회의 적응력 (Adaptability)	- 석사이상	5		
	- 학사 또는 3년제 전문대졸	4		
	- 2년제 전문대졸	3		
	- 전문대졸 미만	0		
	캐나다에서 1년 이상 Full-Time 근무경력	5		
	캐나다 내 대학 2년 이상 교육	5		
	심사항목 (AE-고용계약부분) 에서 점수를 받은 경우	5		

합격점 : 67점(연방), 68점(퀘벡주 기준), 60점(퀘벡주 미혼)



Canada

캐나다

21세기 자녀교육을 위한 최고의 선택!

부담스러운 자녀의 사교육비, 유학비 부담
교육천국 캐나다의 영주권을 받으시면 해결됩니다.
광활한 국토와 풍부한 자원, 완벽한 사회보장제도,
매년 "살기 좋은 나라" 최고 순위를 차지하는 캐나다
30,40대 학부모가 가장 선호하는 이주국가입니다.
현재 이민법 개정으로 인하여, 5년중 2년만 체류해도 영주권 자격이 유지됩니다.
캐나다 현지교포의 소개가 가장 많은 (주)남미이주공사 | 클럽이민(주)의
전문 컨설턴트와 함께 여러분 가족의 새로운 삶을 열어 보시기 바랍니다.



순수투자이민(무조건부 영주권 / NV)

아무 조건이 없는 영주권이다. 저희 회사의 안내 투자 프로그램은 캐나다 연방정부 및 주정부로부터 허가 받은 순수투자 프로그램으로서 투자 금액은 C\$ 400,000을 5년간 예치해야 한다. 그러나 선대출 제도를 이용하여 실제로는 약 C\$ 120,000 내외를 투자하여도 영주권을 취득할 수 있다.

1. 연방 수속

경력 : 사업가는 기업투자이민 조건과 같이 옆의 4가지 요건 중 2가지 이상을 충족시켜야 한다.
회사원의 경우 본인의 지시를 받는 부하직원이 5명 이상임을 증명하면 된다.

2. 퀘벡주 수속

경력 : 3년 이상 자기 사업 경력 혹은 회사에서 간부급 이상의 관리 경력이 요구된다.
* 자산증명 : C\$ 800,000이상 증명(한화 6억 8천만원 상당)

기업투자이민(조건부 영주권 / EN)

캐나다에 입국 후3년 이내에 1년이상 사업을 해야하는 조건부 영주권을 받게 된다. (자산증명 3억이상)

1.연방 수속

최근 2년간의 직장 혹은 사업 경력을기준으로 아래 4가지 요건 중 지분율에 따라 2가지 이상을 충족시켜야 한다.

지분율	100%	50%
고용인	2명	4명
매출액	C\$ 500,000	C\$ 1,000,000
소득액	C\$ 50,000	C\$ 100,000
자본총계	C\$ 125,000	C\$ 250,000

2.퀘벡주 수속

3년 이상 자기 사업 경력 혹은 회사에서 간부급 이상의 관리 경력이 요구된다

주정부 이민(PNP)

1.마니토바 주정부 이민

사업이민 - 빠른 수속기간, 3년 이상 자기 사업 경력 혹은 회사에서 간부급 이상의 관리경력.
주정부예치금 C\$75,000

독립이민 - 합격점수 55점, Job Offer 상담가능.

2. 노바스코샤 이민

나이 : 25세부터 60세까지
경력 : 지난 5년중 2년의 사업경영 또는 관리 경력
자산 : C\$ 30만불 이상 자산 증명
영어 : 기본적인 영어 실력
기부금 : C\$ 128,800(기부금 환급이 안됨)
고용 : 중간계층 관리자 급으로 6개월 고용계약을 맺어줌
(6개월급여 C\$ 20,000)

3.뉴브런즈윅 이민

C\$ 40만불 자산 증명이 요구되며, C\$ 20만불 이상의 사업을 현지에서 하는 조건으로 영주권을 받을 수 있다.
주정부 예치금이 없다.

자영이민(무조건부 영주권 / SE)

문화적, 경제적으로 자신의 전문 분야에 대한 관리 능력이 있어야 하며, C\$ 30만불 이상의 자산 증명이 필요하다.
주로 예술, 문화, 체육, 영농업에 대한 경력 소유자가 해당되며 무조건부 영주권을 취득하게 된다.

Australia

지상에 남은 마지막 낙원
 세계에서 가장 아름답다운 미항
 현대화된 문명과 원주민의 전설이 살아 숨쉬는 자연 환경
 세계 최고를 자랑하는 사회복지제도, 의료보험제도, 교육제도



호주

지상에 남은 마지막 낙원



99 AUSTRALIA

독립이민

신청인의 직업, 경력, 영어(IELTS), 배우자점수, 호주학위, 보너스점수로 점수를 산정하여 신청

● 자격 인증

- 신청인의 직업은 SOL(호주 이민 직업리스트)에 있어야 하며, 해당 직업의 협회에서 자격 인증을 받아야 이민을 신청 할 수 있다.

● MODL

- 호주에서 현재 부족 직업군에 속할 경우 10점을 받을 수 있다.

● 기본 자격 요건

- 60점 직업군

: 지난 18개월중 12개월의 경력 요구

- 40점 50점 직업군

: 지난 4년중 3년의 경력 요구

호주에 친척이 있을시 영주권 취득 용이

주정부후원 사업이민

- 신청 전 4년중 2년간 사업 규모로 평가
- 매년 최소한 AU\$ 300,000 이상 매출
- 최소한 4년이상 부장으로 일한 경력 필요
- 회사 자본총계 + 개인 자산이 최소한 AU\$250,000불 이상
- 나이는 55세 미만 까지 신청 가능

주정부후원 투자이민

- 최소한 3년 이상의 사업경영 또는 투자를 했어야 한다.
- 신청전 최소 5년 중 1년 이상 회사에 10% 이상의 지분율을 가지고 경영에 직접 참여 했거나 적합한 투자로서 최소 AU\$ 750,000을 운영 했어야 한다.
- 신청 전 2년 동안 최소 자산이 AU\$ 1,125,000 이었어야 한다.
- 주정부로 투자하는 금액이 최소 AU\$ 750,000 이상 이어야 한다.
- 나이는 55세 미만까지 신청가능

주정부후원 간부이민

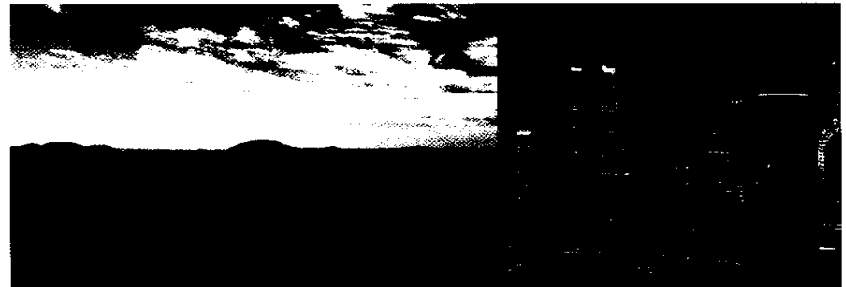
- 4년 중 2년간 회사의 서열 3위
- 회사의 매출이 AU\$ 10,000,000 이상
- 자산이 최소한 AU\$ 300,000이상 되어야 한다.
- 나이는 55세 미만 까지 신청 가능

사업재능비자

- 4년중 2년에서 자본총계 소유지분에 대한 가치가 최소 AU\$ 400,000이어야 한다.
- 4년중 2년간 AU\$ 3,000,000이상의 매출.
- 개인과 사업 자산이 최소 AU\$ 1,500,000
- 신청시 나이는 55세 미만이어야 하며 3년 안에 사업체를 설립해야 한다. 그렇지 않을 경우 취소 될수 있다.

은퇴비자

- 주신청자 나이 만 55세 이상으로 부양가족이 없어야함.
- 자산 증빙
 - AU\$ 870,000(약8억) 또는 AU\$ 350,000 자산증빙과 AU\$ 52,000 이상의 연소득 증명



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말레이시아

제2의 고향처럼
거주가능한 나라

Malaysia

My Second Home Program

이민제도가 없는 "말레이시아"에서 외국인이 합법적으로 거주하기 위해 일정한 재정능력만 증명하면 "말레이시아"에서 여유있고 안정된 생활을 즐길 수 있도록 정부차원에서 시행하는 제도이며 5년마다 갱신이 가능합니다.



My Second Home Program이란?

이민제도가 없는 "말레이시아"에서 외국인 합법적으로 거주하기 위하여는 정식 노동허가(Working Permit)를 받아야 하나 외국인들의 말레이시아 유치를 목적으로 일정한 재정능력만 증명하면 "말레이시아"에서 여유있고 안정된 노후를 즐길 수 있도록 정부차원에서 시행하는 제도이다.

특히 이 제도는 일본, 한국 및 유럽 국가의 '연금 생활자'를 주요 고객으로 2001년부터 본격적으로 시행된 제도로써 그 어느나라에 비하여 저렴한 비용으로 제 2의 삶을 즐길 수 있다는게 정부의 주장이다.

현재 이 제도를 이용하여 거주하고 있는 한국인은 소수이나 일본, 홍콩, 대만등의 아시아 국가와 영국, 호주등 유럽국가 의 1,400 여명 정도가 이 제도를 이용하여 거주하고 있다 고 한다.

자격조건

1. 외국인으로서 연령제한은 없으나 50세를 기준으로 재정 조건이 차이가 있음.

2. 체류자격 취득 후 일체의 취업행위나 사업을 할 수 없다.(단, 비 영리단체의 사회활동이나 자선활동등에는 참가할 수 있다.)

3. 재정능력이 있는 자

● 50세 이상인자

- 말레이시아 금융기관에 개인 경우 100,000 링깃, 부부인 경우 150,000 링깃을 예치하거나 또는 말레이시아 외에서 월 소득이 개인인 경우 7,500 링깃 부부인 경우 10,000 링깃 이상임을 입증해야 한다.

● 50세 미만인자

- 말레이시아 금융기관에 개인 경우 100,000 링깃, 부부인 경우 150,000 링깃을 예치한다.

- 말레이시아 외에서 월 소득이 개인인 경우 7,500 링깃 부부인 경우 10,000 링깃 이상임을 입증해야 한다.

* 동반하는 자녀는 부모의 비자와 함께 동반비자 취득가능하며 국제학교는 물론 현지학교 입학에도 문제가 없습니다.

4. 건강진단서 및 건강보험 필요

말레이시아는

• 수도 / 면적 : Kuala Lumpur / 329,733km²
(한반도의 약 1.5배)

*인구 약 170만, KL생활권역 인구 약 400만

• 인구 : 2,270만명 (99)

• 민족 : 말레이계(58%), 중국인(25%), 인도인(7%), 기타(3%), 외국인체류자(7%)

* 주: 인구 및 인종별 분포에 대해서는 출처에 따라 다소 차이가 있을 수 있습니다

• 기후 : 고온다습의 열대성 기후,
연평균기온 27도
연평균 강우량 2,410mm



Fiji

무공해와 천혜의 자연 환경
관광개발 육성을 위한 정부의 적극적인 투자정책
기회가 많은 영어권 국가
재이민의 전진기지



피지
제 2의 하와이



▲ (주)남미주공사 | 클럽이민(주) 피지 상조회 행사

자격조건

• 기본자격 조건 : 1억 정도의 자산 소유자

1. Resident Only (45세 이상)

- 자격 : 자산 1억을 증명하고 그 자산 중 피지에 F\$14만불 (한화 약 1억원) 송금 가능한 분
- 수속기간 : 4개월 정도

2. Resident and Working Visa (45세 이하)

- 자격 : 자산 1억을 증명하고 그 자산 중 피지에 F\$10만불 (한화 약 7천 만원) 투자 가능한 분

3. 현지답사 필수

- 45세 미만이신 분으로서 사업계획서 작성
- 현지답사 수시모집 : 3박5일

피지의 역사

약 3500년경 멜라네시아 및 폴리네시아인이 처음 정착함으로써 시작된 나라. 1874년 10월 영국에 합병되어 영국의 식민지 시대가 시작되었으며 1970년 독립하여 지금은 피지공화국이 된 나라.

피지란 나라는

- 위치 : 12N - 21S
- 경도 : 176E - 178W
- 언어 : 영어 사용
- 호주와 뉴질랜드 사이의 남태평양에 위치한 320개의 섬으로 구성된 나라
- 총면적 : 하와이의 10배



- 인구 : 약 85만 명
- 기후 : 평균 26°C~28°C
- 주요 3대 도시 : 수바, 난디, 라우토카
- 기타 : 피지에서의 주택 임대는 일반적인.

임대료는 보통 월 단위로 50~100만원 정도, 한달 생활비는 100~150만원, 의료보험의 경우 전 국민에게 무료혜택, 연 약 5%의 경제성장의 나라로 주목

피지에서의 유망사업체

피지는 풍경이 아름다워서 관광사업이 가장 큰 부분을 차지하고 있다.

이에 관련된 호텔업, 방갈로, 숙박업 등이 유망하며 선물가게, 식당, 사진업, 오락실, 열대과일포장판매, 제조업, 컴퓨터 관련사업, 환전소, 자동차 서비스 공장, 주유소, 튀김가게 등이 적합하다.



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에콰도르

북미 진출의 교두보

Ecuador



소규모 자영업 이민으로 새로운 인생을 설계할 수 있는 나라
자원이 풍부하고 자연 환경이 수려한 적도상의 국가
가장 빠른 영주권이 보장되는 나라



자격조건

- 신청자격 : 만 18세 이상 신청가능
- 수속 : US \$ 3,000불을 현지 중앙 은행에 1년간 예치
- 기간 : 약 1~2개월에 전 가족 영주권 취득
- 장점 : 북미 진출, 무역업, 판매, 수리업, 스페인어와 영어 교육
- 영주권신청시 대사관 접수비 : US \$ 1,200(1인당)

에콰도르 투자 유망업

● 농업 · 수산업

대하 새우 및 바다가재 등의 양식 수출 사업은 기후와 지형적인 조건이 세계의 최고라고 한다. 95% 정도가 바닷물을 저수지(대형물장)으로 만들어 양식하는데, 연간 약 8억불 정도를 수출하는 세계 제2위의 수출대국으로 급부상 중이다. 이중 70%는 미국으로 수출되고 있으며 차츰 수출원이 확대되고 있는 상태이다.

장미, 튜립, 카네이션, 선인장 등의 화훼산업도 세계인 속에 급격히 알려지고 있으며, 화훼산업을 위한 적절한 기후 조건 및 토양을 갖추고 있어 땅값이나 인건비가 저렴한 편이라 장기적인 투자산업 분야라 할 수 있다.

바나나뿐 아니라 커피, 코코아, 망고, 야자, 팜류 등의 사업에도 쉽게 손 댈 수 있는 장점을 가지고 있다.

● 무역

현재는 주로 미국을 중심으로 한 중남미 상대의 무역이 전체의 90%를 차지하고 있으며 아시안 국가중 일본과의 무역이 증가 추세에 있다.

일차 재료 분야의 무역이 많은 개발 가능성을 가지고 있으며 2차 산업의 재료 수입 부분도 개발의 여지가 많다.

● 공공서비스 및 개인업

에콰도르는 사계절 내내 전국에 천연경관이 수려한 곳이 많다. 관광사업에 수반된 교통, 모텔, 간이 레스토랑, 기념품 가게 등 수많은 사업의 개발이 가능한 곳이기도 하다.

● 운송 및 통신업

과야킬 자유무역항이 마무리되면 중남미의 많은 물동량이 에콰도르를 거쳐 지나가게 되면 이때, 운송업 및 창고업 등의 많은 발전이 예상된다.

또한 2001년을 기점으로 통신사업체의 민영화가 달성되면 한국이나 미국과 같이 개인 통신 사업 분야의 눈부신 발전이 예상된다.

● 마킬라 제도 (보세가공)

1996년대에 제정된 마킬라도라 법령에 의해서 인근 국가로 수출할 경우에 보세 가공이 인정되며 멕시코와는 달리 의류 및 가방류의 코타가 없다.

현재는 약 30여 개의 업체가 보세 가공을 하고 있는 중이며, 보세가공 산업이 점차 발전할 좋은 환경을 가지고 볼 수 있다.

● 일반 상업

일반상업은 주로 의류 및 식당, 잡화점이 주류를 이어 대부분의 한인들이 종사하고 있는 품목들이다.

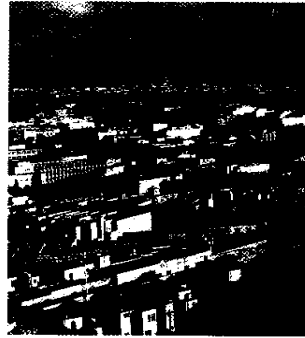
1990년대에는 주로 수입에 의존했으나 차츰 가내 수공업을 거쳐 기업화되는 과정에 있다.

한국식 체인점도 일부 품목을 중심으로 이루어지고 있으며, 차츰 선진화된 소매점 형태를 갖추어 가고 있다.

Malta

2004년 5월 EU(유럽연합)가입

최단기에 유럽 거주권을 취득할 수 있는 기회 "몰타"
이태리 시실리 섬에 인접하여
지중해 중심에 자리잡은 몰타 공화국은
유럽 휴양지로서 각광 받을 뿐만 아니라
영국 언어와 교육을 그대로 가지고 있는 나라



몰타

유럽의 창(窓),
지중해의 중심.



자격조건

몰타 이민법상 체류를 위한 Resident Permit과 일을 하기 위한 Work Permit으로 구분되며, Resident Permit을 유지하기 위해 매년 1,800 몰타리라 상당의 조세의 의무를 지닌다.

- 수속 기간 : 10개월 정도
- 자격 : 자산 US\$ 425,000 이상 소유자 또는 연소득 US\$ 28,000 이상 증명 가능한 자

몰타란 나라는

- 위치 : 시실리아 남쪽 93km, 리비아 북쪽 350km
- 기후 : 지중해성 기후, 건기(3월~11월) 우기(12월~2월)
- 면적 : 320 sq km, 몰타, 고조, 코미노의 3개의 섬과 기타 섬들.
- 수도 : 발레타(Valletta)
- 인구 : 약 40만명
- 인종 : 시칠리아인, 스페인인, 노르만인, 아랍인
- 언어 : 영어, 몰타어
- 종교 : 로마 카톨릭(98%)
- 통화 : 몰타리라(Malta lira: Lm)
- 화폐 : 1Maltese Lira = 3,600 Won

몰타의 역사

1800년부터 164년간에 영국의 식민지에서 1964년 완전한 자치권을 얻음.
1974년 몰타 공화국으로 명칭을 바꿈.
2004년 5월 EU(유럽연합) 가입.

몰타의 경제

- GDP : US\$ 4.9 billion
- 1인당 GDP : US\$ 15,900
- 연간 성장률 : 2.8%
- 인플레이션 : 2.3%
- 주요 산업 : 관광산업, 전자산업, 선박 수리, 건설
- 주요 교역국 : 이탈리아, 독일, 영국 외 아프리카, 기타국가

몰타에서의 유망업체

최상의 기후 조건을 가지고 있는 몰타는 관광 사업이 가장 큰 부분을 차지하고 있습니다.

더욱이 화폐가치가 큰 유럽에서의 사업 활동은 큰 수익성을 보장하기에 한국인 레스토랑, 주택개조 사업, 주택건축업, 편의점, 무역업, 관광상품, 차량 관련업 등이 유망합니다.

몰타 교육제도

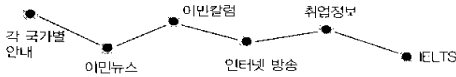
- Primary-Secondary-College-University 그외 Trade School
- University는 19세에 입학
- 대학은 1600년도에 생김
- 영국식교육
- 영국으로 수평 이동 가능
- 북미주보다 저렴한 학비



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 저희는 단순히 많이 송출했다고 자랑하지 않습니다.
 현지에서도 여러분을 늘 잊지 않고 함께 있는 것을 보람으로 생각합니다.
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 성공이민 A부터 Z까지, 각 국가별 안내, 이민뉴스, 이민컬럼, 인터넷 방송, 취업정보, IELTS 등
 모든 정보가 가득 담겨 있습니다.

P 14



:: 성공이민 A부터 Z까지

<h3>A</h3> <p>이민 이민이란? 이민 현황 및 통계자료, 이민 동기와 목적</p>		<h3>C</h3> <p>상담 각 국가별 이민 자격 심사, 11 개별상담, 온라인 상담, 맞춤 이민</p>	<h3>D</h3> <p>신청접수 구비서류 및 수수료 신청 상담</p>	<h3>E</h3> <p>신원조회 신원 결격 사유</p>	<h3>F</h3> <p>현지답사 현지답사는 왜 언제 어떻게 가야 하나</p>
<h3>H</h3> <p>신체검사 신체검사 준비 및 결격 사유</p>			<h3>K</h3> <p>해외이주비 해외 이주비는 얼마나 보낼 수 있는가</p>	<h3>L</h3> <p>비자발급 비자발급은 언제</p>	<h3>M</h3> <p>문화 문화 적응을 위한 방법</p>
<h3>O</h3> <p>사회보장 사회보장은 어떤 것인가</p>	<h3>P</h3> <p>재외국민 재외 국민 신고는 해야 하나</p>	<h3>Q</h3> <p>학교입학 학교 입학 시 지침 서류 및 준비</p>			<h3>U</h3> <p>자동차구입 자동차 구입 요령</p>
	<h3>X</h3> <p>커뮤니티 커뮤니티에서 지켜야 할 사항</p>	<h3>Y</h3> <p>생활 생활은 이렇게</p>	<h3>Z</h3> <p>이민성공 성공을 위한 준비 착수</p>		

이 책은 한 가족에게 있어 중요한 인생의 진원침입니다.
 그러므로, 오랜 경험과 노하우가 있는 이주공사 신력이 중요합니다.
 저희는 단순히 값이 싸고 좋았다고 자랑하지 않습니다.
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 성공이민 A부터 Z까지, 각 국가별 안내, 이민비서, 이민결정, 인터넷 방송, 취업정보, IELTS 등
 모든 정보가 가득 담겨 있습니다.

성공이민 A부터 Z까지

A

이민
 이민이란? 이민 현
 상 및 통계자료, 이
 민 동기와 목적

B

설명회
 설명회, 세미나 청
 취, 정보 수집 요령,
 이주공사 선택 방법

C

상담
 각 국가별 이민 자
 격 심사 및 거절사유, 온
 라인 상담, 맞춤 이민

D

신청접수
 구비서류 및 수속
 진행 상황

E

신원조회
 신원 검격 사유

F

현지답사
 현지답사는 왜, 언제
 어떻게 가야 하나

G

인터뷰
 인터뷰 준비요령

H

신체검사
 신체 검사 준비 및
 검격 사유

I

국내수속
 국내수속 시
 필요한 사항

J

이삿짐
 이삿짐 진행·방법
 ·절차

K

해외이주비
 해외 이주비는 얼
 마나 보낼 수 있나

L

비자발급
 비자발급은 언제

M

출국
 출국 시
 체크 리스트

N

입국수속
 입국 시 수속 내용

O

사회보장
 사회보장은 어떤
 것인가?

P

재외국민
 재외 국민 신고는
 해야 하나

Q

학교입학
 학교 입학 시 지원
 서류 및 준비

R

아파트 임대
 아파트 임대 요령
 및 집 구하기

S

은행 계좌
 은행 계좌 오픈 및
 사용 방법

T

전화신청
 전화 신청 안내

U

자동차구입
 자동차 구입 요령

V

직장취업
 직장 취업
 필수 준비 사항

W

사업구입
 사업체 구입과
 유망 업종

X

커뮤니티
 커뮤니티에서
 시키야 할 사항

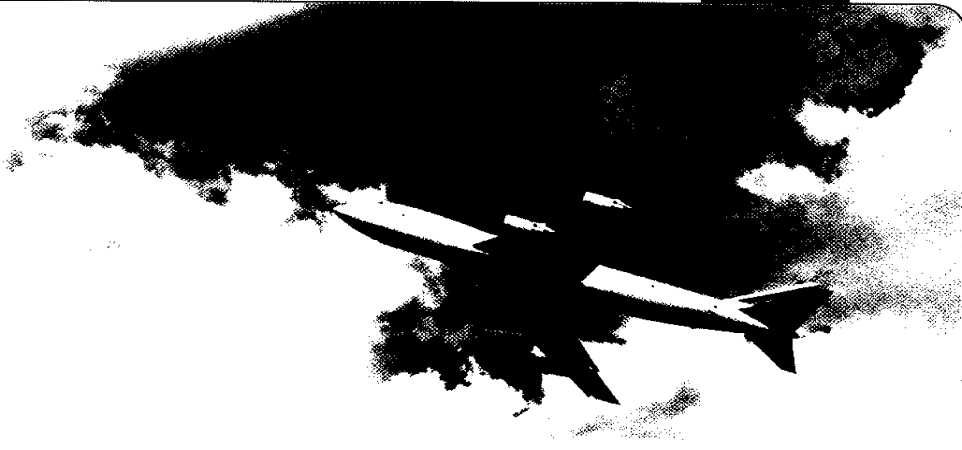
Y

생활
 생활은 이렇게

Z

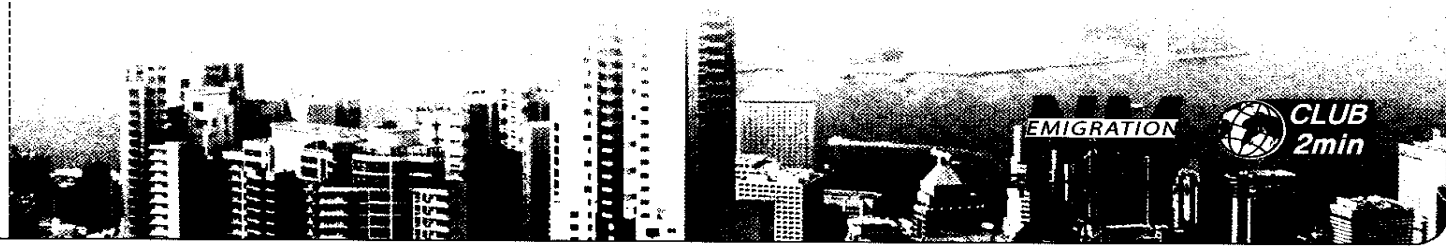
이민성공
 성공을 위한
 준비 착수





**21세기에 영주권은 국제 자격증입니다.
미래에는 경쟁력이 있고, 다국적 인재가 되어야 합니다.
그러기 위해서 영주권은 반드시 필요합니다.**

- 1) 세계 최대의 자유경제 국가의 일원이 되며 동시에 영주권자의 모든 혜택을 누릴 수 있다.
- 2) 영주권 소유자는 어떤 용무로든지 자유자재로 미국, 캐나다, 호주, 뉴질랜드, 피지, 기타 국가로 왕래할 수 있으며 한국에서 장기체류해도 된다.
- 3) 이주 해당국가에 어느 곳에서나 거주할 수 있으며 직장에 다닐 수도 있다.
- 4) 본인의 사업을 운영할 수 있다.
- 5) 영주권자 자녀는 명문 공립 초·중·고 재학은 물론 세계 최고 수준급의 대학교에서 학비 보조금, 장학금, 학비용자 등을 받을 수 있다.
- 6) 자녀의 병역 혜택도 주어진다.
- 7) 의과 대학에 등록 할 자격도 있다.
- 8) 바자 갱신, 새로운 신청 등이 필요 없다.
- 9) 영주권 취득 후 적당한 과정을 통해 가족을 해당 국가로 초청 이민을 할 수 있으며, 5년 후 미국, 3년 후 캐나다 시민이 될 자격이 있다.
- 10) 다양한 경제조건과 기회, 높은 생활 수준, 좋은 교육환경, 각기 다른 기후를 만끽할 수 있다.
- 11) 21세기 국제자격증으로 자녀를 선진국가의 교육제도에서 안심하고 공부시킬 수 있으며 졸업 후 국내뿐만 아니라 전 세계에서 취업과 사업을 할 수 있는 경쟁력 있는 자격이 갖추어진다.



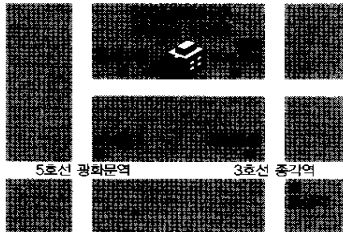
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NM
EMIGRATION



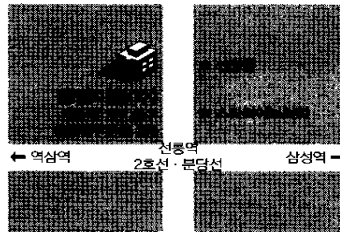
5호선 광화문역

3호선 종각역

강북 사무실

(주)남미이주공사
서울시 종로구 수송동 51-8
거양빌딩1006호
02)725-5993

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← 역삼역

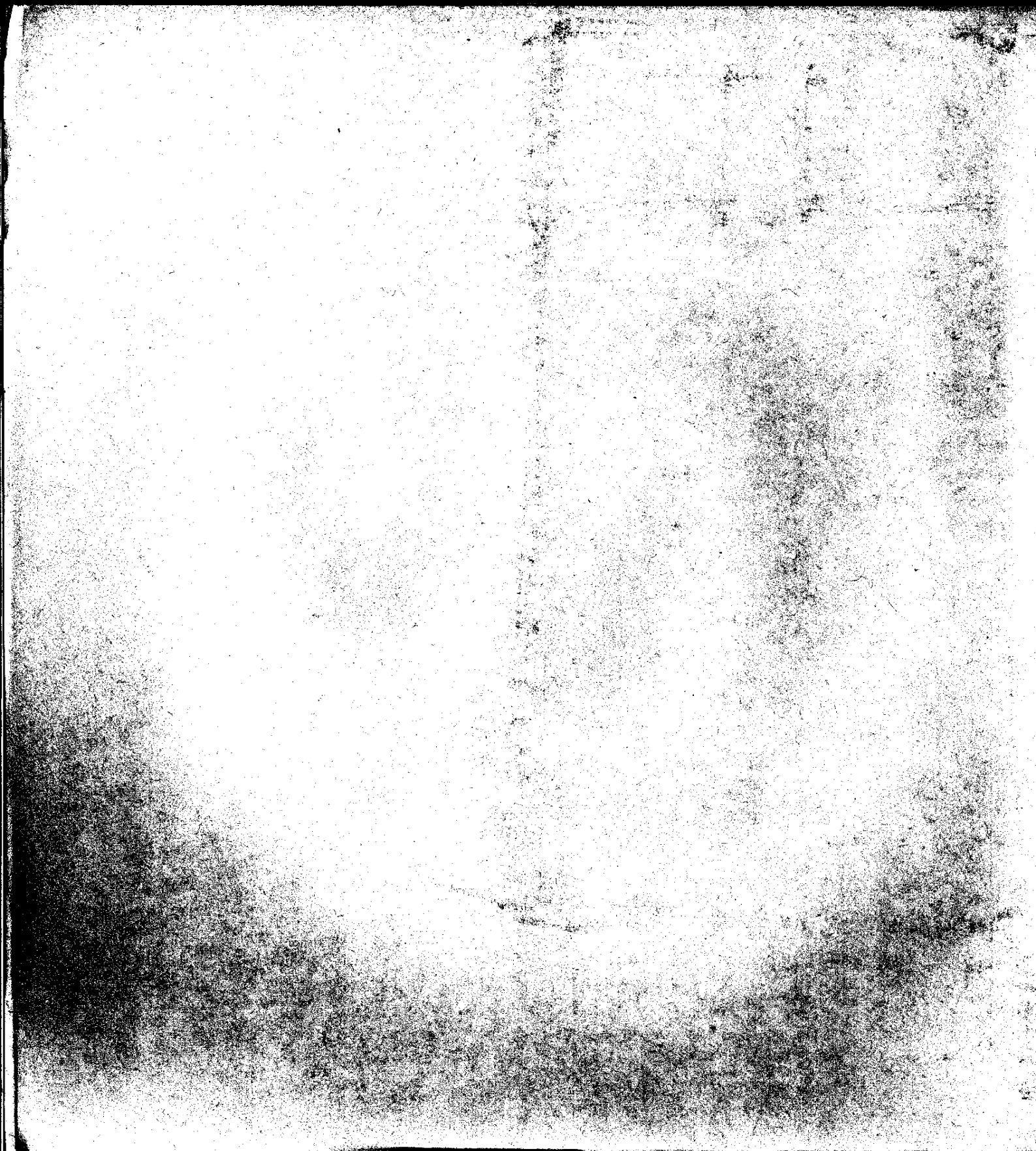
선릉역

2호선 · 분당선

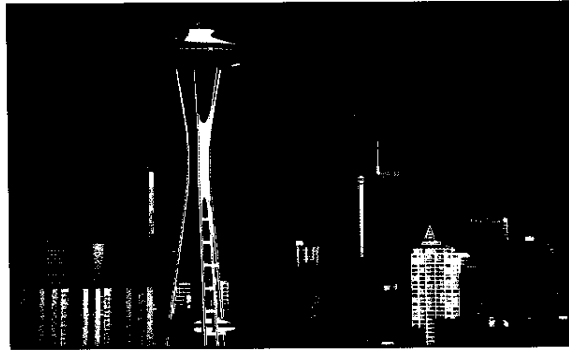
삼성역 →

강남 사무실

클럽이민(주)
서울시 강남구 역삼동 694-10
전국택시연합회관 204호
02)549-5993



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INVESTOR GREEN CARDS



*One of the best-kept
Green Card secrets...*

*A real estate limited partnership
investment of \$525,000 in the
Seattle Regional Center offers
accredited investors FREEDOM*

*Live anywhere in the U.S. without
being tied to a job or business
No need for day-to-day management
of an active business*

WANT TO KNOW MORE ABOUT
THE IMMIGRATION BENEFITS
OF EB-5 CASES?

CALL MARK IVENER AT 1-866-767-1800 TO
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*With more than 30 years immigration
law experience and five immigration law
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AMERICAN LIFE

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in Seattle***

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FOR AMERICAN LIFE INC.



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OVERVIEW OF EB-5 OPTIONS

There are two options within the EB-5 Investor Green Card category, the standard program and the Regional Center program.

To qualify under the standard program, the investor must invest at least \$1 million (or \$500,000 in certain cases) into a new commercial enterprise, which creates employment for at least 10 full-time workers.

The 10 employee requirement is a deterrent for many immigrant investors. The Regional Center program removes the requirement of creation of jobs for 10 full-time employees and allows for a less restrictive "indirect employment creation," thereby making this option advantageous for the retiree or inactive investor. Additionally for a Regional Center, if the investment is in a "targeted" employment area, the investment requirement is only \$500,000.

AMERICAN LIFE INC. EB-5 INVESTMENT

The American Life Inc. (ALI) EB-5 program offers an investment in industrial properties in the Seattle Regional Center. This program generally involves purchasing low-yielding warehouse properties with invested funds and converting them into higher-value mixed use properties, including office space, retail shops and storage space. Investors participate as limited partners of a limited partnership, and can earn a share of monthly income, if any, from tenant rentals, as well as a share of capital gains, if any, when sold. Investment periods vary, but cannot end before receipt of the permanent Green Card by the investor. Please see www.amlife.us/.

AMERICAN LIFE INC. PROGRAM BENEFITS

The ALI EB-5 program in Seattle is in the oldest active Regional Center, established in 1996. The ALI program requires only a \$500,000 (plus \$25,000 for acquisition costs) investment because it is in "targeted" employment area.



Under mandate by Congress, Regional Center EB-5 petitions are given priority by Immigration (now USCIS) which often results in a quicker path to approval. EB-5 conditional Green Cards are typically approved in about 1 year, however timing varies depending on the case.



The investor who invests in the ALI Regional Center program is not required to live in the area in which the investment is made; he or she can work, go to school or retire wherever he/she wishes in the United States.



The requirement that the investor be engaged in the management of the business is fulfilled if the investor is a limited partner. For those investors who are not interested in day-to-day management of an active business, the ALI Regional Center program offer an attractive alternative with this inactive form of investment.



Under the ALI Regional Center program, the investor can qualify under "indirect employment creation" by presenting evidence that 10 jobs will be created throughout the Regional Center economy.

Disclaimer: This brochure is designed for general information only. Information presented should not be construed to be formal, legal advice or form a lawyer/client relationship.

AN INVESTOR GREEN CARD WITH NO QUOTA BACKLOG

One of the best-kept Green Card secrets...

A real estate limited partnership investment of \$525,000 in the American Life Inc. EB-5 program in the Seattle Regional Center offers your accredited investor clients the following BENEFITS:

LIVE ANYWHERE IN THE U.S. WITHOUT BEING TIED TO A JOB OR BUSINESS



NO NEED FOR DAY-TO-DAY MANAGEMENT OF AN ACTIVE BUSINESS



LIMITED PARTNERS HAVE A POLICY MAKING ROLE

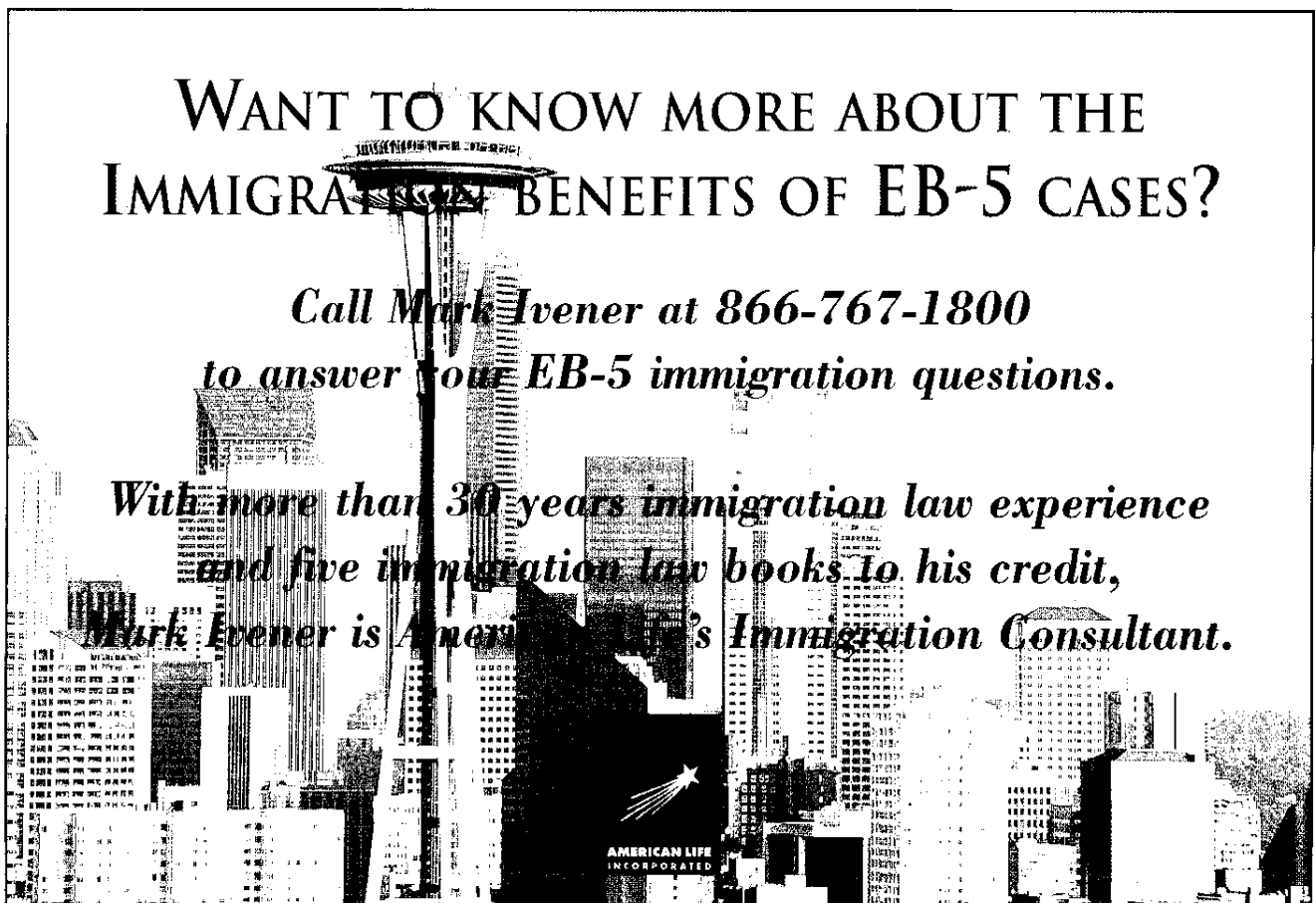


INDIRECT EMPLOYEE REQUIREMENT IS PROVEN BY A COMBINATION OF 10 DIRECT AND/OR INDIRECT EMPLOYEES WHO ARE NEW TO THE REGIONAL CENTER

WANT TO KNOW MORE ABOUT THE
IMMIGRATION BENEFITS OF EB-5 CASES?

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to answer your EB-5 immigration questions.*

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EB-5
AMERICAN LIFE INC.

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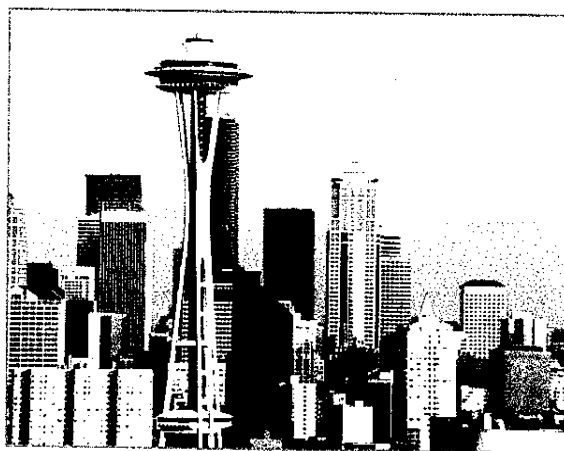
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There are two options within the EB-5 Investor Green Card category, the standard program and the Regional Center program.

To qualify under the standard program, the investor must invest at least \$1 million (or \$500,000 in certain cases) into a new commercial enterprise, which creates employment for at least 10 full-time workers.

The 10 employee requirement is a deterrent for many immigrant investors. The Regional Center program removes the requirement of creation of jobs for 10 full-time employees and allows for a less restrictive "indirect employment creation," thereby making this option advantageous for the retiree or inactive investor. Additionally for a Regional Center, if the investment is in a "targeted" employment area, the investment requirement is only \$500,000.

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The American Life Inc. (ALI) EB-5 program offers an investment in industrial properties in the Seattle Regional Center. This program generally involves purchasing low-yielding warehouse properties with invested funds and converting them into higher-value mixed use properties, including office space, retail shops and storage space. Investors participate as limited partners of a limited partnership, and can earn a share of monthly income, if any, from tenant rentals, as well as a share of capital gains, if any, when sold. Investment periods vary, but cannot end before receipt of the permanent Green Card by the investor. Please see www.amlife.us/.

AMERICAN LIFE INC. PROGRAM BENEFITS

The ALI EB-5 program in Seattle is in the oldest active Regional Center, established in 1996. The ALI program requires only a \$500,000 (plus \$25,000 for acquisition costs) investment because it is in "targeted" employment area.



Under mandate by Congress, Regional Center EB-5 petitions are given priority by Immigration (now USCIS) which often results in a quicker path to approval. EB-5 conditional Green Cards are typically approved in about 1 year, however timing varies depending on the case.



The investor who invests in the ALI Regional Center program is not required to live in the area in which the investment is made; he or she can work, go to school or retire wherever he/she wishes in the United States.



The requirement that the investor be engaged in the management of the business is fulfilled if the investor is a limited partner. For those investors who are not interested in day-to-day management of an active business, the ALI Regional Center program offer an attractive alternative with this inactive form of investment.



Under the ALI Regional Center program, the investor can qualify under "indirect employment creation" by presenting evidence that 10 jobs will be created throughout the Regional Center economy.

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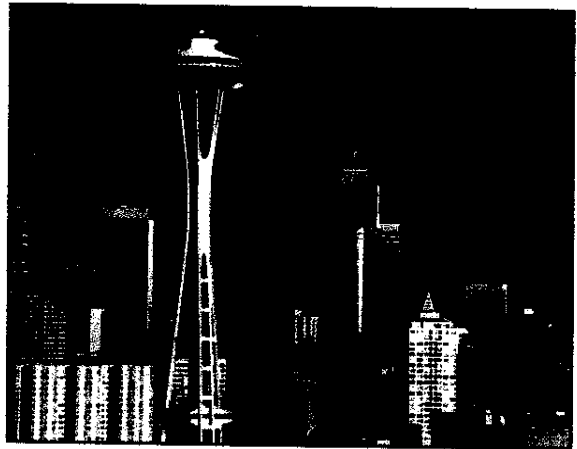
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Sodo fund moves north

Puget Sound Business Journal (Seattle) - June 8, 2007

by Jeanne Lang Jones

Staff Writer

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Photo: Matt Hagen

The Alaska Building (taller, mostly white, on left) at 618 Second Ave. in Seattle is slated to become a Courtyard by Marriott hotel.

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The so-called Green Card fund that has already become a major landowner in Seattle's Sodo district by offering U.S. residency to its foreign investors has now set its sights on the historic Alaska Building near Pioneer Square.

According to its regulatory filings, **American Life Inc.** intends to raise \$85 million to convert the 103-year-old building to a **Courtyard by Marriott** hotel.

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Run by Seattle immigration lawyer Henry Liebman, American Life has a tentative deal to buy the Alaska Building at Second Avenue and Cherry Street from Seattle-based **Kauri Investments Ltd.**, which paid the city of Seattle \$8.5 million for it in 2005.

"It's not a done deal," said Kent Angier, Kauri chief executive. But, if the sale proceeds as expected, Angier said, the purchase would be completed by the end of the summer. Angier declined to disclose the financial terms, and Liebman declined comment.

Kauri had been planning the hotel conversion with partner **Ariel Development** of Seattle before being approached by American Life. Angier previously had sold a warehouse to American Life.

American Life operates under a federal immigration program that enables foreign investors to obtain U.S. residency Green Cards in exchange for investments of \$500,000 or more that create at least 10 jobs in designated economically struggling areas. American Life also draws real estate investment capital from U.S. citizens.

According to its federal filings, American Life claims to have created roughly 3,000 jobs through capital investments of more than \$290 million -- split between foreign and domestic investors -- in Sodo industrial properties. About one-fourth of the jobs created were direct jobs from renovation of industrial properties or recruitment of new tenants to the area. The remainder were indirect jobs created at area businesses that provide services to tenants in the renovated buildings.

The Alaska Building -- the city's first steel-framed skyscraper and tallest building in 1904 -- would represent the fund's first investment in a hotel.

The hotel conversion is a sore point with city officials. Kauri's initial proposal to the city called for small loft-style apartments, to be sold eventually as condominiums. The reason for renting the units: Kauri had planned to use federal tax credits to help pay for the historic

building's restoration. Under program guidelines, there are financial penalties if program participants sell their properties within five years.

Plans changed, Angier said, when a hotel management company with which Kauri was working on another project suggested the Alaska Building would make "a great hotel."

Angier said the city's interest in having more people in the Pioneer Square neighborhood after office workers go home would be well served by a hotel that would be staffed around the clock, with guests spending money at area restaurants and shops. Additionally, hotels provide more tax revenue for city coffers, he said.

However, City Councilmember Richard Conlin remains disappointed in the outcome.

"We were really hoping for residential, but we did not get that," Conlin said. "The lesson may be that we should be a lot more specific. In getting a hotel we do not get a bad thing -- it's just not exactly what we wanted."

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Alaska Bldg. to become hotel under \$85M plan

Sodo fund moves north

Puget Sound Business Journal (Seattle) - June 8, 2007 by Jeanne Lang Jones Staff Writer

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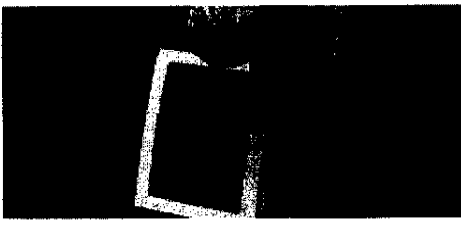


Photo: Matt Hagen
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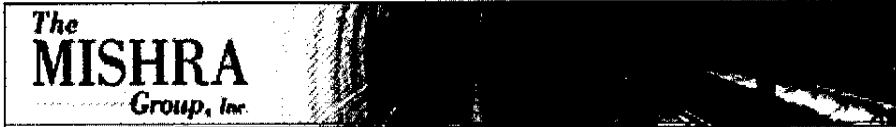
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Seattle Marriott attracts investors with EB-5 visas

BY MARTIN DESMARAIS

SEATTLE — American Life Inc. has a strong track record of attracting foreign investors to the United States. Now, the company is turning its sights on India for the development of a new Marriott hotel in Seattle.

American Life is focusing its efforts on helping to redevelop the "old port" area of Seattle, which, due to rapid expansion in the downtown area, has become attractive again after being abandoned for several years. In 1996, the U.S. government gave approval to develop the area using EB-5 investor visas.

The EB-5 visa allows foreign investors to come to the United States for investing \$1 million into a business and hiring 10 employees anywhere in the country; investing \$500,000 and hiring 10 employees in an area where the unemployment rate exceeds the national average; or investing in a regional center.



Attorney Prashant Ajmera is working as American Life's marketing manager to help the company target South Asians.



Liebman

Founded in 1996 by Henry Liebman, a Seattle-based immigration lawyer, and Ray Klein, a Japanese-based businessman, American Life has raised over \$200 million in the last several years through EB-5 visas to convert Seattle's "old port" region from warehouses and old commercial buildings to new business properties. The company, which has a portfolio of approximately 30 buildings, has predominantly focused on investors from Asian countries, such as Korea and Japan.

"In the EB-5 world, which is a small world, we are probably the single biggest player," said Liebman, American Life's president.

According to him, when trying to raise money for projects the magnitude of American Life's is the EB-5 visa is a great option. "It is one of the arrows you pull out of the quiver," he added.

With its foray into hotels, American Life is making its first targeted effort at attracting investors from India to the United States, well aware of the Indian-American community's dominance in the hotel industry.


The Marriott project, which will convert a vacant office building into a 15-story hotel, is also in a National Park Historic District. Liebman believes the project itself is very attractive to those interested in the hotel business. "A hotel was just the perfect use for [the vacant office building]," he said. "This hotel will stimulate the immediate area."

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"This is a real deal on its own," he added. "The visa is extra."

The Marriott project will be a debt-free project in that all of the estimated \$85 million budget will be raised by investors with no loan financing. According to Liebman, American Life is looking for a 50-50 split between U.S. investors and EB-5 investors. The company has already raised over \$10 million and is generating about \$1 million to \$2 million a week, with 20 EB-5 investors so far, some of which are from India, he added. "It might take a year, but that is all right."

American Life plans to own the hotel property, but Marriott will manage it.

To focus on the Indian community, American Life is relying on Prashant Ajmera as its marketing manager. Ajmera is an Indian lawyer with more than 14 years of experience in the legal field, with several years of experience in Canadian corporate migration law and international trade. He spent five years of practice at the High Court of Gujarat, Ahmedabad, India, in the office of the Additional Central Government Standing Council.

Ajmera, who also worked as a partner with the Canadian Immigration law firm Brownstein Brownstein & Associates from 1992 to 2000, said that his familiarity with Indian law, as well as local languages — he is fluent in Hindi and Gujarati — is helping to boost the connection with Indian investors. Ajmera also emphasized that American Life's hotel project is a great opportunity, not just for coming to the United States, but also for getting in on the front end of what promises to be a revitalizing development in Seattle.

Liebman believes that India's similarity to the Western and U.S. business world makes it even easier to work with investors on the EB-5 visa. He added that with the Marriott project you can really see the effectiveness of the EB-5 visa at work — bringing in investment which might otherwise not materialize. "Maybe some investors might not get involved — but for the EB-5 visa — but it is still an investment they should be happy with," he said.

Liebman has a long track record in real estate in Seattle. Since receiving his law degree from the Puget Sound School of Law in 1980, he has worked in real estate law for over 20 years as managing partner of Coe Nordwall Liebman LLC and currently at Liebman-Mimbu PLLC.

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NEWS

June 27, 2007

Hotel in Alaska Building Could Be Pathway to Citizenship for Investors

Rich foreigners would gain green cards by investing in an industry reliant on undocumented workers.

By Brian Miller

Two years ago, the city of Seattle sold off the historic Alaska Building at Second and Cherry to a developer that said it was going to turn the 1904 structure, previously full of bureaucrats' offices, into downtown housing. But those plans have

changed. The developer is now looking to convert it into a Marriott hotel instead, and wants the city to allow additional floors on the structure—more than current zoning allows—for what the developer says are necessary seismic upgrades.

Today (Wednesday), a somewhat peeved City Council is scheduled to hold hearings on the proposal, which has also attracted the ire of Unite Here!, a national union representing restaurant and hotel workers (among other trades). None of the three dozen Marriotts in Washington state are unionized, says Stefan Moritz, a research analyst with Unite Here! He contends that the seismic issue is something of a smokescreen for extra, revenue-producing rooms.

"I think developers should be held accountable to the regulations," says Moritz.

But while Moritz and some City Council members seethe over the alleged bait and switch, the less-noticed effect of the proposal is not on housing but on immigration.

Thanks to a 1990 act of Congress, rich foreigners can gain an "EB-5 investor visa," jumping ahead of the huddled masses, by investing in purportedly job-creating businesses. The program buys an affluent immigrant (plus spouse and unmarried children) two years' residency on a green card and, ideally, a glide path toward full citizenship.

The country's largest beneficiary of this program to date is a Seattle real-estate fund called American Life Inc., which has purchased numerous properties in SoDo with EB-5 money and is now looking to fund the \$85 million conversion of the Alaska Building in concert with the developer, Kauri Investments.

"It's probably the biggest EB-5 project in the country," says Henry Liebman, an immigration attorney and head of American Life. He estimates about 85 EB-5 investors would be involved.

The irony is that these investors will secure their own green cards by investing in an industry known for its reliance on undocumented workers.

An investment can qualify for the EB-5 program if it's at least a half-million dollars and being made in a so-called Regional Center—defined by the U.S. Citizenship and Immigration Service as an area "that has experienced unemployment of at least 150 per cent of the national average rate." The investment also must "create full-time employment for not fewer than 10 qualified individuals."

But does downtown Seattle really qualify as an area in need of additional employment, especially low-wage hotel jobs?



The Alaska Building (above FedEx truck): soon to be a midtier hotel where its investors wouldn't stay?

Brian Miller

The hospitality industry's trade group, the American Hotel & Lodging Association, says it already can't get enough people to fill the jobs it has. "The mounting labor shortage is probably one of the most troublesome problems facing the hotel industry today," said David Kong, president and CEO of Best Western International, in an AHLA press release a year ago. "We still cannot find enough Americans to fill critical positions at many of our hotels," said Loews Hotels CEO Jonathan Tisch in the release. The industry is supporting immigration reform efforts in Congress that would allow "guest workers." (See related story, p. 17.)

Unite Here! doesn't track how many of its workers are properly documented. "We don't ask the question," says Moritz. "There are definitely people who don't have documents who work in the industry. There's a large group."

The Alaska Building lies beyond Yesler Street anyway, and therefore out of the EB-5 territory that American Life got approval for in 1996, Moritz contends. "We are just confused about the Regional Center," says Moritz. "It's hard to find out the definition of where this Regional Center ends."

Speaking by phone from an immigration lawyers' conference in Orlando, Fla., Liebman responds, "The Regional Center includes part of Pioneer Square. There's two designated zones. One is the state empowerment zone, and then there was a federal HUD-designated zone. And the Regional Center is both of them. They mostly overlap, except the federal one includes Pioneer Square."

Liebman says roughly 150 people would be employed by the hotel, but they aren't the only ones who'd benefit. "There's the ancillary employment, like the parking," he says. "Half of the first floor will be rented to something like a Starbucks. You've got the shoe-shine guy.... There's a ton of employment that comes out of that. Pioneer Square merchants really like the idea of the hotel. They don't have economic drivers in that area. Pioneer Square is always limping along."

The 15-story Alaska Building was the tallest in Seattle, and was the city's first steel-framed skyscraper, when it was completed in 1904. The city acquired it in 1988 as part of a land swap with Aetna Life Insurance, and city staffers occupied the space until the municipal workforce was consolidated in what used to be called Key Tower. The city then sold the structure for \$8.5 million in 2005 to a partnership between Kauri Investments Ltd. and Ariel Development.

Liebman says Kauri and Ariel then struck the deal with Marriott. They'll join his new partnership, which will be split 50-50 between domestic and EB-5 investors, according to Liebman.

Who are those investors, and where do they come from? "Western Europe, Japan, Canada, Korea, and India," he says. "From Europe, it's retired baby boomers selling out the business. Usually self-made. Generally, the profile for our investors would be late 40s and older, they made money somewhere else, and they need to diversify their portfolio. They want the cash flow to retire on." He says virtually all his foreign clients gain full citizenship after two years' residency, and estimates that about 15 percent of his investors have settled in the Northwest to spend, work, and otherwise contribute to the economy.

How many and what kind of U.S. jobs are created via the EB-5 program? A 2005 report by the

Government Accounting Office concluded, "We could not determine a reliable estimate of the number of jobs created by immigrant investors." Liebman says he, like other Regional Center operators, must provide an annual report to the USCIS detailing job creation and other investor data. The GAO estimates that through 2004, immigrant entrepreneurs invested about \$1 billion through the EB-5 program.

That's a lot of money to invest, and a lot of advantage over your average penniless immigrant. "It shows how class and wealth play such a major role in the visa process," says Matt Adams, legal director of the Northwest Immigrant Rights Project. He's fighting an uphill battle to get the family members of *documented* foreign workers lawfully admitted to the U.S.; the EB-5 alien just has to write a check.

"The program is obviously saying that it's in America's interest to recruit big-money investors," says Adams. For him, the EB-5 program is consistent with a policy he characterizes thusly: "The people with money and advanced degrees, the ones who already have things going their way—these are the people we want in." (Bill Gates and other local tech executives would likely agree, since they're desperate to gain new brains from abroad with an expansion of the H-1B visa program.)

This wouldn't be the first time that EB-5 money was used to create lodgings for business travelers. The GAO reports: "Hotels and motels make up an estimated 19 percent of all businesses created by immigrant investors granted permanent resident status." Other EB-5 money goes into "manufacturing companies, real estate companies, domestic sales companies, farms, import/export companies, restaurants, and technology companies." But it's left to the EB-5 fund manager, such as American Life, to choose where to invest.

So, couldn't the EB-5 program do better than jobs for hotel maids and bellhops that already go begging? Couldn't it be applied to help capitalize, say, our local biotech boom? "There's no reason we couldn't," Liebman answers. "I have to understand it. I'm not a scientist, and I don't know how to evaluate a biotech company. We do have an investment in a biotech, ProteoTech [formerly in SoDo, now based in Kirkland]. And we had an investment in a bank that was sold. We're open to anything."

As for the Alaska Building, "If you want anything other than an office, you need an earthquake retrofit," according to Liebman. "It's another 30-odd rooms," he admits, "but the main purpose of it is earthquake. And that's the silly thing about what they're objecting to."

And what if the council shoots down the plan; does the project no longer pencil out? "No, it could still work. You could leave it as an office, and it still pencils very well. Believe it or not, there's still a shortage of office space [in Seattle]."

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Puget Sound Business Journal (Seattle) - June 28, 2007
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Business Journal

BUSINESS PULSE SURVEY: **Boxes wrapped in structures**

Green Card program expanding beyond Sodo

invest, and get a visa

Puget Sound Business Journal (Seattle) - June 22, 2007 by [Jeanne Lang Jones](#) Staff Writer

More towns across Washington state are sticking their buckets under the faucet of foreign money flowing through a federal Green Card investment program that already has poured hundreds of millions of dollars into Seattle's Sodo district.

Washington state has emerged as a leading player in the immigrant investor program, housing two of the nation's 15 regional programs that offer U.S. residency permits to foreigners who invest at least \$500,000 in job-creating businesses.

American Life Inc. Sodo fund was the most active of these in the nation last year, raising \$120 million from investors in industrial properties and creating 2,500 jobs, according to U.S. Citizenship and Immigration Services spokesman Bill Wright.

In Whatcom County, meanwhile, Rob Pochert received approval last fall for Green Card investors to fund assisted living facilities for the elderly. Pochert is a former executive director of the Bellingham Whatcom Economic Development Council.

And now, Tacoma, Moses Lake and Everett have joined the foreign-investment pipeline.

Economic development officials in Tacoma and Pierce County said American Life is applying to start a fund in Tacoma similar to the one it operates in Seattle's Sodo district.

It works this way: The program grants immigrant investors and their immediate families a special EB-5 residency permit for making investments designed to create at least 10 jobs, with a minimum investment of \$500,000 in economically distressed or rural areas or a \$1 million investment in an area that is not economically challenged.

The program counts jobs created both at businesses that are new to the United States and at companies providing goods and services to these new businesses. Foreign investors are not required to emigrate to the U.S. to participate.

"This isn't selling Green Cards," said national Program Manager Morrie Berex. "This is Green Cards being made available to people who have legitimate investments in the U.S. that bring capital and jobs to America."

Both the city of Tacoma and the Port of Tacoma have written letters of support for American Life's proposed regional center in Tacoma, according to Bruce Kendall, chief executive of the Tacoma-Pierce County Economic Development Board.

The footprint for Tacoma's proposed regional center covers much of downtown Tacoma and the Nalley Valley industrial area. The area is roughly congruent with Tacoma's Urban Renewal Community under a federal Department of Housing and Urban Development program. Investments would be in renovation of existing properties and construction of new commercial and industrial projects, said Ryan Petty, director of Community and Economic Development for the city of Tacoma.

"It is not an area that is completely blighted by any stretch of the imagination," Kendall said, "but it is an area in which you can find properties or blocks where nothing has happened for years."

There are boarded-up buildings and underutilized properties that are ripe for investment, Kendall said.

"It's not a miracle cure," he said, but a series of investments can create a "positive pattern" that draws larger investment in an area.

American Life President Henry Liebman, a Seattle immigration lawyer, was not immediately available for comment.

According to federal records, American Life has invested in 20 Sodo properties, with four more in the works.

Critics of the Green Card investment fund in Seattle complain it has driven up prices for industrial properties in Sodo, boosting rents and driving out some port-related businesses. Supporters say the program is a means of reinvesting in rundown properties that increases their value, boosts tax revenue and adds jobs, all without requiring any public expenditure. Most recently, American Life has become active in the Pioneer Square neighborhood with plans to purchase the Alaska Building for conversion into a moderately priced hotel.

Liebman, the American Life president, has attributed rising property values and rents in Sodo to market forces. Redevelopment is pushing farther south of downtown as a swelling number of new

residents and workers require more services, Liebman has said.

Tacoma's Petty, for one, isn't worried about port-related businesses being squeezed out of the market by rising property prices and rents.

"We've drawn the boundaries so that is unlikely to occur," Petty said.

Kendall described the boundaries of the regional center as "the next step removed" from redevelopment projects under way along the Thea Foss Waterway and the industrial area surrounding the Port of Tacoma.

Liebman and American Life Vice President Ray Klein set up The Gateway Freedom Fund in 1996 to invest in air cargo and manufacturing facilities in Jackson County, Ore., doing business as the Golden Rainbow Freedom Fund, and in industrial property in Sodo as American Life.

What's made American Life such a strong player?

"Henry started early and he persevered," said immigration attorney Stephen Yale-Loehr, a professor at Cornell University and executive director of the Immigrant Investors Association, a trade group.

In 1998, many participants left the program when the immigration agency came out with new rules that made it harder to get Green Cards. Liebman stayed in.

"He kept going, weathered the storm and was able to modify his program to meet the new requirements," Yale-Loehr said.

Most recently, American Life has become active in the Pioneer Square neighborhood with plans to purchase the Alaska Building for conversion into a moderately priced hotel.

Liebman's Green Card investment fund is one of two started in the EB-5 program's early years. The other, the Aero-Space Port International Group in Tukwila, recently applied to reactivate a regional center at Grant County International Airport in Moses Lake. ASPI Group plans to attract high tech, agricultural and other businesses creating products for export to Pacific Rim countries and Europe. ASPI Executive Vice President Andy Chen did not return several phone calls for comment on the group's plans.

"We're certainly supportive of anything that leads to job creation," said Terry Brewer, executive director of the Grant County Economic Development Council.

While there is lots of land, Brewer said, there's little money available to build the streets curbs and underground pipes needed to develop the property.

"It's tough to attract capital for infrastructure in small, rural communities," he said. "We do not have local sources of capital willing to take the risk."

There are also plans for a regional center in downtown Everett, according to Matt Smith, vice president of the Snohomish County Economic Development Council.

While American Life has concentrated on renovating rundown buildings and bringing in new tenants, the EB-5 program supports a broad range of businesses around the nation. Immigrant investors are backing almond groves in California, dairy farms in South Dakota, a 10-story ship-painting shed in Philadelphia and a film factory in New Orleans. Washington, D.C., is looking for foreign backing for a soccer stadium, among other things.

Federal officials have been working to clarify and streamline program requirements in hopes of increasing investment. Immigrant investors now must put their money in upfront, provide five years of tax returns and an accountant's statement on how the money was earned and left the country, Yale-Loehr said.

Investors receive conditional visas that can be revoked if the anticipated jobs are not created within two years, as verified by W-2 statements. Additionally, participants and cash flowing through the program are vetted by several agencies, including the FBI, CIA, Treasury Department and Interpol.

"It's easier to get a Green Card through a relative's petition than through this program," said Berez, the program director.

But there remains plenty of room for growth, with the EB-5 program able to grant up to 10,000 visas annually. Investment in the program nationwide is expected to double this year to more than \$500 million and double again next year to \$1 billion.

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Puget Sound Business Journal (Seattle) - May 21, 2007
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Business Journal

Business Leaders Get It

BUSINESS PULSE SURVEY: Own a car? A truck? What kind?

Lawyer steers millions from abroad

Sodo's dough

Puget Sound Business Journal (Seattle) - May 18, 2007 by [James Lang Jones](#) Staff Writer

While Paul Allen was scooping up chunks of gritty industrial property near Seattle's Lake Union, immigration lawyer Henry Liebman was buying rundown buildings in Sodo.

Allen built a portfolio of more than 60 acres; Liebman and his company gained control of nearly 40. Both men had a vision of what their neighborhoods could become. And both displayed skill at obtaining government support for their dreams.

But while billionaire Allen's effort to win a publicly funded streetcar through his developments drew public debate, Liebman's use of a federal immigration program to help remake Sodo did not.

Over the last decade, Liebman's company has used the federal program to secure U.S. residency Green Cards for 303 foreigners in exchange for their investing a total of about \$150 million in his buildings.



Photo: Dan Schieler
 Sodo developer Henry Liebman
 View Larger

Investors in Liebman's firm, American Life Inc., hold roughly a fifth of the Sodo properties that are in private hands, according to federal data. Many of the projects are due to come on line this summer.

American Life advertises its Green Card fund worldwide. Its Sodo investors so far hail from 26 countries, including the United Kingdom, Holland, Japan, South Korea, India, Thailand, China, Canada, Germany, Hong Kong and Taiwan, said Sharon Rummery, a spokeswoman for U.S. Citizenship and Immigration Services.

But opposition to Liebman's activities has primarily been based, not on the federal immigration incentives, but on fears among Port of Seattle officials and some Sodo business interests that his investments are driving up rents beyond what industries can support. Liebman says market forces are driving up the rents; detractors say Liebman is the market.

Whatever the cause, average first-quarter rents in the Seattle industrial market soared 28.8 percent over the year before, according to NAI Puget Sound Properties commercial real estate firm.

Asked about the parallels between himself and Allen, Liebman said the Microsoft co-founder's vision for a biotech neighborhood is "further along than ours. He has more cooperation from the city, and the zoning works out for them."

His own theme, Liebman said, is to bring more "modern industrial" companies to Sodo, such as high-tech assembly companies and engineering and software firms.

But one man's vision can be another's nightmare.

"I think it's terrible," said Port of Seattle Commissioner Alec Fisker. "It will drive out the warehouse and trucking and other related businesses that are a key part of the port."

American Life's heavy investment in Sodo has already had "a disastrous impact," Fisker said.

"As far as I can tell," he said, "it has driven up values there so that some of these typical businesses will not be able to afford to stay there."

Added Fisker, "There is enough sound but unbuilt capacity in the rest of the city to accommodate these other uses for decades into the future. We do not need it in the Sodo area, and what we don't have is more manufacturing and industrial space."

The port recently sent a sharply worded letter to Liebman, demanding he remove a statement from American Life's Web site that the port would support a rezoning of the area. Liebman has complied.

Liebman said he tells his foreign investors to base their decisions on what the property can produce under current regulations. Many are over 40, he said, and are looking for a steady income stream to help support their retirement.

"Henry has found a way to take property that otherwise would be of questionable use and, without help from the city, been able to turn it into something productive for the city of Seattle not only in terms of revenue but job growth as well," said Mike Ferringer, head of the Sodo Business Association.

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To help keep industrial businesses in the area, Perring said, the city could offer incentives such as lower power rates.

But north of Spokane Street, the days of the "metal benders" are numbered, Liebman believes. The robust growth of Seattle will put increasing pressure on Sodo to provide jobs and services to the city's swelling ranks of new residents. To make his point, Liebman pulls out an area map, points to the densely drawn central business district, and compares it to spread-out Sodo.

What he'd like to see is a zoning change allowing four- and five-story buildings in Sodo on the order of the RealNetworks headquarters at the north end of Seattle's downtown waterfront. That would allow Liebman, whose holdings include a number of contiguous parcels, or a potential purchaser, to create a large corporate campus that could bring many high-paying new jobs to the area, Liebman said.

Liebman will complete nine building renovations this year, including the Gorilek Building, an old steel mill on First Avenue South once owned by saxophonist Kenny G's father. Liebman has kept the distinctive outlines of the old building and the clerestory windows as well as the century-old wood trusses, but new all-glass storefronts will open the building to the street.

Meanwhile, American Life's newest partnership is raising more than \$85 million in funds for a Pioneer Square property, where Liebman and his development partners hope to put a hotel.

According to federal records, American Life had made a total of \$292.38 million in capital investment as of December 2006. With 303 immigrant investors participating, some 3,000 jobs have been created, according to Liebman.

He estimates about one-fourth are direct jobs created either in the renovation of his properties or through his tenants. The remaining are indirect jobs created at area businesses picking up new trade from his tenants, such as restaurants and suppliers.

A recent change in federal regulations requires any jobs created to be new to the United States, not just to Sodo, and is retroactive to 2003. Liebman said he can meet those new criteria. For example, he said, American Life tenant [Allrecipes.com](#) has created at least 60 new jobs, while Seattle Biodiesel has 39.

The Sodo program works this way: Investors receive 70 percent of the income produced by properties, after management and syndication fees are deducted. American Life frequently splits the remaining 30 percent with the development partner who renovates the acquired property and the real estate broker who brought in the deal.

About half of American Life's investors are from the United States. American Life also receives money from foreigners who aren't interested in immigrating, Liebman said.

The buildings could one day be sold to other investors. Additionally, American Life could create a real estate investment trust or be bought by one, Liebman said.

The Sodo district in which American Life invests is one of about two dozen such "regional centers" under the federal program, formally known as the EB-5 program, which is intended to create at least 10 jobs per \$500,000 investment in areas with high unemployment rates.

Each year, U.S. Citizenship and Immigration Services can grant up to 10,000 visas to foreigners in exchange for investments of \$500,000 or more. Nationally, the program attracted \$271.5 million in foreign investment last year, officials say, producing an estimated 6,000 jobs.

Meanwhile, the federal alien investor program is expanding nationally, with the newest additions in Houston and Milwaukee.

Washington state already has four such "regional centers" for such investment, located in Blaine, Tukwila, Seattle and, soon, in Snohomish County.

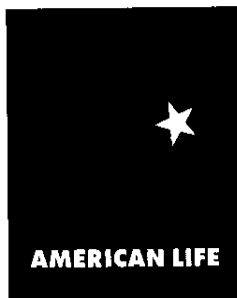
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Real Estate Development Company

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Real Estate Development Company

EXECUTIVE SUMMARY

Business Strategy

American Life Inc. (“*American Life*” or the “*Company*”) offers investors a secure investment in prime real estate. The investment offers superior monthly income and a significant capital gain opportunity. The proven strategy developed over the past decade is to:

1. Acquire aging industrial properties immediately south of downtown Seattle (SODO district).
2. Create a footprint of contiguous properties which, at a future date, could be sold to a corporate user or developer as a site for a corporate campus. (Note: this is compelling because the window to find a campus with a Seattle address close to downtown, the port and infrastructure is rapidly closing.)
3. Make limited improvements to allow rental at reasonable rates to commercial tenants, while providing investors with a meaningful income return.
4. Operate with the lowest possible risk by remaining free of debt, and owning all properties unencumbered by bank loans. (Note: by avoiding mortgage interest costs *American Life* will maximize current income to its investors while patiently awaiting the exit strategy that maximizes investor profits.)

Potential for Capital Gain

SODO, an industrial area immediately “south of downtown” Seattle, is in transition to mixed-use. Bounded by Seahawks Stadium to the North, Spokane Street to the South, The Port of Seattle to the West and Interstate 5 to the East, it is becoming an urban hub similar other former industrial areas, such as Coors Field in Denver, South of Market Street in San Francisco, the Docklands in London, and the Daiba area in Tokyo. The transition from industrial to mixed uses (residential, commercial and industrial) stands to significantly increase land values. See Exit Strategy below.

SODO's proximity to downtown Seattle and important infrastructure (including the Port of Seattle, Interstates 5, Interstate 90 and Highway 99, and Boeing Field) make it amongst the most accessible zip codes for commerce and industry, in the greater Seattle area. Furthermore, SODO is the last of the downtown Seattle neighborhoods to begin a metamorphosis.

The principals behind *American Life* targeted SODO as a high growth area as early as 1990. *American Life Inc.*, formed in 1996, raises capital to acquire a meaningful market share of SODO real estate. Governmental entities own or utilize approximately 60% of SODO's total of 550 acres. *American Life Inc.*, which now controls, through ownership or leasehold interest, approximately 20 acres of the some 220 acres available for private development, is one of the largest privately owned property portfolios in SODO.

SODO continues to receive an infusion of capital investment. Safeco Field, (home of the Seattle Mariners); Seahawks Stadium, a new football stadium; a new exhibition center, important transportation upgrades and the redevelopment of commercial and retail space adjacent to the Seattle railway station, make an impressive transition from downtown Seattle into SODO. Significant infrastructure upgrades are also underway. Improvements include expansion of all highways that bound SODO, and the extension of commuter lines. These are scheduled for completion by 2009, making SODO the hub of Puget Sound's regional transportation system.

SODO offers the largest and most convenient close-in location to accommodate future growth. Surrounding mountain ranges and large bodies of water limit the land that is available for development and for transportation systems in the Seattle area. As a result, the real estate rental market places a premium on convenient close-in locations. The continuing steady growth of the Seattle area increases pressure on SODO, Seattle's only centrally located industrial area, able to transform from industrial to mixed-use.

Significant momentum now exists to change the current zoning from primarily industrial uses, to that of mixed-use large-scale office, retail and residential applications. The Port of Seattle recently announced plans to convert harbor property along Alaskan Way into high-income condo living, and the Old Rainier Brewery/Tully's roasting plant on Interstate 5 has been approved for conversion into live work apartments. With residential spaces approved for development, demand will increase for retail and schools. Companies such as Starbucks, Boeing, and Amazon.com already maintain substantial office facilities in the area. Major retailers already include Sears, Costco, Home Depot and Office Max.

Many of the Seattle City Council representatives publicly support rezoning SODO to full mixed use. While a future rezoning, of course, cannot be guaranteed all indications are that it will occur. But, even without rezoning, SODO's superior location will continue to drive land prices and rents upward. The addition of residential uses will merely accelerate the process of increasing land values.

Secure Income Stream

American Life properties have historically maintained 97% occupancy. The overall growth of the Seattle economy, coupled with SODO's unique location immediately south of downtown, attracts companies to the area. At the same time, government has been acquiring substantial amounts of SODO land and buildings for capital and transportation infrastructure projects. This net reduction in building stock diminishes supply, while the market continues to demand more.

Due to proximity to Seattle's downtown and regional transportation infrastructure, SODO warehouse rents tend to be higher than warehouse rents in more distant locations. Over the past twenty years, SODO rents have increased at an average rate of some 7% a year, compared to the South Seattle industrial area average rental increase of 3% a year.¹ *American Life* management believes that investors who wish to project future rental increases may conservatively assume annual rental increases of 5 – 6%. 5-6% is higher than current market (location), but lower than the historical norm over past 20 years.

Providing a superior service keeps buildings rented. *American Life* works directly with its tenants in customizing spaces to best suit their needs. In addition to normal property management services, *American Life* tenants receive free space planning and access to loans for tenant improvements. As tenant space needs grow and change, they may also rearrange their space within any *American Life* building without penalty. Referrals from satisfied tenants are our best source of new business.

To prevent cost and level of service issues from affecting investor returns, all tenants sign "triple net leases"². Under these leases, all building operating expenses are charged to tenants.

1. Source: Lamb, Hanson and Lamb Appraisers.
2. Triple Net is a term for all expenses of the building, including: tax, insurance, repairs and utilities

Exit Strategy Options

Management believes the SODO rezone from industrial use to full mixed-use will occur. Even without a rezone, management believes that SODO land values will continue to rise as a result of their superior location and increasing income stream. If and when a rezone occurs, the returns would be more significant.

Management considers that the minimum holding period is until all public works projects are completed. These include the various freeway expansion and light rail projects.

Regardless of whether a rezone to mixed-use does in fact occur, exit strategies and options include:

- Selling to a large developer
- Selling to a real estate investment trust
- Developing the parcels and selling each parcel separately as mixed-use campus
- Forming a publicly traded real estate investment trust

Partnership Structure and Investor Safety

American Life's partnerships allow investment until each property is free and clear of mortgage financing; this assures maximum investor safety. *American Life* purchases each property with its own funds and interim mortgage financing that is personally guaranteed by the Company's shareholders. Under normal circumstances, each property is owned by a separate limited partnership with the Company acting as the managing general partner.

The property is assigned to a limited partnership, (made up of its investors,) and acts as the investment vehicle for investors. *American Life* uses investor proceeds to pay down the mortgage debt. When the balance of the mortgage reaches zero for a particular property, and when the partnership for that property has adequate reserves for future repairs and renovations, the specific limited partnership and the specific partnership is closed to additional investors.

Investors as limited partners have no obligation to fund future capital needs, although in the unlikely event that there were a capital call, a non-contributing partner could be diluted. If a need for funds occurs, *American Life* expects to provide or arrange for required financing and to fund negative cash flow when necessary.

A partnership's investors, as a group, receive 70% of the monthly income and capital gain related to that partnership. Amounts are calculated on a partnership-by-partnership basis and paid monthly; there is no pooling of results from multiple partnerships. Unlike common industry practice, *American Life* charges no asset management fees to the partnerships. It does charge certain service fees to tenants.



Real Estate Development Company

COMPANY INTRODUCTION

History and Operations

American Life Inc., established in 1996 ("*American Life*" or the "Company"), assembles contiguous and near-by properties within the Duwamish industrial area ("SODO"), a section bordering the south end of downtown Seattle, extending south to Spokane Street. Management believes SODO will grow significantly in importance and value in the mid to long-term. In particular, due to Seattle's geography that severely limits available land near-downtown, management sees that Seattle's historically steady growth will force SODO, presently Seattle's only centrally located industrial area, to transform to a higher-value full mixed-use district. The Port of Seattle and many of the Seattle City Council representatives publicly support rezoning portions of SODO to full mixed-use status.

The management of *American Life* began investing in the Seattle area in 1974. Since its formation in 1996, the Company or persons closely related to it purchased or leased 27 prime warehouse properties in or nearby SODO and added significant value by converting what were low yielding warehouses into higher return, flexible office, hi-tech, shop and storage space. The Company and its principals now control approximately 20 acres within SODO. This represents approximately 9% of the limited portion of SODO land available for private development, making *American Life* one of the largest private holders of SODO real estate.

Initially, *American Life* and its principals relied on their own capital, borrowed funds, and earnings to make acquisitions and property improvements. Soon thereafter they began seeking U.S. and international investment, developing in the process a standard limited partnership format. Under this format, *American Life* acts as general partner with investors entering as legally protected limited partners. Investors earn regular monthly income from their partnership's rent roll as well as future appreciation.

For the safety and security of the investors, *American Life* does not attempt to increase yield to investors maintaining debt. To the contrary, *American Life* strives to reduce existing mortgage balances to zero. *American Life* applies the proceeds of sales of limited partnership interests to investors to pay down debt on the related property. *American Life* closes off further investment in a partnership once the debt on that property had been fully repaid and a reasonable reserve fund established.

American Life pays the mortgage on each property from its own funds until the mortgage is paid in full. The Company's principals have made personal guarantees covering all debt and no debt is cross-collateralized among the properties and partnerships.

The Company runs a lean operation to minimize any direct expenses charged against the partnerships' earnings. To produce a stable income stream, all tenant leases are on a triple-net basis. *American Life* does not charge separate management fees to the limited partnerships.

Company Goals

American Life's goals are simply stated:

1. To build a strategic portfolio of contiguous and near-by properties within and adjacent to SODO, a district in the path of current and future development, that will have a value far in excess of the sum of each property's separate value.
2. To realize such value in the future by:
 - a. Selling part or all of the portfolio to a large developer or real estate investment trust,
 - b. Developing the parcels into a mixed-use campus, or
 - c. Forming a publicly traded real estate investment trust.
3. To earn for the Company and investors a secure income stream.
4. To be the major private sector property holder in the SODO area

Management Team

Henry Liebman - President and Co-Founder

Mr. Liebman graduated from the University of Washington in 1973, receiving a BA in Political Science. Since receiving his JD from the Puget Sound School of Law in 1980, Mr. Liebman has had over twenty years experience in real estate law as Managing Partner of Coe Nordwall Liebman LLC and currently at Liebman-Mimbu PLLC. Mr. Liebman also served as Of Counsel for immigration matters to Musik Peeler & Garret, a Los Angeles based law firm, and was a founder of Northwest Business Bank, serving as the bank's first Board Chairman and now as a Director.

In addition to his professional activities, during the past 20 years Mr. Liebman has been actively involved in commercial real estate management and investment. Mr. Liebman's unique business and legal background provides particular value to *American Life* and its investors. He is a member of the board of Enterprise Seattle, and a founding member of the Seattle SODO Rotary Club.

Ray Klein - Vice President and Co-Founder

Mr. Klein graduated from Rensselaer Polytechnic Institute in 1985 with a BS in Computer Science. He received his MS in Computer Science from Michigan State University in 1987. Three years later in Tokyo Japan, Mr. Klein established a strategic consulting firm specializing in funding Japanese hi-tech companies. Through this firm, TekInvest KK, Mr. Klein successfully funded

several Japanese firms, most notably NetRatings Japan, Inc. (AC Nielsen's Japanese licensee), and Mixx Entertainment Inc.

Mr. Klein has served as a Board Member of NetRatings Japan, Inc. and Watchfire, Inc. He also served as executive advisor to Network Associates, guiding its entry into Japanese markets. Mr. Klein also served as Chairman of the Invest in USA Committee of the American Chamber of Commerce in Japan in 1996 and 1997. In 1998 Mr. Klein turned his attention to real estate investment, focusing on raising capital and developing strategic relationships for *American Life* Inc. Mr. Klein's depth of knowledge, skills, and experience with mergers and acquisitions lend significant strength to *American Life* support of its international investors.

Gregory L. Steinhauer: Chief Operating Officer

Mr. Steinhauer is a graduate of the Wharton School, University of Pennsylvania with a Bachelor of Science Degree in Economics 1984. He has spent his entire working career in Construction and Real Estate Development.

A lifelong resident of Seattle, he was President of a Construction and Residential Development Company for 15 years that specialized in Urban Infill Mid-rise projects. Prior to joining American Life, he was most recently a Vice President of Development at a \$1 Billion Dollar Institutional Real Estate Investment Firm where he was active in acquiring and entitling several projects.

Mr. Steinhauer is an active board member of Mercer Island Boys and Girls Club and he and his wife are active longtime supporters of the Fred Hutchinson Cancer Research Center.

Jo Hwang - Administrative and Marketing Director

Ms. Hwang, a long time resident of Seattle, attended the University of Washington. Prior to joining American Life, Inc. in 2000, Ms. Hwang spent eight years at Herrmann Law Firm as a paralegal specializing in all areas of immigration, personal injury, and other areas of law. She also successfully managed her own businesses in Seattle-Tacoma area for many years.

At American Life, along with managing various properties, tenants and investors, Ms. Hwang assists non-U.S. persons who wish to invest in projects qualifying them for either a U.S. immigrant visa or a non-immigrant visa.

Donald R. Ayres - Property Manager

Mr. Ayers brings 30 years of management and development experience to American Life Inc. Prior to joining American Life Inc., he was with HealthForce Partners as a founding member and Senior VP of 12 physical therapy clinics and 4 Regional Occupational Medicine Clinics in King and Snohomish Counties. He has been working in the Seattle business community for 30 years and was a founding partner in Eagle Rehab in 1992, a 40-office group of clinics through Washington State where he served as regional manager in charge of operations, facility development, and property management as well holding responsibility for budgeting and business development for 17 clinics. Prior to that he founded Therapy Network Services, a 175 member IPA in 3 states that contracted

with Insurance Companies to provide rehabilitation.

Mr. Ayers received his BS in Athletic Training from Washington State University and post-graduate degree in Physical Therapy in 1976 from Children's Hospital in Los Angeles. He has served as Board Chair for Washington State Private Practice and Socioeconomic Chairman for The Washington State Physical Therapy Association. He has also served as President of Everett Golf and Country Club in 2001 and currently serves on the BOD and is Vice Chair of the Providence Everett Medical Center Foundation.

Jim Christensen – CFO Consultant

Mr. Christensen graduated from Minnesota State University in 1972 with a BS degree in Accounting and has 30 years of increasingly responsible positions in accounting and finance, both in public accounting and in industry. Mr. Christensen obtained his CPA in 1974 while employed six years with KPMG Peat Marwick in Minneapolis, a large international public accounting firm. While there he performed audit services for a variety of publicly held industries, both medium and large.

During the mid 1980's, Mr. Christensen was the Corporate Controller & CAO for Food Services of America, a large (formerly publicly owned) wholesale distributor/retail food company. Since then he has 16 years of experience as the Chief Financial Officer for small to medium and rapidly growing and privately owned wholesale distribution companies. This includes NutraSource Inc, a leading Northwest natural food wholesaler, successfully sold in 1995. More recently, he was the CFO for Pacific Rim Import Corp, one of the largest independent wholesale gift and houseware import distributors in the nation. Mr. Christensen has a strong background in managing accounting, finance and administration functions.

Richard Robinson - Managing Director (London)

Mr. Robinson attended the London School of Economics where he studied the London Stock Exchange Members course. He joined the firm of Pember & Boyle, the Gilt Edged securities stock broker partnership in 1966 where he became an interbank sterling money dealer. In 1972, he established an investor relations division for one of London's larger public relations companies and opened his own investor relations company in 1977, which he ran until 2003. That same year he formed Robinson O'Connell, a US immigration practice specializing in the Investor Immigrant visa and related Regional Center investments. In May 2006, Mr. Robinson became the Managing Director for American Life, Inc.'s London office.

Shari Hollinger - Account Manager

Ms. Hollinger attended the University of Alaska in Business Administration with an emphasis in Accounting. Ms. Hollinger spent five years with Atlantic Richfield early in her career. For the past 15 years, she has devoted her efforts to working with a variety of small businesses including her family's trucking firm. She brings to *American Life* her experience gained in the areas of cash management, project accounting, finance, and commercial property management. Ms. Hollinger has been with *American Life* since 1998.

Derrick Chasan – Sales and Marketing

Mr. Chasan graduated from the University of Leeds (UK) with a B.A Honors in 1970. In 1973 he was awarded his MBA from the University of Cape Town (South Africa). Mr. Chasan has over 30 years experience marketing brands for a number of prestigious Northwest companies including Starbucks Coffee, Pyramid Brewing, Stimson Lane Winery, the Washington State Lottery and Corbis. In 2003, Mr. Chasan changed his focus to real estate investment and raising capital for *American Life Inc* from domestic investors.

Vincent DeLuca

Mr. DeLuca graduated from Kent State University in 1967 with a bachelor’s degree in marketing and economics. He also earned a masters degree from Cleveland State University in 1972. He was accepted into the Mensa Society in 1975. As a real estate consultant, Mr. DeLuca is a Senior Vice President within the Colliers International office in Seattle. He has been with Colliers working in Seattle and Western Washington real estate for twenty-three years. He has been affiliated with *American Life* and its principals for the past five years.

James Dillon - Construction and Design Manger

Mr. Dillon graduated in 1974 from the Philadelphia College of Art receiving a BS in Environmental Design. He later received his Master of Architecture degree from Carnegie Mellon University in 1978. Mr. Dillon has over 28 years of experience in architectural design and construction as senior designer at DMJM, one of top ten architectural and engineering firms in the world, and currently as the President of Dillon Design and Constructions, Inc. Mr. Dillon manages, builds and designs all *American Life’s* construction projects and remodels.

References

- Smith Barney



Deposit Relationship

(b)(4)

- Pacific Continental Bank



Deposit Relationship

- Wells Fargo



Deposit Relationship

- Keller Rohrback LLP, Attorneys-at-Law



- (b)(4)
- Morrow Kessler Dowsing, Certified Public Accountants



Potential Conflicts

Due to the central management by the Company and its principals of all *American Life* properties, each of which has a different set of investors, there are unavoidable potential conflicts that may arise and of which investors must be aware and accept. These include, without limitation:

- Which property's vacant space will be shown and offered to a prospective tenant;
- The pricing allocation among properties when two or more partnerships' properties are to be sold in a single transaction or related transactions; and
- The Company's receipt of certain management fees directly from tenants.

American Life will use its best efforts to resolve any conflicts that arise in a fair and impartial manner.



Real Estate Development Company

PNW/SEATTLE—GENERAL ECONOMIC DATA AND TRENDS

Introduction-The Seattle Metropolitan Area

The Seattle metropolitan area/Puget Sound region, the economic and cultural capital of the northwestern United States, houses the largest concentration of population north of San Francisco and west of Chicago. The leading regional financial institutions and several major corporations base their headquarters in the Seattle area. Seattle's modern seaport and airport link the area to the outside world and serve as a major transshipment point from Asia to the entire United States. The historic growth of the Pacific Northwest coupled with the expansion of Pacific Rim economies should sustain Seattle's growth well into the future.

Geography

The Seattle metropolitan area lies in the northwest corner of the continental U.S. on Puget Sound in western Washington State. Puget Sound directly connects Seattle and the Pacific Ocean, 110 miles to the west. The Puget Sound region includes four Census-defined metropolitan areas, one of which includes Seattle, Bellevue, Everett and the adjacent areas. Each of the four areas is referred to as a "PMSA" (Primary Metropolitan Statistical Area) while these four PMSAs combined comprise the Seattle-Tacoma-Bremerton Consolidated Metropolitan Statistical Area ("CMSA").

The Seattle urban area is long and slender, sandwiched between an inland sea and two mountain ranges, extending 100 miles from north to south but little more than 15 miles wide in the east-west direction. The city of Seattle lies near the center of this ribbon of urban development, occupying a narrow isthmus that divides Puget Sound to the west from seventeen-mile long Lake Washington to the east.

Economy

Captain Cook visited Puget Sound during his third voyage of discovery. Cook described an area rich in natural resources, blessed with a mild climate, but not practical for colonization due to its distance by sailing ship from European population centers. Modern communications and particularly jet airplane travel, not coincidentally first mass produced in Seattle, conquered the problems of distance and set off a prolonged period of growth and economic development in the Pacific Northwest of North America.

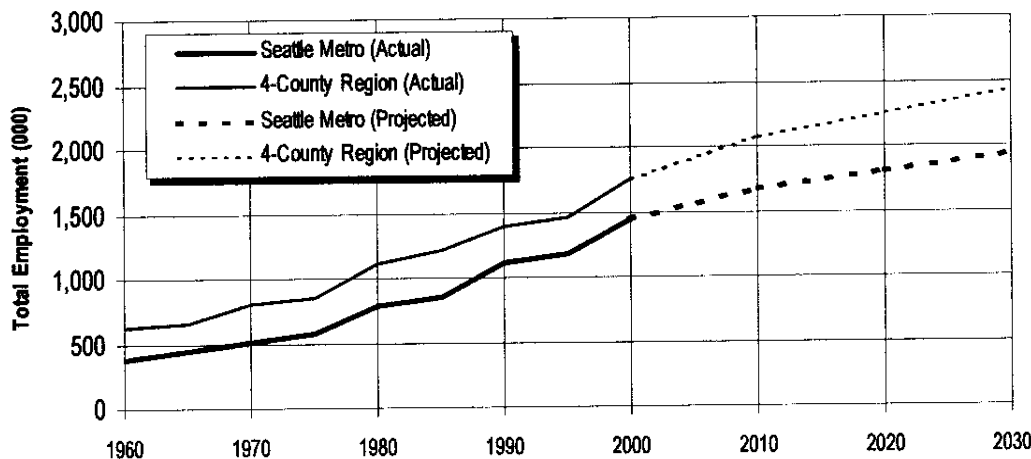
Historically, the aerospace, forest products, and shipping industries, along with the military, have formed the economic base of the Puget Sound region. Emerging major industries include software, biotechnology, tourism, Internet services, and telecommunications. Seattle's central

residential and business districts have not experienced the blight and decay found in many other big cities. The region's economy has several notable characteristics:

- **Above-average growth.** Historically, the Seattle/Puget Sound economy has expanded faster than the national economy and that of most other West Coast cities. Above-average growth is a long-run trend transcending business cycles that should continue throughout the foreseeable future.

Total employment in Seattle more than doubled between 1960 and 1980, from 370,000 to 780,000. By 2000, total employment increased to more than 1.4 million. The Puget Sound Regional Council (PSRC) projects that metropolitan Seattle will contain 1.66 million jobs by 2010, 1.8 million jobs by 2020, and nearly 2 million jobs by 2030.

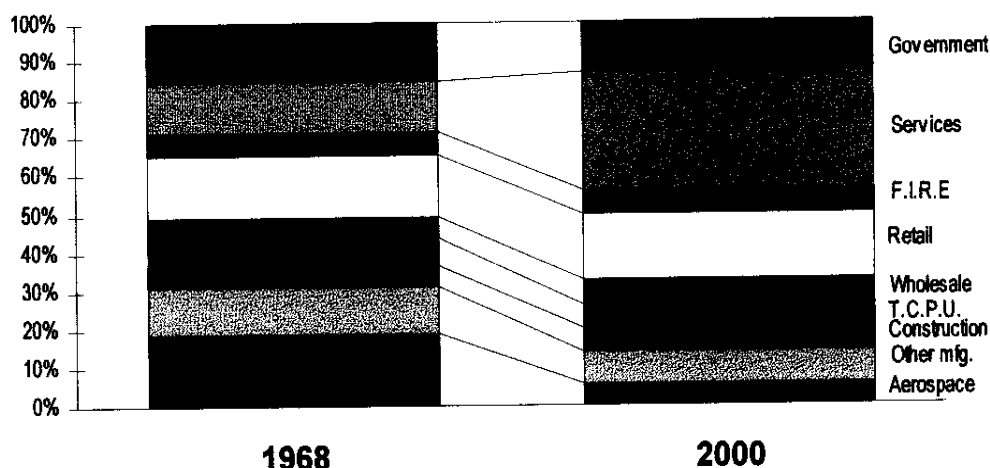
Historical and Projected Employment



Sources: Washington Office of Financial Management; Puget Sound Regional Council; Property Counselors

- **Dominance of Boeing.** Seattle has long had a reputation of being a one-industry town, and Boeing is still its most important single employer. In 2000, aerospace alone comprised 41.4 percent of all manufacturing jobs in the Seattle PMSA. However, this industry constituted only about 5.8 percent of total non-agricultural employment, down significantly from 18.8 percent in 1968.
- **Strongly cyclical.** The Seattle area has grown in periodic surges associated with economic cycles, lasting roughly a decade. This pattern repeated itself during each of the last four decades. Each decade began with a recession or comparatively slow growth, followed by economic booms and rapid expansion of employment and population in the closing years of each decade. This pattern appears to be repeating itself in the first decade of the 21st century.
- **Shift to Services.** Like other cities nationwide, Seattle's economy is shifting from manufacturing to dominance by service and knowledge intensive industries. This trend is evident in the *Changing Employment Distribution* table below.

Changing Employment Distribution



Sources: Washington Employment Security Department; Property Counselors

The traditional goods-producing activities are declining relative to services, biotech, wholesale trade, and retail trade. The services sector includes the rapidly expanding computer software industry.

- Growth of Advanced Technology.** The Seattle area is a leading center of software, telecommunications, biotechnology, and medical-technology industries. Microsoft, now the world's largest software maker, employs approximately 23,000 workers locally, making it the second-largest private sector employer in the region. Biotechnology—centered around the University of Washington, the Fred Hutchinson Cancer Research Institute, and the large complex of medical facilities in Seattle—is another rapidly-expanding industry.

In the last half of the 1990s, Internet-related companies grew rapidly. Firms such as F5Networks, Amazon.com, Real Networks and many more expanded rapidly fueling demand for thousands of workers and millions of square feet of office space. In mid-2000, the Internet stocks crashed, and many of the formerly high-flying firms disappeared, evaporating demand for large blocks of office space, and causing many developers to place projects on hold. While Seattle still contains a large number of Internet-related companies, many remain in financial difficulty and others have greatly scaled back their growth plans.

Despite the current slowdown, the central Puget Sound region remains attractive to high technology industries principally because it possesses one of the most highly trained and well-educated labor forces in the U.S. Boeing created a large demand for such workers, while the University of Washington and other local higher education institutions provided much of the supply. The aerospace and software industries created numerous spin-off and support activities. The Puget Sound region enjoys excellent access to the high tech industries in both California and Japan. Finally, the region's environmental and cultural amenities attract entrepreneurs and workers alike.

- Links to the Pacific Rim.** Pacific Rim economic expansion influences the growth of the Puget Sound region. With Boeing, Microsoft, agriculture, and the forest products

industry, the Puget Sound economy is the largest per capita exporter in the U.S. The area's location gives it special advantages as a transshipment point between the U.S. economic heartland and Alaska, Japan, South Korea, Hong Kong, Taiwan, and other points around the Pacific. By ship, the Puget Sound ports are a full day closer to the Orient than their competitors in California.

Seattle's port was one of the first in the nation to develop modern container-handling facilities. The Puget Sound load center (including both Seattle and Tacoma) is the second-busiest port on the west coast after Los Angeles/ Long Beach.

In 1996, the U.S. Navy completed its new homeport for an aircraft carrier battle group in Everett. This base brought 18,000 new jobs to Snohomish County. Higher military spending, pushed by the Bush administration, should increase military expenditures in the region in the future.

- **Alaska.** Alaska, a land area one-sixth the size of the entire continental U.S., is a treasure trove of energy and natural resources. Since the Klondike gold rush of the 1890's, virtually every item needed to support Alaska's 500,000 people, resource and energy extraction comes through Seattle. The business of supplying Alaska, although not publicized, provides one of the mainstays of the Seattle economy.

To summarize, downtown Seattle remains the chief center of financial, administrative, and office activities for the Pacific Northwest. Seattle and the Puget Sound area's combination of a central location on the Pacific Rim, highly educated work force, low cost hydro-electric power, and abundant natural resources, despite the ups and downs of economic cycles, continues to create a dynamic and growing economy.

Population Trends

The Seattle area's population has grown in periodic surges associated with economic cycles. This pattern has repeated itself during each of the last four decades. Each decade began with a recession and comparatively slow population growth, followed by economic booms and rapid expansion of employment and population in the closing years of each decade.

Also, several non-economic factors may influence population growth. These are the national publicity that Seattle is the best city to live in from a life-style perspective and some migration that occurs from Californians sick of the expensive crowded conditions in the San Francisco and Los Angeles areas.

According to the Washington State Office of Financial Management, the city of Seattle contained 568,100 people in 2001 with the total population of the Puget Sound region numbering more than 3.6 million. Current and historic population data at the county and metro area levels are summarized in the following table.

Populations of Metro Areas

Metropolitan Area	1970	1980	1990	2000	2001
Seattle PMSA	1,424,611	1,607,618	2,033,128	2,414,616	2,449,300
King County	1,159,375	1,269,898	1,507,305	1,737,034	1,758,300
Snohomish County	265,236	337,720	465,628	606,024	618,600
Island County	27,011	44,048	60,195	71,558	72,400
Tacoma PMSA (Pierce)	412,344	485,667	586,203	700,820	713,400
Bremerton PMSA (Kitsap)	101,732	147,152	189,731	231,969	233,400
Olympia PMSA (Thurston)	76,894	124,264	161,238	207,355	210,200
Seattle CMSA	2,042,592	2,408,749	2,970,300	3,554,760	3,606,300

PMSA = Primary Metropolitan Statistical Area; CMSA = Consolidated Metropolitan Statistical Area
 Sources: U.S. Census; Washington Office of Financial Management; Property Counselors

Nearly three-fourths of the Seattle PMSA's population lives within its 60 incorporated cities and towns. The following table lists the largest cities in the PMSA.

Largest Cities, 2001

Rank	City	County	Population	Rank	City	County	Population
1	Seattle	King	568,100	7	Renton	King	51,140
2	Bellevue	King	111,500	8	Kirkland	King	45,770
3	Everett	Snohomish	95,990	9	Redmond	King	45,490
4	Federal Way	King	83,890	10	Auburn	King	43,985
5	Kent	King	81,900	11	Edmonds	Snohomish	39,590
6	Shoreline	King	53,150	12	Sammamish	King	34,560

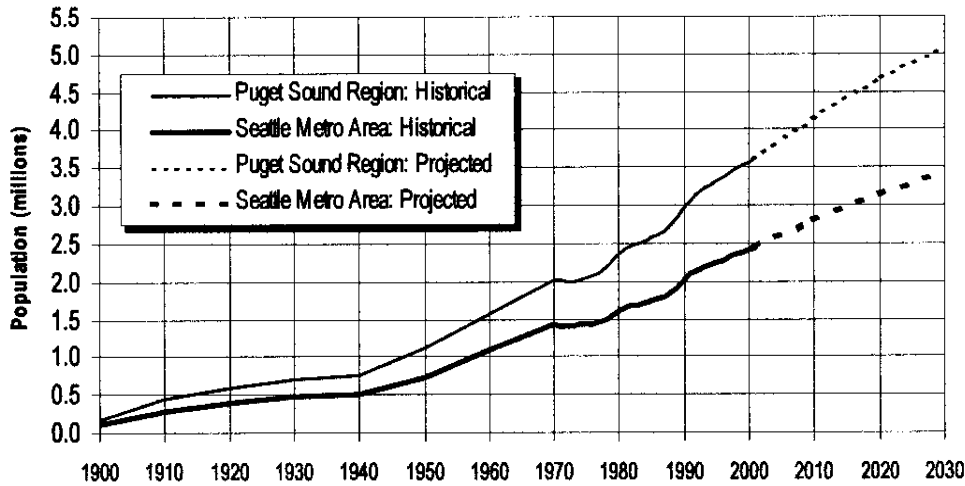
Sources: Washington Office of Financial Management; Property Counselors

The combined population of all cities and towns in the Seattle PMSA stood at 1,751,998 in 2000, while unincorporated areas contained 697,302 inhabitants.

Like other large U.S. urban areas, Seattle's population was stable or declining prior to 1990. In the late 1980s, Seattle reversed a 30-year decline, and its population rebounded from 493,846 in 1980 to 568,100 by 2001, the highest ever recorded for the city. This growth came despite no significant annexation of territory by Seattle. Seattle's downtown is among the fastest-growing neighborhoods in the region.

By 2010, the PMSA's population is expected to approach 2.76 million (refer to the *Population Trends* graph below) and should exceed 3.1 million by 2020. The population of the entire Puget Sound region is expected to surpass 4.1 million by 2010 and should approach 4.7 million by 2020. By 2030, nearly 5.1 million people are expected to call the Puget Sound region home.

Population Trends



Sources: U.S. Census; Washington Office of Financial Management; Property Counselors

The most rapid growth is expected to be to the east, southeast, and northeast of Seattle. Modest projected increases in the southwest and North End suburbs are expected to result from a dwindling supply of vacant land and encroachment of commercial and industrial uses on older residential neighborhoods. Seattle and the inner suburbs (Highline, Burien, Shoreline, Bellevue, Kirkland, and Renton) are expected to grow slowly, as increases in the number of new housing units are offset by declining household sizes. Most residential development in these areas will involve infill construction, renovation, and conversion of non-residential buildings to residential use. The number of households in Seattle is expected to continue growing as the proportion of small (one and two person) households keeps expanding.

Incomes and Purchasing Power

Household incomes are higher in the Seattle area than elsewhere in Washington State and the U.S. The distributions of disposable household income for the Seattle PMSA, Washington State, and the U.S. appear in the following *Disposable Income* table.

Disposable Income for Seattle, Washington, and the U.S.

2000 Disposable Income	Household City Seattle	of Seattle Suburbs	King County	Seattle PMSA	Sea-Tac CMSA	State Wash.	of United States
Less than \$20,000	17.3%	11.1%	12.4%	12.8%	15.2%	19.9%	24.4%
\$20,000 to \$34,999	16.3%	14.7%	14.0%	15.1%	16.9%	19.2%	20.7%
\$35,000 to \$49,999	13.6%	15.5%	14.0%	15.0%	16.1%	16.5%	16.8%
\$50,000 and over	52.8%	58.7%	59.6%	57.1%	51.8%	44.4%	38.2%
Median household EBI	\$53,490	\$58,638	\$60,393	\$57,246	\$51,744	\$44,682	\$39,129
Average household EBI	\$62,552	\$49,744	\$72,038	\$68,094	\$62,263	\$54,921	\$49,252
Per capita EBI	\$29,030	\$30,062	\$29,726	\$27,315	\$24,415	\$21,284	\$18,246
Aggregate EBI (\$million)	\$16,576	\$35,572	\$52,149	\$66,739	\$87,859	\$127,088	\$5,230,825

PMSA = Primary Metropolitan Statistical Area (King, Snohomish, and Island counties)
 CMSA = Consolidated Metropolitan Statistical Area (PMSA plus Pierce, Kitsap, and Thurston counties)
 EBI = Effective buying income (disposable after-tax income)
 Sources: Sales & Marketing Management, 2001 Survey of Buying Power; Property Counselors

The table indicates that the Seattle PMSA has proportionately more households in the over-\$50,000 income group than the U.S. average. The median disposable income of Seattle PMSA households is 28.1 percent higher than the statewide median, and 46.3 percent above the national median.

The principal source of this section's material was Allen N. Safer, MAI.



Real Estate Development Company

SODO—REAL ESTATE MARKET

Background and Description of SODO

Major freeway and transportation access projects, coupled with the recent completion of a convention center and two new sports stadiums, drive SODO's transition from primarily industrial uses to higher yielding office, showroom, high-tech, retail and possibly residential uses. SODO's growth pattern reflects a national trend. Similar development patterns apply to aging, centrally located, industrial areas in Cleveland, San Francisco, and Denver.

The SODO district, a roughly rectangular area directly south of downtown, encompasses 550 acres. Its northern edge lies against Seattle's downtown while its eastern edge borders Interstate 5. Puget Sound borders the west, while Spokane Street forms the southern border.

Seattle's first settlers in the last half of the 19th Century initially built up what is now downtown, Belltown, and First Hill. The area's abundant timber was cut and shipped to San Francisco to supply gold rush stimulated construction. In the 1890s industry started to spill over into what is now SODO, a one square mile area located between Puget Sound and the first range of coastal hills, immediately south of Seattle's present downtown area.

With the extensive rail lines that were built within the area, the draining of the Duwamish River delta, and the development of the immediately adjacent port facilities on the western edge of SODO, warehousing and wholesale trade, spurred by the Klondike, Alaska gold rush, grew alongside with manufacturing.

By the 1920s, much of Seattle's heavy industry was located in SODO. During World War II, SODO factories built airplanes, ships, components, and munitions. Between the end of the Korean War and 1990, warehousing and light industrial activities slowly replaced heavy industry. Since these early days, SODO has been a primarily manufacturing/warehousing area with little change until relatively recently.

In the early 1990's, businesses that primarily served the downtown core started to move into SODO to take advantage of the proximity to customers and the lower rents. These businesses included office supplies, distribution, and furniture, building supplies, art supplies, high tech, banks and professional offices. In addition major retailers like Home Depot, Office Max, and Costco opened major sales outlets within SODO. By 1998, with the major renewal of the northern section of SODO due to the two newly constructed stadiums, downtown's central business district itself began moving into SODO and revitalizing SODO's importance as an urban hub.

New transportation infrastructure drives current growth. New freeway accesses and the light-rail, all under construction, mean that Puget Sound's regional transportation infrastructure ties together within SODO's one square mile. This will make SODO one of the most convenient locations in the Seattle metropolitan area.

Various governmental agencies own or utilize approximately 60% of SODO acreage. These uses include post office transfer facilities; waste recycling facilities, school district office space, social services, the Port of Seattle, mass transit stations and systems, two stadiums and a convention center. As a result, private uses account for a mere 220 acres out of the total 550 acres.

Family run businesses engaged in light industry, warehousing, office and retail activities own most of the privately held land. American Life controls either through ownership or leasehold approximately 20 acres of these 220 acres, or about 9% of the total. American Life focuses on purchasing contiguous properties allowing for future sales of combined parcels of sufficient size to interest institutional developers or real estate investment trusts.

Dynamics of the SODO Real Estate Market

The strong economy and rapid growth of the late 1980s and 1990s touched off a series of land-use conflicts that continue to reverberate throughout the region. The Washington State Growth Management Act (GMA), passed by the Legislature in 1990, mandated the adoption of comprehensive growth-plans to encourage future growth in existing urban areas while restricting low-density "sprawl" in the suburbs. As a result, suburban growth has been slowing while in-fill in established urban areas such as SODO has been increasing.

SODO's small available acreage close to the Port and downtown tends to create a demand for SODO space that generally exceeds the supply. Further, within the Seattle downtown area or near-by districts, the continuing demolition of competing properties for transportation infrastructure and for new office/retail projects creates additional demand because the overall supply of affordable close-in locations is reduced. The approximate 7% average annual rental increases that have occurred over the past twenty years reflect this trend. SODO's 1.5% vacancy rate (north of Spokane St) indicates a tight rental market. This is, by far, the lowest vacancy rate in the region.

SODO's proximity to downtown Seattle, the port, the freeway system, and rail facilities creates demand for space from users with a variety of special requirements for buildings and access. Tenants continue to pay a premium for convenient central locations. As a result, SODO warehouses commonly fetch 50 cents a foot per month as opposed to 35 cents a foot for newer facilities in outlying areas.

SODO's building stock, generally 30 years old or older, works for existing warehouse uses, but not for the new uses moving into the area. As a result, the largest recent non-infrastructure developments within SODO entailed the conversion and re-use of existing facilities, often involving transformation of single-user facilities into multi-tenant properties. The conversion of Sears' turn-of-the-last-century warehouse, distribution and retail facility into Starbucks Coffee's world headquarters, Office Max and other retail uses and the conversion of the U.S. Post Office transfer facility into administrative offices for the City of Seattle School District exemplify this trend.

Growth patterns and infrastructure development continue to increase land prices. In many cases, land values exceed the value of the building. As properties change hands at higher land prices, new owners cannot afford to rent to traditional warehousing and light industrial users. For the foreseeable future, the market dynamics should continue to force the conversion of existing warehouse stock to more intense uses.

Major Infrastructure Developments

A proposal to build a region-wide network of transportation improvements was approved by voters in November 1996. When completed, this system will include a 24-mile light-rail transit system between the University District, downtown Seattle, and Seattle-Tacoma International Airport; a 1.6 mile light-rail line in downtown Tacoma, 81 miles of commuter rail service linking Everett, Seattle, Tacoma, and Lakewood and bus/carpool ramps serving 100+ miles of HOV (high-occupancy vehicle) lanes on the region's freeway network. The estimated completion date for the project is 2009.

Sea-Tac International Airport is being expanded to include a third runway, new and expanded terminals and parking facilities, improved access and circulation roads, a new hotel next to the main terminal, a people-mover system, and connections to the regional light rail network. There are several other transportation infrastructure projects in varying stages of construction and/or funding.

Much of this transportation infrastructure directly benefits SODO. These include:

- **Automobile access improvements.** Major improvements are now underway at both the north and south ends of SODO.

At the north end, construction proceeds on access to SODO from the Interstate 5 and Interstate 90 freeways. The new freeway extension serves both 1st and 4th Avenues South, the two major SODO north/south thoroughfares.

At the south end, upgrades to Highway 99 and the West Seattle Freeway along Spokane Street will provide significantly better access from a number of directions. (Note that the West Seattle Freeway connects with Interstate 5 allowing direct access for drivers coming from the south.)

- **Light-Rail.** This 24-mile system, now under construction, will run through SODO, include two SODO stations and connect SODO to downtown and the airport. Estimated completion is in 2009.

In addition to transportation infrastructure, SODO benefits from:

- **Safeco Field (new home of the Seattle Mariners), a new football stadium, and a new exhibition center.**

- **Effects of February 2001 Earthquake.** The February 2001 Nisqually Earthquake forced some SODO property owners to upgrade their buildings. These repairs and replacements will upgrade SODO as a whole.

Future SODO Rezone

Despite the above-described expansion from its historical industrial use, SODO remains industrially zoned with exceptions large enough to permit the wide variety of uses now found. There is growing momentum to change SODO's zoning from purely industrial, with exceptions for office and retail, to a full mixed-use zoning that would include residential and large office development. Many of the Seattle City Council representatives publicly support rezoning SODO to this full mixed-use status.

Certain Council representatives have only made public their support in mid-2002. As such, the rezoning effort is only in its beginning stages.

American Life Management's Expectation of Future Rentals and Values

American Life partnerships hold land at purchase prices of up to \$110 per square foot (not including building values or improvements). In the future, land sold for high-rise development could be sold for upwards of \$250 per square foot. A SODO rezone to mixed-use supports a potential future realization of such values.

Management further notes that SODO's superior location should continue to drive land prices and rents without a zoning change. The existing zoning prohibits large scale office development (over 50,000 square feet of office in one structure), large box retail, and residential uses, but does not restrict construction of large facilities offering flex space suitable for light industrial, tech, and other modern manufacturing uses. Existing zoning also allows the construction of facilities where employees or owners live in the same structure as where they work. Ironically, Office Max, Home Depot and Costco opened stores in SODO before the advent of the current zoning restrictions. American Life sees that values will continue to increase as a result of steadily rising rents from demand in excess of the limited SODO supply. The addition of residential uses would accelerate the process of increasing land values.

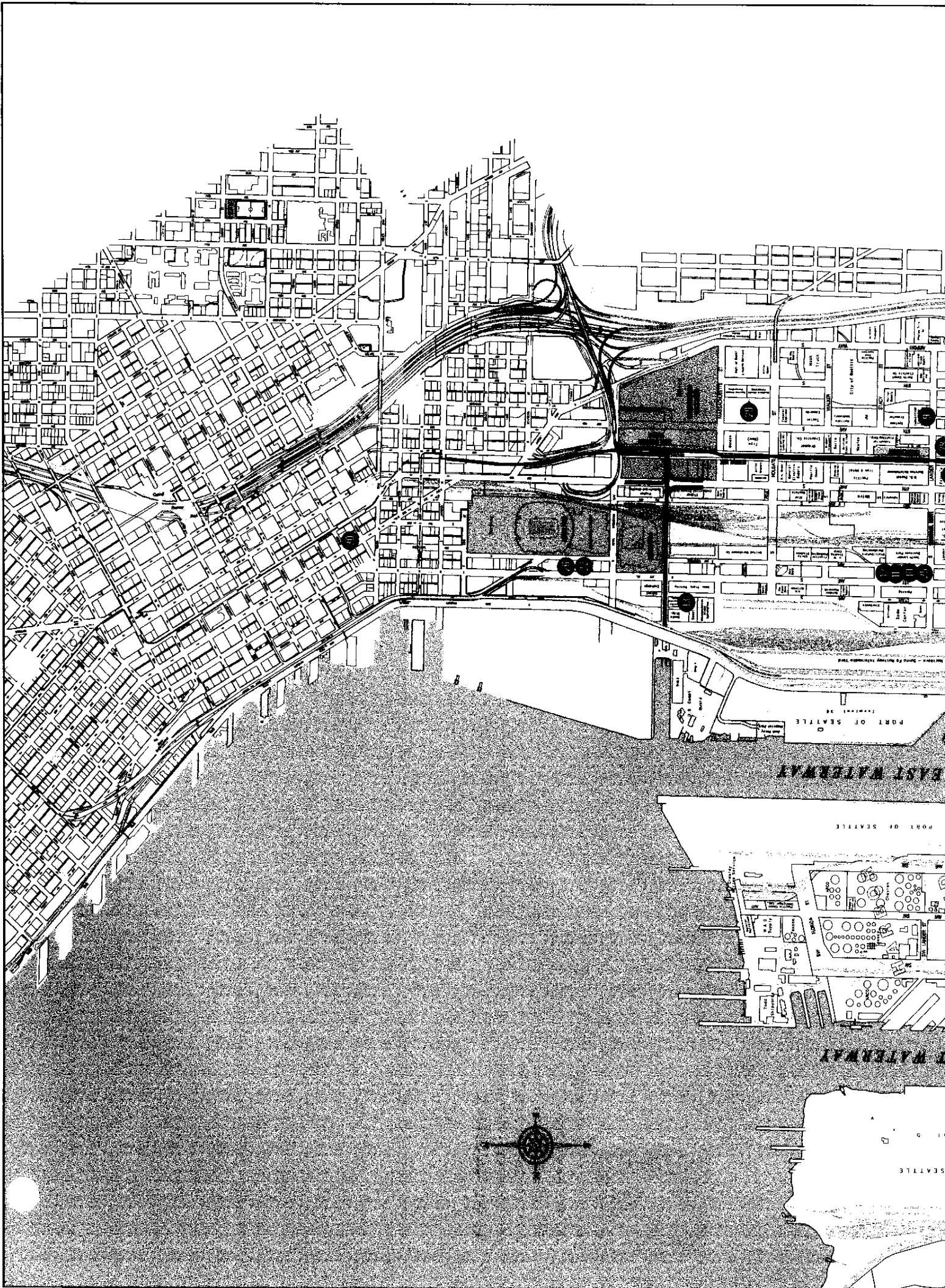
Since any disposition of American Life properties will be some years from now, the level of future rentals is important to investor returns over an extended period. Over the past twenty years, SODO rents have increased at an average rate of some 7% a year. This compares to an average rental increase of 3% per annum for the South Seattle industrial area. Because the past twenty years were years of steadily increasing economic growth, American Life management believes that investors who wish to project future rental increases may conservatively assume annual rental increases of 3% to 5%.

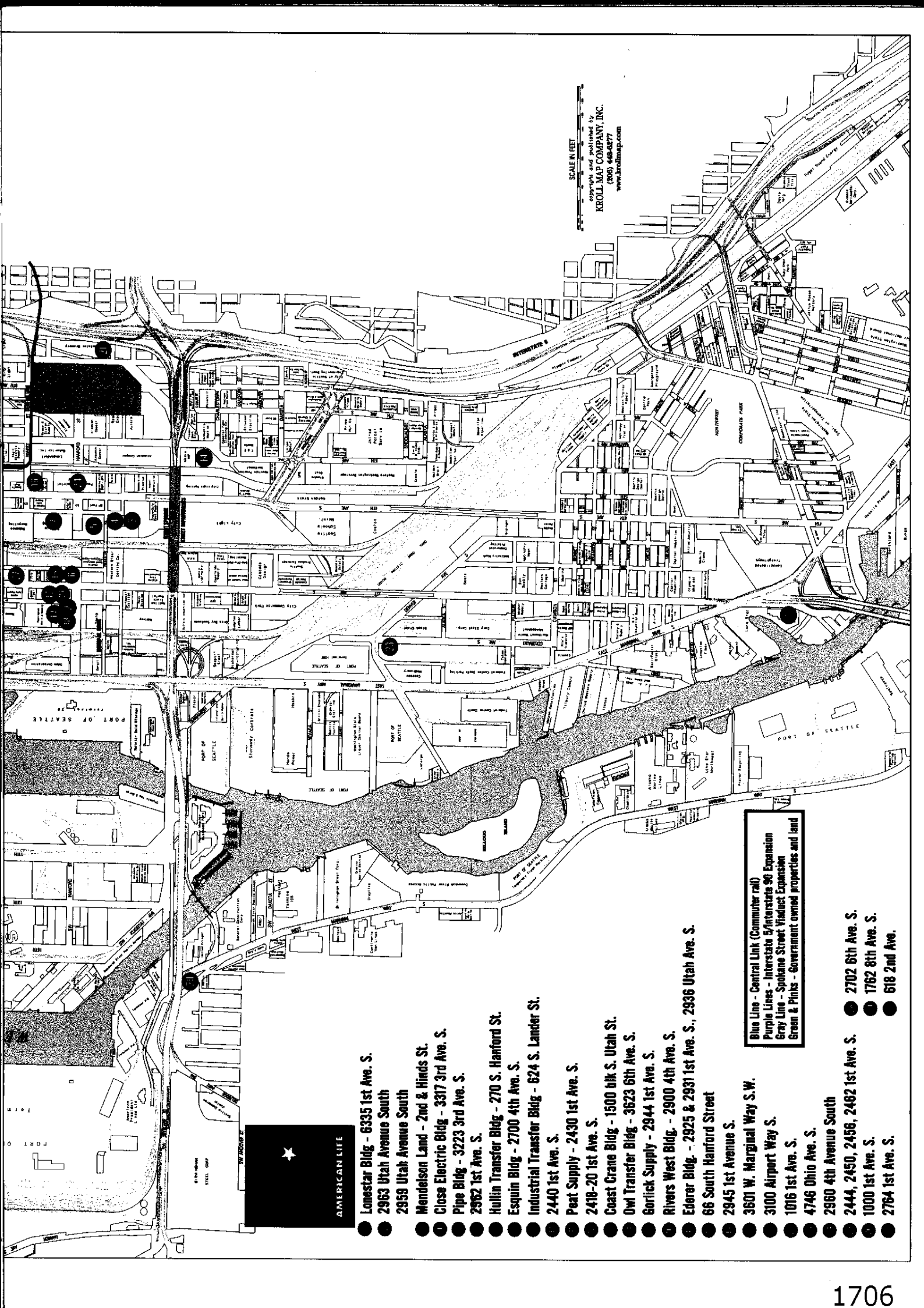
Outlook

American Life management strongly believes that SODO will continue to move from its industrial base to becoming a mixed-use densely populated downtown area. This trend is based on a number of factors that are independent of the status of the region's economy. These factors include the following:

- SODO's land area provides readily available growth potential for businesses serving Seattle's downtown. No other areas of Seattle effectively serve this market.
- Freeway projects increasing vehicular access to SODO will improve the viability of SODO as a place to do business. Increased vehicular access to SODO should entice major retailers to place outlets in SODO as well as attract developers looking for sites for new retail, light industrial, office and residential centers.
- The lower level of rents in SODO relative to other Seattle areas adjacent to downtown will continue to attract a variety of tenants in addition to those from the service and retail sectors. These include tenants looking for office space, light industrial, flex space, and showroom space. No other areas of Seattle effectively service the downtown market.
- The light rail projects will connect SODO to downtown and beyond without depending upon automobile transport. As a result, a variety of new users will want to take advantage of SODO's central location and proximity to downtown.
- Regional traffic congestion coupled with the fact that the entire regional transportation infrastructure comes together within a few SODO city blocks has created a premium on locating in a central area such as SODO.

To conclude, SODO offers a close-in location with the best transportation infrastructure in the Puget Sound region. Given the shortage of available land and the area's highly desirable location near the Port, downtown, and major transportation facilities, and the management of American Life believes that SODO will remain a high-growth real estate market.





SCALE IN FEET
 1" = 100'
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- **Lonestar Bldg - 6335 1st Ave. S.**
- **2963 Utah Avenue South**
2959 Utah Avenue South
- **Mendelson Land - 2nd & Hinds St.**
- **Close Electric Bldg - 3317 3rd Ave. S.**
- **Pipe Bldg - 3223 3rd Ave. S.**
- **2962 1st Ave. S.**
- **Hullin Transfer Bldg - 270 S. Hanford St.**
- **Esquin Bldg - 2700 4th Ave. S.**
- **Industrial Transfer Bldg - 624 S. Lander St.**
- **2440 1st Ave. S.**
- **Peat Supply - 2430 1st Ave. S.**
- **2418-20 1st Ave. S.**
- **Coast Crane Bldg - 1500 blk S. Utah St.**
- **Owl Transfer Bldg - 3623 6th Ave. S.**
- **Borlick Supply - 2944 1st Ave. S.**
- **Rivers West Bldg. - 2900 4th Ave. S.**
- **Ederer Bldg. - 2925 & 2931 1st Ave. S., 2936 Utah Ave. S.**
- **66 South Hanford Street**
- **2945 1st Avenue S.**
- **3601 W. Marginal Way S.W.**
- **3100 Airport Way S.**
- **1016 1st Ave. S.**
- **4746 Ohio Ave. S.**
- **2960 4th Avenue South**
- **2444, 2450, 2456, 2462 1st Ave. S.**
- **1000 1st Ave. S.**
- **2764 1st Ave. S.**
- **2702 6th Ave. S.**
- **1762 8th Ave. S.**
- **618 2nd Ave.**

Blue Line - Central Link (Commuter rail)
Purple Lines - Interstate 5/Interstate 90 Expansion
Gray Line - Spokane Street Viaduct Expansion
Green & Pink - Government owned properties and land



Real Estate Development Company

AMERICAN LIFE PROPERTIES DATA

Land area north of Spokane Street to the Stadiums at Royal Brougham

Total area +/-550 acres.
 Government owned land +/-approximately 230 acres

- 1. Lone Star Cement Warehouse**
 Address 6335 1st Avenue South, Seattle, WA 98108
 Land Area 112,000 sq ft
 Built out Area 57,960 sq ft
 Number of tenants 7
 Usage Warehouse/showroom/office
- 2. St. Vincent Building**
 Address 2963 Utah Ave South, Seattle, WA 98134
 Land Area 10,000 sq ft
 Built out Area 10,000 sq ft
 Number of tenants 0
 Usage Warehouse/showroom/office or parking
- 2959 Utah Ave.**
 Address 2959 Utah Avenue South, Seattle, WA 98134
 Land Area 19,800 sq ft
 Built out Area 7,400 sq ft
 Number of tenants 1
 Usage: Industrial/showroom/flex
- 3. Mendelson Land**
 Address 2nd and Hinds St., Seattle, WA 98134
 Land Area 22,000 sq ft
 Number of tenants 2
 Usage Yard Space
- 4. Close Electric Building**
 Address 3317 3rd Ave South, Seattle, WA 98134
 Land Area 30,000 sq ft
 Built out Area 37,000 sq ft
 Number of tenants; 5
 Usage: Warehouse/showroom/office
- 5. Pipe Building**
 Address 3223 3rd Avenue South, Seattle, WA 98134
 Land Area 70,000 sq ft
 Built out Area 48,057 sq ft
 Number of tenants; 5
 Usage: Office/ warehouse
- 6. 2962 1st Avenue South**
 Address 2962 1st Avenue South, Seattle, WA 98134
 Land Area 9,000 sq ft
 Built out Area 8,000 sq ft - Under Renovation
 Number of tenants 2
 Usage Showroom/retail

- 7. Hullin Transfer Building**
 Address 270 South Hanford, Seattle, WA 98134
 Land Area 128,500 sq ft
 Built out Area 100,913 sq ft
 Number of tenants 19
 Usage Warehouse/office/industrial
- 8. Esquin Building**
 Address 2700 4th Avenue S., Seattle, WA 98134
 Land Area 67,315 sq ft
 Built out Area 60,315 sq ft
 Number of tenants 5
 Usage Retail/showroom
- 9. Industrial Transfer Building**
 Address 624 South Lander Street, Seattle, WA 98134
 Land Area 160,000 sq ft
 Built out Area 113,000 sq ft; divided into 1500-5000 square foot industrial suites
 Number of tenants +/- 60
 Usage Office/ warehouse
- 10. 2440 1st Avenue South**
 Address 2440 1st Avenue South Seattle, WA 98134
 Land Area 22,662 sq ft
 Built out Area 22,662 sq ft
 Number of tenants 1
 Usage Retail/showroom
- 11. 2430 1st Avenue South**
 Address 2430 1st Avenue South Seattle, WA 98134
 Land area 9,000 sq ft
 Number of tenants 0
 Usage Parking Lot
- 12. 2418-20 1st Avenue South**
 Address 2400 Block 1st Avenue South Seattle, WA 98134
 Land Area 27,000 sq ft
 Built out Area 27,000 sq ft
 Number of tenants 6
 Usage: Retail/warehouse strip
- 13. Coast Cranes Building**
 Address 1500 block South Utah Street, Seattle, WA 98134
 Land Area 70,000 sq ft
 Built out Area 23,500 sq ft
 Number of tenants 1
 Usage: Office/warehouse with event parking
- 14. Owl Transfer Building**
 Address 3623 6th Ave South, Seattle, WA 98134
 Land Area 140,000 sq ft
 Built out Area 73,335 sq ft
 Number of Tenants 7
 Usage Industrial/showroom/distribution/flex
- 15. Gorlick Supply**
 Address 2944 1st Ave S, Seattle, WA 98134
 Land Area 36,000 sq ft
 Built out Area 28,000 sq ft, including mezzanine
 Number of Tenants 0
 Usage Retail/showroom/office

- | | |
|---|---|
| 16. Rivers West Building | 2900 4 th Ave South, Seattle, WA 98134 |
| Address | |
| Land Area | 60,000 sq ft |
| Built out Area | 48,000 sq ft |
| Number of tenants | 3 |
| Usage: | Industrial/showroom/distribution |
| 17. Ederer Cranes Building | 2925, 2931 1 st Avenue South and 2936 Utah Avenue South, Seattle, WA 98134 |
| Address | |
| Land Area | 64,380 sq ft |
| Built out Area | 74,680 sq ft |
| Number of tenants | 2 |
| Usage: | Industrial |
| 18. Ederer Annex Building | 66 South Horton Street, Seattle, WA 98134 |
| Address | |
| Land Area | 30,000 sq ft |
| Built out Area | 29,700 sq ft |
| Number of tenants | 0 |
| Usage: | Warehouse/office/industrial |
| 19. 2945 1st Avenue South | 2945 1 st Avenue South, Seattle, WA 98134 |
| Address | |
| Land Area | 9,000 sq ft |
| Built out Area | 9,000 sq ft |
| Number of tenants | 0 |
| 20. 3601 W. Marginal Way S.W. | 3601 W. Marginal Way S.W., Seattle, WA 98106 |
| Address | |
| Land Area | 20,000 sq ft |
| Built out Area | 17,000 sq ft |
| Number of tenants | 0 |
| Usage: | Light industrial/showroom |
| 21. 3100 Airport Way South | 3100 Airport Way South, Seattle, WA 98134 |
| Address | |
| Land Area | 18,000 sq ft |
| Built out Area | 150,000 sq ft |
| Number of tenants | 1 |
| Usage: | Storage facility/office/parking |
| 22. 1016 1st Avenue South | 1016 1 st Avenue South, Seattle, WA 98134 |
| Address | |
| Land Area | 10,000 sq ft |
| Built out Area | 51,250 sq ft |
| Number of tenants | 2 |
| Usage: | Retail/office/parking |
| 23. 4746 Ohio Avenue South | 4746 Ohio Avenue South, Seattle, WA 98134 |
| Address | |
| Land Area | 455,037 sq ft (10.22 acres) |
| Built out Area | 283,000 sq ft |
| Number of tenants | 16 |
| Usage: | Warehouse/showroom/industrial |
| 24. 2960 4th Avenue South | 2930 4th Avenue South, Seattle, WA 98134 |
| Address | |
| Land Area | 163,000 sq ft |
| Built out Area | 85,000 sq ft |
| Number of tenants | 0 |
| Usage: | industrial |

- | | |
|--|---|
| 25. 2444 1st Avenue South | |
| Address | 2444, 2450, 2456 & 2462 1 st Avenue South, Seattle, WA 98134 |
| Land Area | 19,500 sq ft |
| Built out Area | 31,500 sq ft |
| Number of tenants | 3 |
| Usage: | Retail/showroom/office |
| 26. 1000 1st Avenue South | |
| Address | 1000 1 st Avenue South, Seattle, WA 98134 |
| Land Area | 22,338 sq ft |
| Built out Area | 76,000 sq ft |
| Number of tenants | 0 |
| Usage: | Retail/showroom/office |
| 27. 2764 1st Avenue South | |
| Address | 2764 1 st Avenue South, Seattle, WA 98134 |
| Land Area | 27,000 sq ft |
| Built out Area | 6,000 sq ft |
| Number of tenants | 1 |
| Usage: | Retail/showroom/office |
| 28. 2702 6th Avenue South (Canal Boiler) | |
| Address | 2702 6th Avenue South, Seattle, WA 98134 |
| Land Area | 16,000 sq ft |
| Built out Area | 21,000 sq ft |
| Number of tenants | 1 |
| Usage: | Retail/showroom/office |
| 29. 1762 8th Avenue South (McMillan) | |
| Address | 1762 8 th Avenue South, WA 98134 |
| Land Area | 227,000 sq ft |
| Built out Area | 108,000 sq ft |
| Number of tenants | 1 |
| Usage: | Industrial |
| 30. 618 2nd Avenue (Alaska Bldg) | |
| Address | 618 2 nd Avenue, Seattle, WA 98134 |
| Land Area | 12,960 sq ft |
| Built out Area | 164,084 sq ft |
| Number of tenants | 1 |
| Usage: | Hotel |

Map Color Key

- Green, Light Pink, Rose, and Orange Government owned properties and land
- Blue Line: Central Link (Commuter rail)
- Purple Lines: Interstate 5/Interstate 90 Expansions
- Gray Lines: Spokane Street Viaduct Expansion

COMPREHENSIVE BUSINESS PLAN

618 SECOND AVENUE LIMITED PARTNERSHIP

Overview

The 618 Second Avenue Limited Partnership ("618 LP" or "Partnership"), a State of Washington limited Partnership will acquire the landmark Alaska Building for conversion to an approximate 250 room Courtyard Marriott® Hotel. The existing 15 floor, 135,045 square foot structure, the first steel high-rise built in Seattle occupies a 12,960 square foot corner lot of 2nd and Cherry immediately south of the Central Business District. The Hotel targets individual travelers and couples.

The Project includes renovating the existing building and constructing an additional tower of 29,039 square feet. Courtyard Management Corporation will manage the hotel (www.marriott.com) for an initial term of 25 years with two-ten (10) year options to renew under certain circumstances. The hotel is scheduled to open beginning of the 3rd quarter of 2009 and projected to achieve stable occupancy in 2012.

The Property located in Downtown Seattle in the Pioneer Square Historic District costs \$42,565,000 including plans, permits and the Courtyard management agreement. Closing on the acquisition, contingent upon issuance of a building permit, must occur on or before June 30, 2007. The General Partners made a non-refundable deposit of [REDACTED]

(b)(4) The Partnership estimates construction costs of [REDACTED] including renovations, soft costs, taxes and all Furniture, Fixtures and Equipment (FFE) required to meet the standards of a Courtyard by Marriott hotel. To mitigate risk, 618 LP executed a Gross Maximum Price (GMP) contract with the construction manager KADC LLC. The Construction Manager guaranteed the Maximum Project costs and indemnified 618 LP against any cost overruns. The maximum project cost to the partnership including syndication fees is [REDACTED]

Building History and Condition

The Alaska Building, completed in 1904, was the tallest structure in Seattle until completion of the 18-story Hoge Building in 1911 and the 42-story Smith Tower in 1914 (www.historylink.org). The most recent occupant, the City of Seattle, purchased the building in 1988. In August 2005, the City sold the property to the current owner and seller, Alaska Building LLC, who began the rezone and entitlement process for a new hotel.

Renovations

618 LP plans to convert the Property to an approximately 250 room, 164,084 square foot Courtyard by Marriot hotel. Renovations include restoring the existing building façade, all building systems and constructing a new tower in the open space formed by the two existing wings. All improvements must be consistent with the specifications for a Courtyard by Marriott hotel.

Proposed Concept and Design

Basement - indoor swimming pool and spa, exercise room, guest laundry, house laundry, employee break room, mechanical areas, and storage.

First floor retail space - restaurant, hotel lobby, business center, seating areas, and hotel offices.

Guest Floors and Meeting Space - The existing structure houses most of the meeting space and 199 guestrooms, with 12 rooms on Floor 2, 16 rooms apiece on Floors 3 through 13, 9 rooms on Floor 14, and 7 rooms on Floor 15. The new tower includes a divisible meeting room on Floor 2, 4 guestrooms on Floors 3 through 13, and 3 guestrooms on Floors 14 and 15.

Guestroom Unit Mix

174 King, 52 Queen/Queen, 11 Whirlpool King, 12 King Suite, and 1 Queen/Queen Suite for a total of 250 rooms.

Estimated Project Time Line

Closing:	June 30 th 2007
Start Construction:	February 2008
Hotel Grand Opening:	July 1, 2009
Stabilized Occupancy:	January 1, 2012

THE OPERATOR

Courtyard Management Corporation is a wholly owned subsidiary of Marriott International, Inc. Marriott International, Inc. has a current market capitalization of over \$19 billion dollars and is publicly traded on the New York Stock Exchange (Symbol: MAR).

The Courtyard® brand consists of the following general characteristics:

- Lodging brand in the upper-moderate price sector
- "Designed by business travelers for business travelers."
- This lodging brand has recently increased its number of downtown locations, often through conversions of historical buildings
- Features include:
 - High-speed Internet access
 - Breakfast restaurant, lounge
 - Business Center
 - Central courtyard
 - Exercise room
 - Swimming pool
- 736 Courtyard by Marriott locations worldwide; 699 US and Canada, 67 internationally

Location

The Property is located in the Pioneer Square Historic District of the City of Seattle at the corner of 2nd and Cherry. The area, initially developed with wood frame buildings in the late 1800s, was leveled by a series of fires. The infusion of capital during the Alaska-Yukon gold rush at the turn of the 20th century, financed multistory concrete buildings, many of which survive to this day. Among these are the Alaska Building (1904), Smith Tower (1914) and the Arctic Building (1916).

Pioneer Square's strict historic preservation regulations tend to restrict development and employment growth. While the hotel location offers easy access to government office buildings, freeways and sports stadiums with the exception of infill, most new development occurs to the north, toward Belltown and South Lake Union.

The Property is located within a Regional Center under the Immigrant Investor Pilot Program. The property is also located in a Targeted Employment Area (TEA) which allows a minimum investment of \$500,000. The Port of Seattle and the City of Seattle sponsored the Regional Center designation. Federal and State governments designated the area as an enterprise community and empowerment zone (EC/EZ"). The primary objective of this Regional Center is to channel immigrant investor capital to create employment and improve neighborhoods.

The 618 LP purchase and renovation activity is consistent with the goals of the Regional Center. The modernization of an underutilized historically significant structure creates a magnet attracting a variety of uses and employment to the new building and to the surrounding area.

Market Analysis

In 2005, hotels in the Puget Sound region recorded their best performance in recent years. Improvement in the regional economy and a boom year for conventions fueled demand. Fewer new hotels have opened than required to serve demand. As a result, hotel occupancy rates reached a five-year high.

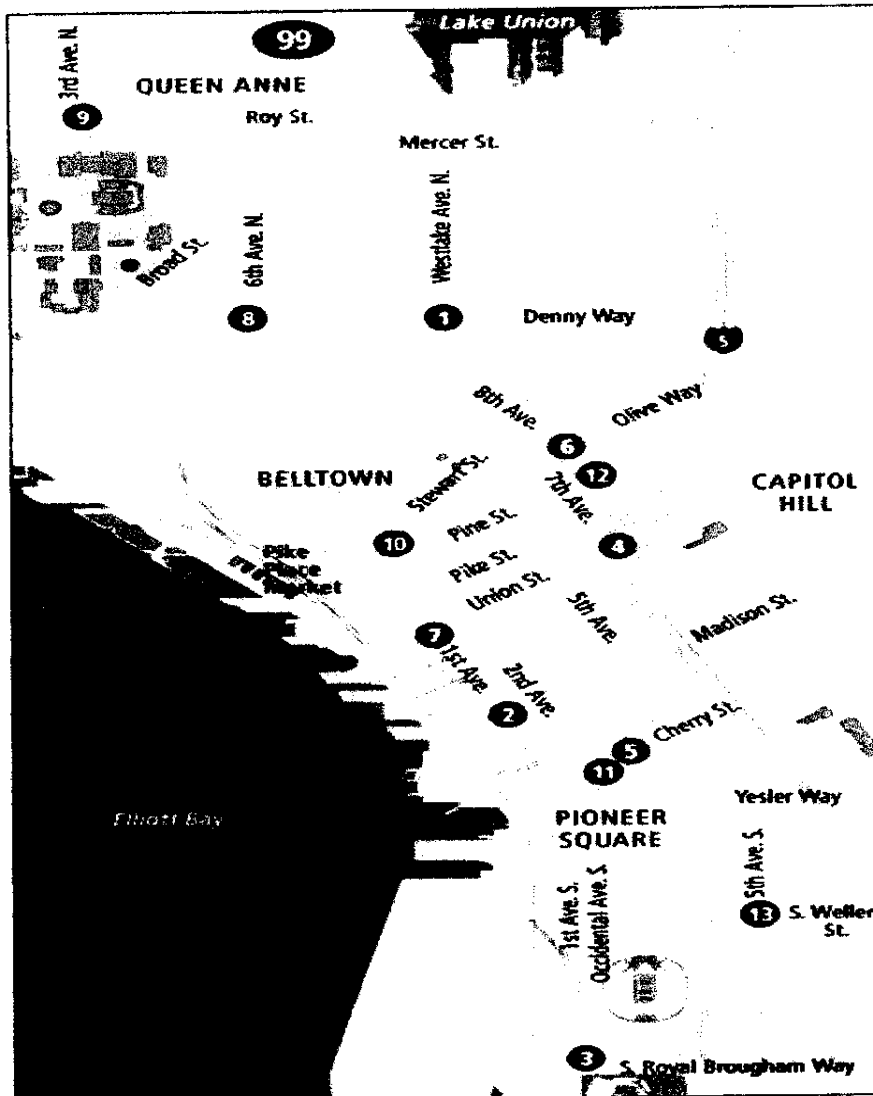
Market occupancy rates are reported monthly in *Trends in the Hotel Industry, Pacific Northwest*, and a publication of Wolfgang Rood Hospitality Consulting. The survey summarizes the performance of over 200 hotels and motels in the region, including nearly 130 properties in Washington.

For the year 2005, participating Seattle hotels reported an average occupancy rate of 75.1%, up from 72.1% in 2004. Growth continued in 2006: for the first nine months of 2006, occupancy averaged 78.8%, up from 77.3% for the same period in 2005. If recent trends continue, occupancy for the year 2006 could approach 77%. Average daily room rates (ADR) increased as well. Among the participating Seattle hotels, the ADR averaged \$157 for the first nine months of 2006, an increase of 11.7% over the same period in 2005.

Overall, the Puget Sound region benefits from a growing population, a diverse economy and an attractive environment. Despite a perceived reliance on aerospace and software, the Seattle economy is quite diversified, with significant employment in wholesale and retail trade, finance, health care and education.

SEATTLE'S HOTEL DEVELOPMENT PIPELINE

The number of three-to five-star hotel rooms near Seattle's core is expected to jump 40 percent in the next two years. Hotel development is driven by tourism demand and fluctuations in the real estate market, which means that hotel proposals could fall through or be enhanced before construction starts.



Name of hotel	Number of Rooms	Opening date
Open		
1 Pan Pacific	160	Open
2 Hotel 1000	120	Open
3 Silver Cloud Hotel	211	Open
Under construction		
4 Sheraton Seattle (second tower)	415	2007
5 Arctic Club Building redevelopment	120	2008
6 Hyatt at Olive 8	346	2008
7 Four Seasons	149	2008
Proposed (planning and design phase)		
8 Hyatt Place	158	2008
9 Maxwell Hotel and Residence	142	2008
10 The "1" Hotel	110	2008
11 Alaska Building redevelopment	250	2009
12 Executive Inns hotel, tower & condos	140	2009
13 Publix Hotel redevelopment & new hotel	203	2009

Source: City of Seattle, Downtown Seattle Planning Department, "Seattle's Hotel Development Pipeline," 2007. SEATTLE

Management

618 LP is one of more than 25 investment entities managed by American Life Inc. American Life Inc. acquires, rehabilitates and manages older industrial warehouses located in the Duwamish industrial sector south of downtown ("SODO") Seattle. The Principals of American Life Inc. began investing in the Seattle area in the early 1980s and made their first SODO investments in 1995. Considering the affiliated investment entities as a group, American Life Inc. is one of the larger landlords in the SODO, with over 1,600,000 square feet of building projects under management.

American Life Inc. and its development partners, H & S Investments 1st Avenue LLC (arieldevelopment.com) and Kauri Investments Ltd (kauri.com) located this investment opportunity, conducted due diligence, negotiated the purchase terms, raised the capital required for the land purchases and developed the initial project concept.

Business Model



(b)(4)

Purchase Terms



(b)(4)

Courtyard Management Corporation Management Agreement

The Partnership concluded a management Agreement with Courtyard Management Corporation for management of the hotel. The terms may be summarized as follows:

Duration: Initial term 25 years, with two ten year renewal terms under certain circumstances

Termination: Manager may be terminated for failure to comply with certain performance standards.

Compensation Structure:

Annual Priority Management Fee

(b)(4)



Courtyard Management Corporation Disclaimer

The limited partnership interests are being sold and the Hotel is being developed by the Partnership (618 LP) and not by Courtyard Management Corporation or by any of its affiliates; Courtyard Management Cooperation has not confirmed the accuracy of any statements made in the Offering, is not part of or an agent for the Partnership and has not acted as broker, finder or agent in connection with the sale of the limited partnership interests; the Partnership and each prospective purchaser of any of the limited partnership interests, irrevocably and unconditionally, waives and releases Courtyard Management Corporation and its affiliates from and against any liability with respect to any representation or defect or any claim whatsoever, relating to the marketing or sale of the limited partnership interests in the Partnership or the construction of the Hotel.

Property Analysis and Valuation

Job No. A6544

Table 1
Competitive Market Profile - Facilities and Room Rates

Property Name	Built	Corridors	Std Rooms	Bldg SF	Mtg SF	Summer	Amenities
Address	Renov	Height	Total Rooms	Per Room	Per Room	Winter	AAA
H1 Red Lion Hotel 1415 Fifth Avenue	1973	Interior	291	272,787	13,715	\$290	A B D E
	1996	20 stories	297	918	46	\$290	◆◆◆
H2 Crowne Plaza Hotel 1113 Sixth Avenue	1980	Interior	389	258,352	10,310	\$99-\$300	A B D E
	2006	34 stories	415	623	25	\$99-\$300	◆◆◆
H3 Hilton Hotel 1301 Sixth Avenue	1970	Interior	237	126,240	4,307	\$189-\$378	A B D E
	1995	29 stories	237	533	18	\$159-\$348	◆◆◆
H4 Warwick Hotel 401 Lenora Street	1981	Interior	226	119,890	1,310	\$260-\$290	A B D E F
	2006	19 stories	230	521	6	\$240-\$270	◆◆◆
H5 Best Western Pioneer Square 77 Yelder Way	1914	Interior	75	34,780	300	\$189-\$299	B D
	1990	4 stories	75	464	4	\$149-\$259	◆◆◆
H6 Hotel Monaco 1101 Fourth Avenue	1969	Interior	187	133,884	6,040	\$175-\$309	A B D E
	1997	11 stories	189	708	32	\$175-\$309	◆◆◆◆
H7 Hotel Vintage Park 1100 Fifth Avenue	1922	Interior	125	67,390	700	\$135-\$260	A D E
	1992	11 stories	126	535	6	\$135-\$260	◆◆◆◆
H8 Hotel Andra 2000 Fourth Avenue	1926	Interior	118	104,000	3,450	\$209-\$349	A B D E
	2004	10 stories	119	874	29	\$209-\$349	Not Rated

Source: Property Management	A = Restaurant	D = Data Ports
County Assessor	B = Meeting Rooms	E = Exercise Room
AAA TourBook	C = Refrig/MW	F = Swimming Pool

Other Due Diligence

As part of Due Diligence, the following information has been reviewed:

1. Title
2. Survey
3. Phase 1 Environmental Site Assessment
4. Soils Information
5. Existing Structural Plans
6. Building site survey
7. Appraisal

Exit Strategy

This is a long term investment. 618 LP due to its unique source of financing and business model makes long term improvements to its property. Extensive up-front capital costs may depress near term returns. As room rates and occupancy increase, 618 LP should enjoy steadily increasing income as compensation for improving the Property's use.

Partners may sell their partnership interest at any time. There is an active market for interests in well located income producing real estate. The General Partner upon request will refer those who wish to sell their partnership interest to local companies that specialize in selling private equity interests.

Employment Impacts

618 LP will consist of many U.S. investors as well as immigrant investors. The intending immigrants are required to prove job creation in the Regional Center. Professor Paul Sommers, Ph.D. of Seattle University, renowned economist, earned degrees in economics from the University of California at Berkeley (B.A.) and Yale University (Ph.D.). His distinguished career includes membership on the Governor's Council of Economic Advisors, the study of economic development impact of the technology revolution, and concept papers for use by the Washington Office of Trade and Economic Development.

(b)(4) Dr. Sommers determined in a separate report the total job impacts of the 618 LP investment activity. Dr. Sommers based direct employment on a projected staffing roster prepared by Courtyard Management. Dr. Sommers based indirect employment on the economic impact of average guest spending in the local economy per studies commissioned by the King County Convention and Visitors Bureau and induced indirect employment generated from the project capital being spent in the local economy. Dr. Sommers estimated the Project will create a total of approximately direct and indirect employees.

The immigrant investors in 618 LP who will petition for U.S. immigration benefits based on the investments in 618 LP agree to allocate ten jobs to each of the investor-petitioners for purposes of qualifying for U.S. immigration benefits.

****Documents in support of this Business Plan are available upon request. The management agreement contains confidentiality provisions; therefore, it is available for review by potential Accredited Investors and their professional advisors only after execution of a confidentiality agreement. ****

**618 Second Avenue Limited Partnership,
A State of Washington Limited Partnership**

**By: American Life Inc., a Washington
Corporation, Managing General Partner**

(b)(4)

(b)(4)

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(b)(4)

EXHIBIT A

Legal Description

LOTS 1 AND 4, BLOCK 3, TOWN OF SEATTLE, AS LAID OUT ON THE CLAIMS OF C.D. BOREN AND A.A. DENNY (COMMONLY KNOWN AS BOREN AND DENNY'S ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 1 OF PLATS, PAGE 27, IN KING COUNTY, WASHINGTON;
EXCEPT THE WEST 12 FEET THEREOF CONDEMNED FOR 2ND AVENUE, UNDER ORDINANCE NUMBER 1107 OF THE CITY OF SEATTLE.

EXHIBIT B

Promissory Note

EARNEST MONEY NOTE

\$200,000.00

Seattle, Washington
February __, 2007

FOR VALUE RECEIVED, the undersigned, 618 Second Avenue Limited Partnership, a Washington limited partnership ("Purchaser"), agrees to pay to the order of LandAmerica Commercial Services, or such other entity chosen by the parties, as escrow agent, the sum of [REDACTED] no later than the end of the "Review Period" (as defined in the Purchase Agreement described below); provided, however, that Purchaser has approved or waived in writing its acceptance of the Property within the Review Period.

(b)(4)

This Note is evidence of the obligation to pay the Earnest Money under a Purchase and Sale Agreement of even date herewith (the "Purchase Agreement") between Purchaser, as buyer, and Alaska Building LLC, as seller. Purchaser's failure to pay the Earnest Money after approving the Property in writing as set forth above shall constitute default hereunder and interest shall thereafter accrue on the principal balance hereof at the rate of [REDACTED] [REDACTED] per annum, compounded on the first day of each calendar month after accrual starts until paid.

If this Note shall be placed in the hands of an attorney for collection, or if suit shall be brought to collect any of the balance due on this Note, Purchaser promises to pay a reasonable attorneys' fee as fixed by the Court, and all court and collection costs.

Defined terms used in the Purchase Agreement shall have the same meaning when used herein.

618 Second Avenue Limited Partnership

By American Life, Inc., General Partner

By _____
Its _____

EARNEST MONEY NOTE

\$200,000.00

Seattle, Washington
February __, 2007

FOR VALUE RECEIVED, the undersigned, 618 Second Avenue Limited Partnership, a Washington limited partnership ("Purchaser"), agrees to pay to the order of LandAmerica Commercial Services, or such other entity chosen by the parties, as escrow agent, the sum of [redacted] no later than the end of the "Review Period" (as defined in the Purchase Agreement described below); provided, however, that Purchaser has approved or waived in writing its acceptance of the Property within the Review Period.

(b)(4)

This Note is evidence of the obligation to pay the Earnest Money under a Purchase and Sale Agreement of even date herewith (the "Purchase Agreement") between Purchaser, as buyer, and Alaska Building LLC, as seller. Purchaser's failure to pay the Earnest Money after approving the Property in writing as set forth above shall constitute default hereunder and interest shall thereafter accrue on the principal balance hereof at the rate of [redacted] percent [redacted] per annum, compounded on the first day of each calendar month after accrual starts until paid.

If this Note shall be placed in the hands of an attorney for collection, or if suit shall be brought to collect any of the balance due on this Note, Purchaser promises to pay a reasonable attorneys' fee as fixed by the Court, and all court and collection costs.

Defined terms used in the Purchase Agreement shall have the same meaning when used herein.

618 Second Avenue Limited Partnership

By American Life, Inc., General Partner

By [Signature]
Its 2/15/07

EXHIBIT A
TO
MEMORANDUM OF MANAGEMENT AGREEMENT

THE SITE

LOTS 1 AND 4, BLOCK 3, TOWN OF SEATTLE, AS LAID OUT ON THE CLAIMS OF C.D. BOREN AND A.A. DENNY (COMMONLY KNOWN AS BOREN AND DENNY'S ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 1 OF PLATS, PAGE 27, IN KING COUNTY, WASHINGTON;

EXCEPT THE WEST 12 FEET THEREOF CONDEMNED FOR 2ND AVENUE, UNDER ORDINANCE NUMBER 1107 OF THE CITY OF SEATTLE.

MEMORANDUM OF MANAGEMENT AGREEMENT

THIS MEMORANDUM OF MANAGEMENT AGREEMENT (the "Memorandum") is made and entered into as of this 31st day of January, 2007, by and between **618 SECOND AVENUE LIMITED PARTNERSHIP**, a Washington limited partnership ("Owner"), with a mailing address at 3223 3rd Avenue South, Seattle, Washington 98134, and **COURTYARD MANAGEMENT CORPORATION**, a Delaware corporation ("Manager"), with a mailing address at 10400 Fernwood Road, Bethesda, Maryland 20817.

WITNESSETH

Owner and Manager have entered into that certain Management Agreement dated January 31, 2007 (herein, the "Management Agreement") with respect to the operation of a hotel on the premises located in Seattle, Washington, as more particularly described in Exhibit A attached hereto (the "Site").

The Management Agreement is in effect. The term of the Management Agreement expires at the expiration of the twenty-five (25) full Fiscal Year after the expiration of the Fiscal Year in which the Opening Date occurs. The Term thereafter automatically renews on the same terms and conditions contained in the Management Agreement, for each of two (2) successive periods of ten (10) Fiscal Years each, unless Owner or Manager elects to terminate in accordance with the Management Agreement.

The Management Agreement contains terms and restrictions relating to financing of the Hotel. The Management Agreement also contains terms and conditions relating to Owner's ability to sell or transfer interests in itself or the Hotel or the Site.

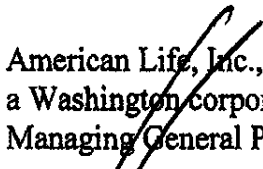
This Memorandum is not intended to alter or modify in any way the terms and conditions of the Management Agreement. Terms not specifically defined in this Memorandum are defined in the Management Agreement.

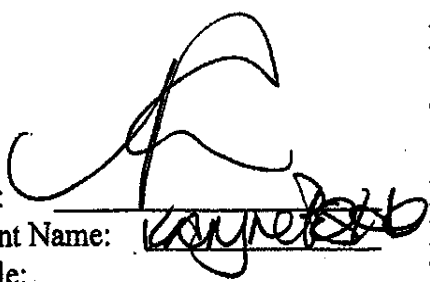
[SIGNATURES FOLLOW ON NEXT PAGE]

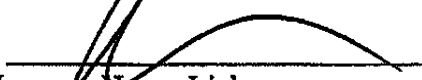
IN WITNESS WHEREOF, Owner and Manager have caused this Memorandum to be executed under seal by their duly authorized representatives as of the day first above written, for the purpose of providing an instrument for recording and giving notice of the Management Agreement and certain of the terms and conditions thereto.

618 SECOND AVENUE LIMITED PARTNERSHIP
a Washington limited Partnership

ATTEST:

By:  American Life, Inc.,
a Washington corporation
Title: Managing General Partner

By: 
Print Name: _____
Title: _____

By: 
Print Name: Henry Liebman
Title: President

MANAGER:

COURTYARD MANAGEMENT CORPORATION
a Delaware corporation

ATTEST:

By: _____
Print Name: _____
Title: Assistant Secretary

By: _____
Print Name: _____
Title: Vice President

IN WITNESS WHEREOF, Owner and Manager have caused this Memorandum to be executed under seal by their duly authorized representatives as of the day first above written, for the purpose of providing an instrument for recording and giving notice of the Management Agreement and certain of the terms and conditions thereto.

ATTEST:

618 SECOND AVENUE LIMITED PARTNERSHIP
a Washington limited Partnership

By: American Life, Inc.,
a Washington corporation
Title: Managing General Partner


By: _____
Print Name: _____
Title: _____

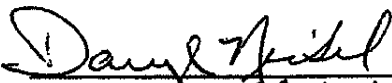
By: _____
Print Name: Henry Liebman
Title: President

MANAGER:

ATTEST:

COURTYARD MANAGEMENT CORPORATION
a Delaware corporation

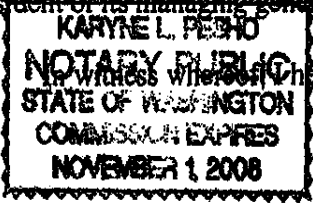
By: 
Print Name: M. LESTER PULSE, JR.
Title: Assistant Secretary

By: 
Print Name: DARYL NICKEL
Title: Vice President

ACKNOWLEDGMENT

STATE OF Washington
COUNTY OF King) ss:

On the 7 day of February, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared **Henry Liebman**, who acknowledged himself to be the President of American Life, Inc., a Washington corporation and the managing general partner of **618 Second Avenue Limited Partnership**, a Washington limited partnership, and that he, as such President of the managing general partner of such limited partnership, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited partnership by himself as President of its managing general partner.



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

[Signature]
Notary Public Karyne Pesho

My commission expires: 11-01-2008

ACKNOWLEDGMENT

STATE OF MARYLAND)
COUNTY OF MONTGOMERY) ss:

On the ___ day of _____, 2007, before me, the undersigned, a Notary Public, in and for the State of Maryland, personally appeared _____, who acknowledged himself to be a Vice President of **Courtyard Management Corporation**, a Delaware corporation, and that he, as such Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

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

Notary Public

My commission expires: _____

ACKNOWLEDGMENT

STATE OF _____)
) ss:
COUNTY OF _____)

On the ____ day of _____, 2007, before me, the undersigned, a Notary Public, in and for the State of _____, personally appeared **Henry Liebman**, who acknowledged himself to be the President of American Life, Inc., a Washington corporation and the managing general partner of **618 Second Avenue Limited Partnership**, a Washington limited partnership, and that he, as such President of the managing general partner of such limited partnership, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited partnership by himself as President of its managing general partner.

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

Notary Public

My commission expires: _____

ACKNOWLEDGMENT

STATE OF MARYLAND)
) ss:
COUNTY OF MONTGOMERY)

On the 31st day of JANUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Maryland, personally appeared DARYL NICKEL, who acknowledged himself to be a Vice President of **Courtyard Management Corporation**, a Delaware corporation, and that he, as such Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

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

Donna L. Wilson
Notary Public

My commission expires: _____
Donna L. Wilson
NOTARY PUBLIC

Montgomery County
MARYLAND
My Commission Expires Dec 1, 2009

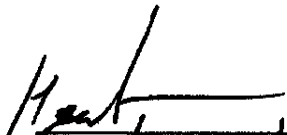
CONSENT BY CURRENT OWNER
ALASKA BUILDING LLC

Alaska Building LLC, a Washington limited liability company, hereby consents to the foregoing Memorandum of Management Agreement and to the recordation thereof in the land records for Seattle, Washington.

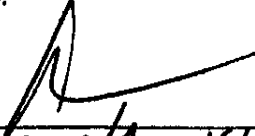
ALASKA BUILDING LLC
a Washington limited liability company

By: **Kauri Management LLC**
a Washington limited liability company
Title: Manager

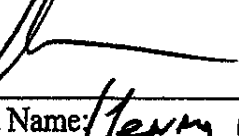
By: Kauri LLC
a Washington limited liability company
Title: Manager

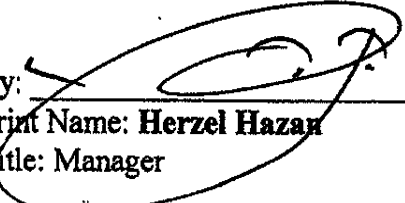
By: 
Print Name: Henry Giesma
Title:

By: 
Print Name: Kent Angier
Title: Manager

By: 
Print Name: Henry Giesma
Title:

By: 
Print Name: Shimon Mizrahi
Title: Manager

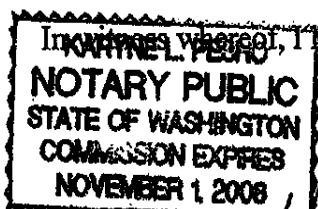
By: 
Print Name: Henry Giesma
Title:

By: 
Print Name: Herzel Hazan
Title: Manager

ACKNOWLEDGMENT

STATE OF WASHINGTON)
)
COUNTY OF KING) SS:

On the 07 day of FEBRUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared Kent Angier, who acknowledged himself to be the Manager of Kauri LLC, a Washington limited liability company and the Manager of Kauri Management LLC, a Washington limited liability company and a Manager of Alaska Building LLC, a Washington limited liability company, and that he, as such Manager, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of such limited liability company as Manager.



[Signature]

Notary Public

My commission expires: 11-01-2008

ACKNOWLEDGMENT

STATE OF WASHINGTON)
)
COUNTY OF KING) SS:

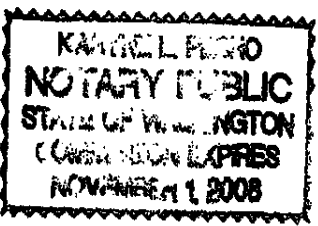
On the 07 day of FEBRUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared Shimon Mizrahi, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

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

[Signature]

Notary Public

My commission expires: 11-01-2008

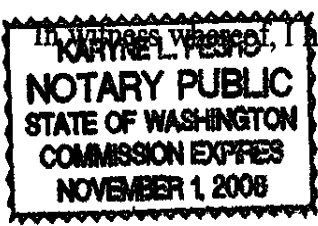


ACKNOWLEDGMENT

STATE OF WASHINGTON

COUNTY OF KING) ss:

On the 08 day of FEBRUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared **Herzel Hazan**, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.



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

[Signature]
Notary Public

My commission expires: 11-01-2008

(b)(4)

(b)(4)

(b)(4)

(b)(4)

(b)(4)

(b)(4)

UNITED STATES OF AMERICA

The State of  Washington
Secretary of State

I, **SAM REED**, Secretary of State of the State of Washington and custodian of its seal,
hereby issue this

CERTIFICATE OF LIMITED PARTNERSHIP

to

618 SECOND AVENUE LIMITED PARTNERSHIP

a/an WA Limited Partnership. Charter documents are effective on the date indicated
below.

Date: 1/5/2007

UBI Number: 602-682-796

APPID: 747186



Given under my hand and the Seal of the State
of Washington at Olympia, the State Capital

Sam Reed, Secretary of State

FILED
SECRETARY OF STATE
SAM REED

01/05/07

STATE OF WASHINGTON

602 682 796

01/05/2007 978120
\$195.00 Check #7860
Trading ID: 1224448
Doc No: 978120-001

**CERTIFICATE OF FORMATION
OF
618 SECOND AVENUE LIMITED PARTNERSHIP**

THE UNDERSIGNED hereby executes the following Certificate of Formation for the purpose of forming a limited partnership under the Washington Limited Partnership Act pursuant to the Revised Code of Washington, Ch. 25.10.

ARTICLE I

The name of this limited partnership is **618 Second Avenue Limited Partnership**, a Washington State limited partnership.

ARTICLE II

The records required by RCW 25.10.050 to be maintained by the limited partnership shall be kept at an office located at 3223 3rd Ave. S., #200, Seattle, Washington 98134.

ARTICLE III

The name of the limited partnership's initial registered agent is Robert Mimbu. The address of the limited partnership's initial registered office is Liebman-Mimbu, PLLC, 3223 3rd Ave. S., Ste. 200, Seattle, Washington 98134.

ARTICLE IV

The names and geographical and mailing addresses of general partners are:

American Life, Inc.
3223 3rd Ave. So., Ste. 200
Seattle, WA 98134

ARTICLE V

The latest date upon which the limited partnership shall be dissolved is the date that is thirty five (35) years after the date of filing of this Certificate of Limited Partnership with the Washington Secretary of State.

Articles-1

ARTICLE VI

The effective date of this Certificate of Limited Partnership shall be the date on which it is actually filed with the Secretary of State.

DATED this 2nd day of January 2007.

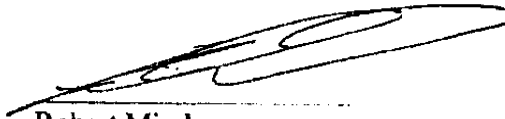
American Life, Inc.
Managing General Partner

By: 
Henry Liebman, President of American Life, Inc.

CONSENT TO APPOINTMENT AS REGISTERED AGENT

I, Robert Mimbu, hereby consent to serve as registered agent in the state of Washington for the following limited partnership: **618 Second Avenue Limited Partnership**. I understand that as agent for the limited partnership, it will be my responsibility to accept service of process in the name of the limited partnership; to forward all mail license renewals to the appropriate members of the limited partnership; and to immediately notify the Office of the Secretary of State of my resignation or of any change in the address of the registered office of the limited partnership for which I am agent.

DATED this 2nd day of January 2007,



Robert Mimbu
3223 3rd Avenue South #200
Seattle, WA 98134

**PARTNERSHIP AGREEMENT
OF
618 SECOND AVENUE LIMITED PARTNERHIP
A WASHINGTON LIMITED PARTNERSHIP**

This Agreement is made by and among **American Life Inc.**, a Washington Corporation (the "General Partner") and each of the persons set forth in Schedule A attached hereto and designated as Limited Partners (the "Limited Partners"). The Limited Partners and the General Partners are collectively referred to as the "Partners."

AGREEMENT

**ARTICLE I
FORMATION OF LIMITED PARTNERSHIP**

Section 1.01. Formation. The undersigned hereby form 618 Second Avenue Limited Partnership, a Washington limited partnership, under the revised Uniform Limited Partnership Act of the State of Washington, as amended from time to time (the "Act"), to acquire, manage, develop and operate the buildings commonly known as 618 2nd Avenue, Seattle, Washington 98134.

Section 1.02. Name. The name of the Limited Partnership is "618 Second Avenue Limited Partnership, a Washington limited partnership." The Managing General Partner may from time to time change the name of the Limited Partnership to adopt such trade or fictitious names as it may determine to be appropriate.

Section 1.03. Principal Office of the Limited Partnership. The principal office of the Limited Partnership shall be at 3223 3rd Avenue South, Seattle, Washington, 98134. The Limited Partnership may maintain offices at such other location as may be determined appropriate by the Managing General Partner.

Section 1.04. Name and Place of Residence of Each Partner. The name, address, Capital Contribution, and number of Units of each of the Partners are designated on the attached Schedule A. The name and address of the Managing General Partner is American Life Inc., located at 3223 3rd Avenue South, Seattle, Washington, 98134.

Section 1.05. Term. The term of the Limited Partnership shall commence upon filing of the Certificate in the office of the Washington Secretary of State and shall continue until the Limited Partnership is dissolved, wound up and terminated in accordance with the provisions of this Agreement and the Act.

Section 1.06. Designated Agents for Service of Process. The Limited Partnership elects and appoints Robert Mambu of Liebman-Mimbu, PLLC, 3223 3rd Avenue South, Seattle, Washington 98134, as the designated agent for service of process.

ARTICLE II DEFINITIONS

The following terms used in the Agreement shall have the meaning specified below:

Section 2.01. "Act" means the Uniform Limited Partnership Act of the State of Washington, as amended from time to time.

Section 2.02. "Additional General Partner" means a person or entity that serves as a General Partner in addition to American Life Inc.

Section 2.03. "Affiliate" means any person who directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control of the General Partners or Limited Partners.

Section 2.04. "Agreement" means this Agreement, as it may be amended from time to time.

Section 2.05. "Assignee" means a person who has acquired all or any portion of a Limited Partner's Interest in the Limited Partnership and has not been admitted as a Limited Partner.

Section 2.06. "Available Cash Flow" means funds provided from operation of the Limited Partnership, without deductions for payments made to service Secured Debt and for depreciation, but after deducting funds used to pay all expenses and debts of the Limited Partnership, including administrative operational expenses, debt payments, capital improvements, and less the amount set aside by the Managing General Partner, in the exercise of its sole discretion, for reserves.

Section 2.07. "Capital Account" means that as defined in **Section 4.04** herein.

Section 2.08. "Capital Contribution" means the total amount of money or property contributed to the Limited Partnership by each Partner.

Section 2.09. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Section 2.10. "Capital Event" The refinance, sale, exchange or other disposition of the Project or any portion thereof, including an involuntary conversion or condemnation of real property or any portion thereof.

Section 2.11. "Deficit Capital Account" means the situation whereby the Limited Partnership has distributed to a Partner distributions in excess of such Partner's capital contributions plus allocable share of income less allocable share of loss and any other charges allowable under this Agreement, resulting in such Partner's capital account falling below zero.

Section 2.12. "Net Proceeds from a Capital Event" The net proceeds derived by the Limited Partnership from a capital event after payment or allowance for the expenses incurred in connection with such Capital Event and after payment or allowance for existing indebtedness (but not including any outstanding Secured Debt), the discharge of any other expenses or liabilities of the Limited Partnership and the establishment of appropriate reserves, all as determined by the Managing General Partner, in its sole discretion.

Section 2.13. "General Partner" means American Life, Inc. and/or any other person admitted as a General Partner pursuant to the Agreement and their successors.

Section 2.14. "Interest" or "Limited Partnership Interest" or "Partnership Interest" means the ownership interest of a Partner in the Limited Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in the Agreement and in the Act, together with the obligations of such Partner to comply with all the terms and provisions of the Agreement and the Act. The Limited Partnership Interests held by each Partner is set forth on the attached Schedule A.

Section 2.15. "Limited Partner" means each Limited Partner listed on Schedule A and any person admitted to the Limited Partnership as a Limited Partner.

Section 2.16. "Managing General Partner" means American Life Inc., or any other General Partner elected to serve as the Managing General Partner.

Section 2.17 "Partners" means collectively the General Partners and the Limited Partners, and a reference to a Partner shall be to any one of the Partners.

Section 2.18 "Limited Partnership" means the 618 2nd Avenue Limited Partnership, a Washington limited partnership.

Section 2.19. "Person" means any natural person, partnership, corporation, association or other legal entity.

Section 2.20. "Positive Capital Account" means that the balance of a Partner's Capital Account is greater than zero.

Section 2.21. "Profit or Loss" means the income or loss of the Limited Partnership as determined by the method of accounting chosen by the Managing General Partner and permitted by the Code.

Section 2.22. "Project" or the "Limited Partnership Property means the real property, remodel and improvements located at 618 2nd Avenue Seattle, Washington 98134.

Section 2.23. "Subscription Agreement" means the agreement signed by each Limited Partner in connection with their Capital Contribution to the Limited Partnership.

Section 2.24. "Units" or Limited Partnership Interests means each Partner's percentage of ownership in the Partnership as set forth adjacent to their name in **Schedule A**.

ARTICLE III PURPOSE, BUSINESS AND POWERS OF THE LIMITED PARTNERSHIP

Section 3.01. Purpose and Business of the Limited Partnership. The business of the Limited Partnership shall be to acquire, develop, manage and operate Limited Partnership Property and to do all other acts which may be necessary, incidental or convenient to the foregoing.

Section 3.02. Powers. The Limited Partnership is hereby authorized:

- (1) To acquire, manage and operate Limited Partnership Property and to hold it for economic gain;
- (2) To mortgage, sell, lease, transfer and exchange or otherwise convey or encumber all or part of the Limited Partnership Property in furtherance of any and all of the objectives of Limited Partnership business; and
- (3) To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to, the operation of Limited Partnership Property.

ARTICLE IV CAPITAL CONTRIBUTIONS

Section 4.01. Capital Contributions.

(1) Each of the Partners' Capital Contributions is set forth on Schedule A. The Limited Partners shall have no obligation to make additional Capital Contributions. The General Partners may make an additional Capital Contribution to the Partnership. A portion of this General Partner's Capital Contribution may arise from loan proceeds borrowed to fund construction costs in excess of Partnership capital using the Project as security for the loan. To the extent the loan proceeds cause Partnership capital to increase, each Partners' percentage interest in the Partnership shall be recalculated as a percentage of the sum of the loan proceeds plus existing General and Limited Partner capital contributions. The Managing General Partner has approved this security interest over the Project and the Limited Partners hereby

acknowledge, consent and approve of same. The General Partners shall be responsible for repaying the described borrowing according to its terms from the General Partners' allocation of Available Cash Flow and Net Proceeds from a Capital Event, from sums distributed to the General Partners upon dissolution of the Limited Partnership, and/or from each General Partners' own funds. The Limited Partners shall have no liability for retiring this borrowing. The General Partners shall have no obligation to the Limited Partnership or the Partners to make additional Capital Contributions, except for the General Partners' obligation, if any, to repay the "Secured Debt".

Section 4.02. Return and Withdrawal of Capital. No Partner shall have the right to demand Limited Partnership Property. Further, no Partner shall have any right to withdraw or make a demand for the withdrawal of any of such Partner's Capital Contribution (or the capital interest reflected in such Partner's Capital Account) until the full and complete winding up and liquidation of the Limited Partnership.

Section 4.03. The Project's valuation is referenced in each Partner's subscription agreement. The project valuation will be adjusted to reflect actual sales, leasing, construction and development costs. Partnership percentage interests shall be revised upward or downwards as a percentage of the actual funds expended to complete the project.

Section 4.04. Partner Capital Accounts. An individual Capital Account shall be maintained for each Partner in accordance with the requirements of the Code. Except as required by the Code, the Capital Account of each Partner shall consist of his Capital Contribution, as increased by any contribution of capital subsequent to his original contribution, and by such Partner's share of Limited Partnership income and gain allocated after the date hereof to such Partner, and as decreased by the amount of all cash and the fair market value of all property and assets distributed to such Partner, the amount of all losses allocated after the date hereof to such Partner, and any amounts charged under Section 4.05, and/or Section 10.08 to such Partner.

Section 4.05. Interest on Capital Contributions. No interest shall be paid to a Partner on Capital Contributions. Interest will be charged by the Limited Partnership to a Partner on the sum of any amounts charged to such Partner's Capital Account from obligations to the Limited Partnership or a General Partner arising under Section 10.08 concerning federal income tax withholding. The interest charged will be computed on a calendar year compounded basis at a rate equal to two percent above the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be collected by reduction of any distributions payable to the Partner immediately following the calculation of the year's interest by the General Partner. To the extent that there are no distributions against which the interest can be applied, then the interest will be charged to the Partner's Capital Account. This Section 4.05 will survive the termination of a Partner's status as a Partner.

4.06. Service of Secured Debt. Payments to service the Secured Debt shall be made by the General Partner out of its share of Available Cash Flow, Net Proceeds from a Capital Event, and sums distributed upon dissolution of the Limited Partnership. If such

amounts are insufficient to meet the terms of the Secured Debt, then the Managing General Partner's share of any such amounts (and the shares of any additional General Partners admitted to the Limited Partnership) shall be used. For the security of the Limited Partners, the Limited Partnership will service the Secured Debt directly out of the General Partners' shares of these items including the General Partners' Share of Distributions to Limited Partners as defined in Section 6.02(1)(b)(ii). If amounts required for service of the Secured Debt are in excess of the General Partners' shares of these items, then any one or all of the General Partner will timely pay such amounts from their own funds. This obligation will be the joint and several obligation of all General Partners. In the event the General Partners fail to repay the Secured Debt according to its terms, any or all of the Limited Partners may, at their option, pay the unpaid amount and receive interest at the rate described in paragraph 7.01(2) or convert the unpaid amount to equity based on a Limited Partnership valuation equal to total Partnership capital contributions including the loan proceeds. In the event of any conversion by one or more Limited Partners, the full increase in Limited Partnership Interest of the Limited Partners who convert will dilute solely the Limited Partnership Interest of the General Partners. The dilution will not affect the Interest of any Limited Partner.

ARTICLE V COMPENSATION FOR SERVICES

Section 5.01. General Partners' Fees. The Managing General Partners shall be entitled to collect a monthly management fee, which is billed to the tenants, equal to 4% of gross rental income. Additionally, the General Partner may charge the Partnership for commercially reasonable costs of operations such as accounting, administration and un-reimbursed property management fees.

ARTICLE VI ALLOCATIONS AND DISTRIBUTIONS

Section 6.01. Allocation of Income, gain, deductions and loss.

Except for any special allocations required or permitted by the United States Tax Code to ensure that all allocations hereunder have substantial economic effect, all items of income, gain, deductions and loss shall be allocated to the Partners in the same manner as their proportionate share of Available Cash Flow and Net Proceeds from a Capital Event as set forth below in Section 6.02 and in their Subscription Agreements. Any non cash items of income or expense (such as depreciation or amortization) will be allocated in accordance with each Partner's Interest in the Partnership.

Section 6.02. Distributions.

- (1) Distributions of Available Cash Flow

(a) **General Partner Distribution and Limited Partner Distribution.** Available Cash Flow shall first be distributed to the General Partners and the Limited Partners, pro rata in accordance with each class of Partners' Limited Partnership Interest in the Limited Partnership as set forth on Schedule A. For example, if the General Partners hold Percent (%) of the Limited Partnership Interests and the Limited Partners hold Percent (of the Limited Partnership Interests, then Percent (%) of the Available Cash Flow shall be distributed to the General Partners ("General Partner Distribution") and the remaining Percent (%) shall be distributed to the Limited Partners ("Limited Partner Distribution").

(b) **General Partner Distributions.**

(i) **Distribution of General Partner Distribution.** The General Partner Distribution shall be distributed monthly to the General Partners pro rata in accordance with each General Partner's Limited Partnership Interest.

(ii) **Distribution of General Partner's Share of Distributions to Limited Partners.** Any amounts distributable to the General Partners pursuant to **Section 6.02(1)(c)** herein shall be distributed monthly to the General Partners pro rata in accordance with the agreement for such division among the General Partners.

(c) **Limited Partner Distributions.** The Limited Partnership will distribute to each Limited Partner an amount equal to the Limited Partner Distribution multiplied by each Limited Partner's Limited Partnership Interest set forth on the attached Schedule A, then by multiplying the amount so obtained by each Limited Partner's applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. Distributions shall be made monthly and may only be made out of the accumulated balance of the operating profits of the Limited Partnership. In the event that the Limited Partner Distribution exceeds the aggregate of the distributions to all Limited Partners as calculated in this paragraph, then such excess shall be distributed to the General Partners.

(2) **Distribution of Net Proceeds from a Capital Event or from Dissolution**

The Net Proceeds from a Capital Event and/or a distribution from the dissolution of the Limited Partnership shall be distributed first to all Partners in accordance with each Partner's Limited Partnership Interest in the Partnership up to the amount of each Partner's original Capital Contribution as listed on Schedule A and then, the excess amount, if any ("Excess Amount"), shall be shared amongst the Partners. Each Limited Partner's share will be determined by multiplying the Excess Amount by the product of that Limited Partner's Interest multiplied by the applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. The share of the General Partners will be the amount of the Excess Amount remaining after the shares for all Limited Partners have been calculated. The amount determined in the immediately preceding sentence will be distributed to each General Partner in accordance with the agreement for such division among the General Partners.

Section 6.03. Deficit Capital Accounts at Liquidation. The Limited Partners shall have no liability to the Limited Partnership, to the General Partners, or to the creditors of the Limited Partnership on account of any deficit balance in their Capital Accounts upon liquidation of the Limited Partnership, provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligations described in Section 4.05 and/or Section 10.08 is required to pay to the Limited Partnership the amount of any negative balance in his Capital Account, but such payment shall not exceed the sum of the obligations under Section 4.05 and Section 10.08. This Section 6.03 will survive the termination of a Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

ARTICLE VII EXPENSES

Section 7.01. Limited Partnership Expenses. The Limited Partnership shall pay all costs and expenses of the Project which may include, but are not limited to:

(1) All costs of personnel employed by the Limited Partnership or performing services for the Limited Partnership;

(2) All costs of borrowed money including repayment of advances to the Partnership made by a Partner which shall be paid monthly, interest only, and repaid in one lump sum five years after the date of initial advance, at an interest rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate" plus 2%, taxes and assessments on Limited Partnership Property (except payments in connection with the Secured Debt used to finance the General Partners' Capital Contribution and secured by the Project) and other taxes applicable to the Limited Partnership;

(3) Legal, audit, accounting, brokerage and other fees;

(4) Printing and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents evidencing ownership of an Interest in the Limited Partnership or in connection with the business of the Limited Partnership;

(5) Fees and expenses paid to contractors, mortgage bankers, brokers and services, leasing agents, consultants, on-site managers, real estate brokers, insurance brokers and other agents, including Affiliates of any General Partner;

(6) Expenses in connection with the acquisition, preparation, operation, improvement, development, disposition, replacement, alteration, repair, remodeling,

refurbishment, leasing, and financing and refinancing of Limited Partnership Property (except any such expenses in connection with the Secured Debt or any refinancing of the Secured Debt).

- (7) The cost of insurance obtained in connection with the business of the Limited Partnership;
- (8) Expenses of organizing, revising, amending, converting, modifying or terminating the Limited Partnership;
- (9) Expenses in connection with distributions made by the Limited Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with, Limited Partners;
- (10) Expenses in connection with preparing and mailing reports required to be furnished to Partners for required tax reporting, or other purposes which the Managing General Partner deems appropriate;
- (11) Costs incurred in connection with any litigation, including any examination or audits by regulatory agencies; and
- (12) Costs of preparation and dissemination of informational material and documentation relating to potential sale, refinancing or other disposition of Limited Partnership Property.

ARTICLE VIII POWERS, RIGHTS AND OBLIGATIONS OF GENERAL PARTNERS

Section 8.01. General Authority and Powers of the Managing General Partner. The Managing General Partner shall have the exclusive right and power to manage, operate and control the Limited Partnership and to do all things and make all decisions necessary or appropriate to carry on the business and affairs of the Limited Partnership. In addition to the specific rights and powers herein granted to the General Partners, the Managing General Partner shall possess and enjoy and may exercise all the rights and powers of a general partner as provided in the Act, including the full and exclusive power and authority to act for and to bind the Limited Partnership. The scope of the Managing General Partner's power and authority shall encompass all matters connected with or incident to the business of the Limited Partnership, including but not limited to the power and authority:

- (1) To spend and or invest the capital and revenue of the Limited Partnership to maximize return to the Limited Partnership, including the acquisition of the Project;
- (2) To manage, sell, develop, purchase, mortgage, improve, operate and dispose of Limited Partnership Property, including to act on behalf of the Limited Partnership

with respect to any Limited Partnership or joint venture in which the Limited Partnership participates;

(3) To employ persons, firms and/or corporations for the sale, operation, management, syndication and development of Limited Partnership Property, including but not limited to sales agents, broker-dealers, attorneys and accountants;

(4) To employ agents, attorneys, accountants, engineers and other consultants or contractors who may be Affiliates of a General Partner; however, any employment of such persons must be on terms not less favorable to the Limited Partnership than those offered by unaffiliated persons for comparable services in the same area;

(5) To acquire and or sell personal or real property owned by the Limited Partnership or in which the Limited Partnership has an interest, lease real property, borrow on a secured or unsecured basis in the name of the Limited Partnership, grant Partnership property as security for a loan to the Partnership, hire and fire employees, to sign any documents required on behalf of the Limited Partnership, without the signatures or consents of the Limited Partners, required to carry out the duties of the Managing General Partner, and all other acts necessary, appropriate, or helpful for the operation of the Limited Partnership business;

(6) To appoint representatives to manage the day-to-day operations of the Limited Partnership;

(7) To execute, acknowledge and deliver any and all instruments to effectuate any of the foregoing powers and any other powers granted to the Managing General Partner under the laws of the State of Washington or other provisions of this Agreement;

(8) To enter into and to execute agreements for employment or services, as well as any other agreements and all other instruments the Managing General Partner deems necessary or appropriate to own, sell, improve, operate and dispose of Limited Partnership Property or to effectively and properly perform its duties or exercise its powers hereunder;

(9) To enter into such agreements and contracts with parties and to give such receipts, releases and discharges, with respect to the business of the Limited Partnership, which the Managing General Partner, in its sole discretion, deems advisable or appropriate;

(10) To purchase, at the expense of the Limited Partnership, such liability and other insurance as the Managing General Partner, in its sole discretion, deems advisable to protect the Limited Partnership's assets and business; however, the Managing General Partner shall not be liable to the Limited Partnership or the other Partners for failure to purchase any insurance, including earthquake insurance, unless such act or omission constitutes gross negligence or willful misconduct by a General Partner within the meaning of Section 8.04;

(11) To sue and be sued, complain, defend, settle, and/or compromise, with respect to any claim in favor of or against the Limited Partnership, in the name and on behalf of the Limited Partnership; and

(12) To grant Limited Partnership real or personal property as security for a loan to the Limited Partnership, and sign all documents required to grant such security interests in Limited Partnership Property, without the signatures or consents of the Limited Partners provided that such borrowing is in furtherance of a Project purpose.

Section 8.02. Right of Public to Rely on Authority of Managing General Partner. No person, firm or corporation dealing with the Limited Partnership or any Limited Partnership or joint venture for which the Limited Partnership is a general partner or otherwise authorized to act, shall be required to inquire into the authority of the Managing General Partner to take any action, make any decision, or sign and deliver any document, instrument or deed. The Managing General Partner does not require an authorizing resolution from the Partners in order to grant Limited Partnership Property as security for an obligation of the Limited Partnership.

Section 8.03. Time Devoted to Limited Partnership; Other Ventures. The General Partners and the Managing General Partner shall devote so much of their time to the business of the Limited Partnership as in their judgment the conduct of the Limited Partnership's business reasonably requires. The General Partners and the Managing General Partner may engage in business ventures and activities of any nature and description independently or with others, whether or not in competition with the business of the Limited Partnership, and neither the Limited Partnership nor any of the other Partners shall have any rights in and to such independent ventures and activities or the income or profits derived there from by reason of the acquisition of Interests in the Limited Partnership. For example most of the development work for the Project will be conducted by a General Partner and its Affiliates.

Section 8.04. Liability of General Partners to Limited Partners and Limited Partnership. In carrying out their duties and exercising the powers hereunder, the General Partners shall exercise reasonable skill, care and business judgment. A General Partner shall not be liable to the Limited Partnership or the Limited Partners for any act or omission performed or omitted by them in good faith pursuant to the authority granted to them by this Agreement unless such act or omission constitutes gross negligence or willful misconduct by that General Partner. In exercising their powers hereunder, the General Partners recognizes their fiduciary responsibility to the Limited Partnership as set forth in **Section 8.06** hereof. The General Partners shall be entitled to rely on the advice of counsel and public accountants experienced in any matter at issue, and shall not be liable, responsible or accountable in damages or otherwise to the Limited Partnership, or any Limited Partner for any action taken or failure to act on behalf of the Limited Partnership in good faith and in reliance on any such advice.

Section 8.05. Indemnification. The Limited Partnership shall indemnify and hold harmless the General Partners and the Managing General Partner from any loss or damage, including attorneys' fees actually and reasonably incurred by them, by reason of any act

performed by them on behalf of the Project or in furtherance of the interests of the Project; provided, however, that such indemnification or agreement to hold harmless shall be recoverable only out of the assets of the Project and not from the Limited Partners. The foregoing indemnity shall extend only to acts or omissions performed or omitted by a General Partner in good faith and in the belief that the acts or omissions were in the Limited Partnership's interests, or not opposed to the best interests of the Limited Partnership and which are not a result of negligence or willful or wanton misconduct on the part of that General Partner.

Section 8.06. Fiduciary Responsibility. The General Partners shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Limited Partnership.

ARTICLE IX STATUS OF LIMITED PARTNERS

Section 9.01. Participation in Management. Except as specifically provided herein, no single Limited Partner shall control the Limited Partnership's business or management or have any right or authority to act for or on the behalf of, or otherwise bind, the Limited Partnership (except a Limited Partner who may also be a General Partner and then only in its capacity as General Partner within the scope of its authority hereunder). Notwithstanding the above the Limited Partners shall form an advisory committee to consult and advise the General Partner with respect to the partnership business as defined in RCW 25.10.190(2)(f)(i) through (f)(x) except (f)(ii) and (f)(iii).

Section 9.02. Limitation of Liability. No Limited Partner shall have any personal liability whatever, whether to the Limited Partnership, to any Partners or to the creditors of the Limited Partnership, for the debts or obligations of the Limited Partnership or any of its losses beyond his Capital Contribution set forth opposite his name in Schedule A attached hereto; provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligation described in the last paragraph of Section 6.03, Section 4.05, and/or Section 10.08 is required to reimburse the Limited Partnership for the amount of any negative balance in his Capital Account, but such reimbursement shall not exceed the sum of the Partner's obligations under Section 6.03, 4.05, and Section 10.08. This Section 9.02 will survive the termination of an Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

Section 9.03. Death or Incapacity of Limited Partner. The death, legal incapacity, dissolution, termination, merger, consolidation or bankruptcy of a Limited Partner shall not cause dissolution of the Limited Partnership, but the rights of such Limited Partner to share in the profits and losses of the Limited Partnership, to receive distributions from the Limited Partnership and to assign an Interest in the Limited Partnership shall, on the happening of such an event, devolve upon such Limited Partner's executor, administrator, guardian, conservator, or other legal representative or successor, as the case may be, subject to the terms and conditions of this Agreement, and the Limited Partnership shall continue as a Limited Partnership. However,

in any such event such legal representative or successor, or any assignee of such legal representative or successor shall be admitted to the Limited Partnership as a Limited Partner only in accordance with and pursuant to all of the terms and conditions of **Article XI** hereof.

Section 9.04. Recourse of Limited Partners. Each Limited Partner shall look solely to the Project for all distributions with respect to the Limited Partnership and his Capital Contribution thereto and share of profits and losses thereof and shall have no recourse therefore, upon dissolution or otherwise, against the General Partners or any other Limited Partner, except to the extent of any required General Partner contributions to the Limited Partnership required by **Section 4.06**

Section 9.05. No Right to Property. No Limited Partner shall have any right to demand or receive any distribution from the Limited Partnership in any form other than cash, upon dissolution or otherwise.

Section 9.06. Voting Rights of Limited Partners. Subject to the provisions of **Article VIII**, the Limited Partners owning Interests constituting in the aggregate at least two-thirds of the Interests of all Limited Partners unless stated otherwise may, without the concurrence of the General Partners and in accordance with **Section 12.02** hereof, remove the Managing General Partner for cause and admit a substitute Managing General Partner.

Section 9.07. Meetings of Limited Partners.

(1) Meetings of the Limited Partners to vote upon any matters on which the approval or consent of the Limited Partners is required or on which the Limited Partners are authorized to take action under this Agreement may be called at any time by the General Partners and shall be called by the General Partners within ten (10) days after receipt of a written request for such a meeting signed by one or more Limited Partners owning Interests constituting in the aggregate more than 30% of the Interests of all Limited Partners. Any such request shall state the purpose of the proposed meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. Meetings shall be held at the principal office of the Limited Partnership or at such place as may be designated by the General Partners or, if the meeting is called upon the written request of Limited Partners, as designated by such Limited Partners.

(2) Notification of any meeting to be held pursuant to this **Section 9.07** shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting, to each Limited Partner at his record address, or at such other address which he may have furnished in writing to the Managing General Partner. Such notice shall be in writing; shall state the place, date and hour of the meeting; and shall indicate that the notice is being issued at or by the direction of the Partner or Partners calling the meeting. The notice shall state the purpose or purposes of the meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. If a meeting is adjourned to another time and place, and if an announcement of the adjournment of time or

place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting. No notice of the time, place or purpose of any meeting of Limited Partners need be given to any Limited Partner who attends in person or is represented by proxy, except for a Limited Partner attending a meeting for the express purpose of objecting at the beginning of the meeting to the transaction or any business on the ground that the meeting is not lawfully called or convened, or to any Limited Partner entitled to such notice who, in a writing executed and filed with the records of the meeting, either before or after the time thereof, waives such notice.

(3) For the purpose of determining the Limited Partners entitled to notice of, or to vote at, any meeting or any adjournment thereof, or to vote by written consent without a meeting, the General Partners or the Limited Partners requesting such meeting or vote may fix, in advance, a date as the record date for any such determination of Limited Partners. Such date shall not be more than sixty (60) days nor less than ten (10) days before any such meeting or submission of a matter to the Limited Partners, the date on which notice of the meeting or submission of the matter to the Limited Partners for a vote by written consent is mailed shall be the record date for such determination of Limited Partners.

(4) Each Limited Partner may authorize any person or persons to act for him by proxy with respect to any matter in which a Limited Partner is entitled to participate, whether by waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Limited Partner. No proxy shall be valid after the expiration of twelve (12) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable by the Limited Partner executing it.

(5) Any matter for which the approval or consent of the Limited Partners is required or for which the Limited Partners are authorized to take action under this Agreement or under applicable law may be approved or action may be taken by the Limited Partners without a meeting and shall be as valid and effective as action taken by the Limited Partners at a meeting assembled, if written consents to such action by the Limited Partners are signed by the Limited Partners owning Interests constituting in the aggregate the Interests required to approve or otherwise authorize such action, and such written consents are delivered to the General Partners.

(6) Personal presence of the Limited Partners shall not be required at any meeting, provided an effective written consent to or rejection of the action proposed to be taken at such meeting is submitted to the Managing General Partner. Attendance by a Limited Partner and voting in person at any meeting shall revoke any written consents or rejections of such Limited Partner submitted with respect to action proposed to be taken at such meeting.

(7) Failure to vote either in person, by proxy or by written consent at a duly called meeting upon receipt of notice as provided for in this Article IX on matters for which approval of the Limited Partners are required by this Agreement shall be counted as an affirmative vote.

ARTICLE X
BOOKS AND RECORDS, ACCOUNTING, REPORTS AND
STATEMENTS AND TAX MATTERS

Section 10.01. Books and Records. The Managing General Partner shall, at the expense of the Limited Partnership, keep and maintain, or cause to be kept and maintained, the books and records of the Limited Partnership using the method of accounting chosen by the Managing General Partner. All books and records of the Limited Partnership shall be kept at the principal office of the Limited Partnership.

Section 10.02. Annual Accounting Period. All books and records of the Limited Partnership shall be kept on the basis of an annual accounting period ending December 31 of each year, except for the final accounting period which shall end on the date of termination of the Limited Partnership. All references herein to the "fiscal year of the Limited Partnership" are to the annual accounting period described in the preceding sentence, whether the same shall consist of twelve months or less.

Section 10.03. Managing General Partner's Reports to Limited Partners. The Managing General Partner shall send at Limited Partnership expense to each Limited Partner the following:

(1) After the end of each fiscal year of the Limited Partnership, such information as shall be necessary for the preparation by such Limited Partner of his federal income tax return which shall include a computation of the distributions of such Limited Partner and the allocation to such Limited Partner of profits or losses, as the case may be; and

(2) A reasonable time after the end of each fiscal year of the Limited Partnership, an annual report, which shall include an income statement for and balance sheet of the Limited Partnership as of the fiscal year end.

Section 10.04. Right to Examine Records. Limited Partners shall be entitled, upon written request directed to the Managing General Partner, to (a) review the records of the Limited Partnership at all reasonable times and at the location where such records are kept by the Limited Partnership and (b) obtain a list of the names and addresses of the Limited Partners.

Section 10.05. Tax Matters Partner. The tax matters partner of the Limited Partnership shall be the Managing General Partner.

Section 10.06. Tax Returns. The Managing General Partner shall, at Limited Partnership expense, cause the Limited Partnership to prepare and file a United States Limited Partnership Return of Income and all other tax returns required to be filed by the Limited Partnership for each fiscal year of the Limited Partnership.

Section 10.07. Tax Elections and Adjustments. The Managing General Partner is authorized to cause the Limited Partnership to make, forego or revoke such elections or adjustments for federal income tax purposes as they deem necessary or advisable in their sole discretion, provided such elections or adjustments are consistent with federal income tax rules and principles, including but not limited to, in the event of a transfer of all or part of the Limited Partnership Interest of any Partner, an election pursuant to Section 754 of the Code to adjust the basis of the assets of the Limited Partnership or any similar provision enacted in lieu thereof. The Partners will, upon request, supply any information necessary to properly give effect to any such election or adjustment.

Section 10.08. Federal Income Tax Withholding. In the event any of the Partners are subject to Federal Income Tax withholding, the Managing General Partner is authorized to withhold any sums required by the Internal Revenue Code even if such withholding conflicts with any of the terms and conditions of this Agreement or otherwise affects distributions, allocations or payments to the Partners. In the event that the Managing General Partner learns of a withholding obligation subsequent to the distribution to which the withholding obligation relates, the Managing General Partner will issue an invoice to the Partner. If the invoice is not paid within sixty (60) days, the General Partner will charge the amount against the Partner's Capital Account. This Section 10.08 will survive the termination of a Partner's status as a Partner.

ARTICLE XI TRANSFERS OF LIMITED PARTNERSHIP INTERESTS; WITHDRAWAL AND ADMISSION OF LIMITED PARTNERS

Section 11.01. General Prohibition. No Limited Partner may voluntarily, or involuntarily, directly or indirectly, sell, transfer, assign, pledge or otherwise dispose of, or mortgage, pledge, hypothecate or otherwise encumber, or permit or suffer any encumbrance of, all or any part of his Interest in the Limited Partnership, except as provided in this Article XI. Any other purported sale, transfer, assignment, pledge or encumbrance shall be null and void and of no force or effect whatsoever.

Section 11.02. No withdrawal of Limited Partner. No Limited Partner shall have the right to withdraw from the Limited Partnership except as otherwise provided in this Agreement.

Section 11.03. Transfers by Limited Partners.

(1) Subject to any restrictions on transferability required by law or contained elsewhere in this Agreement, a Limited Partner may transfer his entire Interest in the Limited Partnership upon satisfaction of the following conditions:

(a) The transfer shall (A) be by bequest or by operation of the laws of intestate succession, or (B) be approved in writing by the Managing General Partner, which approval shall be withheld only if, in the reasonable judgment of the Managing General Partner,

the proposed transfer does not comply with the requirements of this **Article XI**, would jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, or would violate, or cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law;

(b) The transferor and transferee shall have executed and acknowledged such instruments as the Managing General Partner may deem necessary or desirable to effect such transfer;

(c) The transferor and transferee shall have provided, if requested by any General Partner, an opinion of counsel indicating that, in the opinion of said counsel, such transfer would not jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, and would not violate, nor cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law; and

(d) The transferor has made all Capital Contributions to the Limited Partnership in accordance with **Article IV** hereof and has no further obligation to the Limited Partnership beyond his Capital Contribution as described in Section 9.02.

(2) At the time of a transfer of any Limited Partner's Interest, whether or not such transfer is made in accordance with this **Section 11.03**, all the rights possessed as a Limited Partner in connection with the transferred Interest, which rights otherwise would be held either by the transferor or transferee, shall terminate against the Limited Partnership unless the transferee is admitted to the Limited Partnership as a Limited Partner pursuant to the provisions of **Section 11.04** hereof; provided, however, that if the transfer is made in accordance with this **Section 11.03**, such transferee shall be entitled to receive distributions to which the transferor would otherwise be entitled as of the effective date of such transfer, which date shall be specified by the Managing General Partner and shall be no later than the last day of the calendar month following the first calendar month during which the Managing General Partner has received notice of the transfer and all conditions precedent to such transfer provided for in this Agreement have been satisfied. The Limited Partnership and the Managing General Partner shall be entitled to treat the transferor as the recognized owner of such Interests until such effective date and shall incur no liability for distributions made in good faith to the transferor prior to the effective date.

(3) In the event a Limited Partner transfers all of his Interest in the Limited Partnership, the transferor will cease to be a Limited Partner.

(4) If a General Partner purchases the Interest of a Limited Partner, such Interest shall be treated as a Limited Partnership Interest with respect to all allocations and distributions of the Limited Partnership.

(5) A transfer by a Limited Partner, including transfers of all or less than all rights hereunder, shall not relieve the transferor of obligations under this Agreement.

(6) Each of the Limited Partners, by executing this Agreement, hereby covenants and agrees that he will not, in any event, sell or distribute his Interest in the Limited Partnership or any portion thereof unless, in the opinion of counsel to the Limited Partner (which counsel and opinion shall be satisfactory to counsel for the Managing General Partner) such Interest in the Limited Partnership may be legally sold or distributed in compliance with applicable federal and state securities laws.

(7) Notwithstanding any other provision of this Agreement, a Limited Partner may not transfer his Interest in any case if such a transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code, unless such transfer shall be expressly approved by the Managing General Partner.

Section 11.04. Admission of Transferees as Limited Partners.

(1) No transferee of a Limited Partner shall be admitted as a Limited Partner unless all of the following conditions have been satisfied:

(a) The transfer complies with **Section 11.03** and the transferor Limited Partner gives the transferee the right to become a Limited Partner;

(b) The prospective transferee has executed an instrument, in form and substance satisfactory to the Managing General Partner, accepting and agreeing to be bound by all the terms and conditions of this Agreement, including the power of attorney set forth in **Article XIV** hereof, and has paid all expenses of the Limited Partnership in effecting the transfer;

(c) All requirements of the Act regarding the admission of a transferee limited partner have been complied with by the transferee, the transferring Limited Partner, and the Limited Partnership;

(d) Such transfer is effected in compliance with all applicable state and federal securities laws; and

(e) The transferee executes all documents reasonably required by the Managing General Partner.

(2) In the event of a transfer complying with all the requirements of **Section 11.03** hereof and the transferee being admitted as a Limited Partner pursuant to this **Section 11.04**, the Managing General Partner, for himself as a General Partner and for each Limited

Partner pursuant to the Power of Attorney granted by each Limited Partner, shall execute and file an amendment to this Agreement. Unless named in this Agreement, as amended from time to time, no person shall be considered a Partner; and the Limited Partnership, each Partner, and any other person having business with the Limited Partnership need deal only with Partners so named and shall not be required to deal with any other person by reason of a transfer by, or by reason of the death of, a Partner, except as otherwise expressly provided herein.

ARTICLE XII
TRANSFERS OF GENERAL PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF GENERAL PARTNERS

Section 12.01. Withdrawal of General Partners. The General Partners may withdraw from the Limited Partnership by giving the Limited Partners written notice of withdrawal at least sixty (60) days prior to the effective date of the withdrawal. A General Partner who withdraws from the Limited Partnership may sell its Interest only in accordance with the procedures and limitations of **Section 12.03** hereof. In the event there is no such sale, or until such time as there is such a sale, a General Partner who has withdrawn shall have the same rights and be subject to the same limitations as a General Partner that has been removed pursuant to the provisions of **Section 12.03** hereof, and the interest of the withdrawn General Partner may be acquired by the other General Partners or by the Limited Partners in accordance with the procedures set forth in **Section 12.03** hereof.

Section 12.02. Removal, Bankruptcy, Dissolution, Death or Incompetency of General Partners. A General Partner shall cease to be a General Partner of the Limited Partnership upon the removal, bankruptcy, dissolution, death or incompetency of the General Partner and any of said Partners may be removed by the vote of the Limited Partners, under **Section 9.06** above, only for cause. For purposes of this **Section 12.02**, the term "cause" shall mean acts of the General Partners which constitute larceny, fraud, or a crime involving moral turpitude or failure to pay the Secured Debt according to its terms resulting in the initiation of foreclosure proceedings pursuant to the security agreement securing the Secured Debt.

Section 12.03. Transfer by General Partners; Admission of Additional or Successor General Partners. A General Partner may transfer his Interest, or any part thereof, and an additional or successor General Partner, as the case may be, shall be admitted to the Limited Partnership as follows:

(1) If a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to another then existing General Partner, such General Partner must obtain the consent of all of the other General Partners before effecting such sale or transfer. If the General Partner desiring to sell, transfer or assign its interest is the Managing General Partner, then a majority of the other General Partners, if there are three or more General Partners, and, if not, then two-thirds of the Limited Partners, must agree as to who is to become the new Managing General Partner before the proposed sale, transfer or assignment can be effected.

(2) Except as provided in **Section 12.03(3)**, if a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to a person or entity who is not then a General Partner, such transfer shall be permitted if, and only if, the proposed transferee is approved as a successor General Partner as follows:

(a) The admission of the transferee as a successor General Partner shall have been consented to by the other General Partners, and if none, by a two-thirds vote of the Limited Partners;

(b) If the proposed transferee is a non-natural person, it shall have provided the Limited Partnership evidence satisfactory to counsel for the Limited Partnership of its authority to become a General Partner;

(c) In the event that one or more General Partners shall be so designated and approved, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(3) Upon action taken by the Limited Partners to remove a General Partner in accordance with **Section 9.06** and subject to **Section 12.02**, Limited Partners owning Interests constituting in the aggregate two-thirds of the Interests of all Limited Partners may, without the concurrence of the General Partners, admit to the Limited Partnership one or more additional General Partners to replace the General Partner(s) to be removed. In the event that one or more additional General Partners shall be so admitted, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(4) Notwithstanding any other provision of this Agreement, the General Partners may not transfer any Interest in any case if such transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code unless such transfer shall be approved by Limited Partners owning Interest constituting in the aggregate a majority of the Interests of all Limited Partners in the Limited Partnership.

Section 12.04. Continuing Liability. In the event a General Partner withdraws from the Limited Partnership or sells, transfers or assigns its entire Interest pursuant to the provisions of this Agreement, such General Partner shall be, and shall remain, liable for all obligations and liabilities incurred by the General Partner prior to the effective date of such occurrence and shall be free of any obligation or liability incurred on account of the activities of the Limited Partnership from and after such effective date.

Section 12.05. Additional Conditions to Admission of General Partners. Notwithstanding any other provision of this Agreement, no additional or successor General Partner may be admitted to the Limited Partnership and no right of the Limited Partners to consent to or approve such admission shall have any effect whatsoever or be exercisable until and unless prior to such exercise the Limited Partnership shall have received an opinion of counsel satisfactory to the

Limited Partners (as hereinafter provided) to the effect that the giving of consent of the Limited Partners to such admission will not adversely affect the classification of the Limited Partnership as a Limited Partnership for federal income tax purposes. For purposes of this **Section 12.05**, an opinion of counsel will be deemed satisfactory to the Limited Partners if approved in writing by Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners.

Section 12.06. Purchase of Interest(s) of General Partners. Upon the removal, bankruptcy, dissolution, death or incompetency of a General Partner, the Limited Partnership Interest(s) of the General Partner(s) (hereinafter, for purposes of **Sections 12.02 and 12.06**, referred to as the "Terminated General Partner(s)") shall be purchased by the Limited Partnership for a purchase price determined in accordance with **Section 12.07** hereof. The purchase price of such Interest(s) shall be paid by the Limited Partnership to the Terminated General Partner(s) or his/their representative either, at the option of the Limited Partnership, in cash or by a promissory note of the Limited Partnership payable to such Terminated General Partner(s) or his representative in a face amount equal to said purchase price and containing provisions as would be usual and customary in a commercial promissory note, including provisions for interest at a rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be payable at the time of each installment of principal, which shall be payable in five (5) annual installments or as the Terminated General Partner(s) or his representative and the Limited Partnership may otherwise agree.

Section 12.07. Purchase Price of a Terminated General Partner(s) Interest. The fair market value of the Terminated General Partner(s)' Interest(s), for any reason other than for removal for cause, to be purchased by the Limited Partnership in accordance with **Section 12.06** above shall be determined by agreement between the Terminated General Partner(s) or his representative and the Limited Partnership. If the Terminated General Partner(s) or his representative and the Limited Partnership cannot agree upon the fair market value of such Limited Partnership Interest(s) within 90 days after the date of the Terminated General Partner(s) removal, bankruptcy, dissolution, death or incompetency, then the purchase price shall be the General Partner's percentage interest of the MAI appraised value of the Limited Partnership's assets and business, valued as a going concern without a minority discount determined as soon as possible after the end of the ninety day period above. In the event of removal for cause the purchase price of the terminated General Partner(s) interest shall be based on the formula set forth in this paragraph except that the value of any distributions to Limited Partners paid to the General Partner shall be reduced to zero.

ARTICLE XIII DISSOLUTION, WINDING UP AND TERMINATION

Section 13.01. Events Causing Dissolution. The Limited Partnership shall be dissolved and its affairs shall be wound up upon the happening of the first to occur of any of the following events:

- hereof;
- (1) Expiration of the term of the Limited Partnership stated in **Section 1.05**
 - (2) Entry of a decree of judicial dissolution pursuant to the Act;
 - (3) The sale or other disposition of all or substantially all of the assets of the Limited Partnership;
 - (4) The removal, bankruptcy, dissolution, death or incompetency of the General Partner(s), unless:

(a) At the time of the occurrence of any of such events there is at least one other additional or successor General Partner, in which case the business of the Limited Partnership shall be carried on by the remaining General Partner(s); or

(b) Within 90 days of the occurrence of any such event, all Partners agree in writing to continue the business of the Limited Partnership and to the appointment of one or more General Partner(s) who shall succeed to all of the management rights and responsibilities of the General Partner(s) hereunder.

Section 13.02. Bankruptcy of General Partner(s). For the purposes of this Agreement, the "bankruptcy" of a General Partner shall mean any of the following:

- (1) The General Partner makes an assignment for the benefit of creditors;
- (2) The General Partner files a voluntary petition in bankruptcy;
- (3) The General Partner is adjudicated as bankrupt or insolvent;
- (4) The General Partner files a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation;
- (5) The General Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Partner in any proceedings of the nature described in (4) above;
- (6) The General Partner seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Partner or of all or any substantial part of such Partner's properties;
- (7) The expiration of 90 days after the commencement of any proceeding against the General Partner seeking reorganization, arrangement, composition, readjustment,

liquidation, dissolution, or similar relief under any statute, law, or regulation, provided the proceeding has not been dismissed within such 90 day period; or

(8) The expiration of 60 days after the appointment without such General Partner's consent or acquiescence of a trustee, receiver, or liquidator of the General Partner or all or any substantial part of such General Partner's properties, provided the appointment is not vacated or stayed within such 60 day period, or if stayed within such 60 day period, then the expiration of sixty (60) days after the expiration of any such stay, provided the appointment is not vacated within such 60 day period.

Section 13.03. Winding Up. Upon dissolution of the Limited Partnership for any reason, the Managing General Partner, or any other party (the "Liquidator") designated by vote or written consent of Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners, if required, shall commence to wind up the affairs of the Limited Partnership and to liquidate its assets. The Partners shall continue to share income, gains, expenses, losses and all other items during the period of liquidation in the same proportion as before the dissolution. The Liquidator shall have the full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Limited Partnership Property pursuant to such liquidation. Pending such sales, the Liquidator or such other party shall have the right to continue to operate and otherwise deal with the assets of the Limited Partnership. A reasonable time shall be allowed for the orderly winding up of the business of the Limited Partnership and the liquidation of its assets and the discharge of its liabilities to creditors so as to enable the Liquidator to minimize the normal losses attendant upon a liquidation, having due regard to the activity and condition of the relevant markets for the Limited Partnership Property and general financial and economic conditions. Any Partner may be a purchaser of the Property of the Limited Partnership upon liquidation, including, without limitation, any liquidation conducted pursuant to a judicial dissolution or otherwise under judicial supervision; provided, however, that the purchase price and terms of sale are fair and reasonable to the Limited Partnership.

Section 13.04. Distributions. The proceeds of liquidation and any other funds of the Limited Partnership shall be distributed in the order of priority set forth in **Article VI** above.

Section 13.05. Certificate of Cancellation; Report; Termination. Upon the dissolution and commencement of winding up of the Limited Partnership, the Managing General Partner shall execute and file a certificate of cancellation of the Limited Partnership. Within a reasonable time following the completion of the liquidation of the Limited Partnership's assets, the Managing General Partner or such other party shall prepare and furnish to each Partner, at the expense of the Limited Partnership, a statement that sets forth the assets and liabilities of the Limited Partnership as of the date of complete liquidation and the amount of each Partner's distribution pursuant to Article VI hereof. Upon completion of the liquidation and distribution of all Limited Partnership funds, the Limited Partnership shall terminate and the Managing General Partner shall have the authority to execute and file all documents required to effectuate the termination of the Limited Partnership.

**ARTICLE XIV
SPECIAL AND LIMITED POWER OF ATTORNEY**

Section 14.01. Special and Limited Power of Attorney.

(1) The Managing General Partner shall at all times during the existence of the Limited Partnership have a special and limited power of attorney as the attorney-in-fact for each Limited Partner with power and authority to act in the name and on the behalf of each Limited Partner to make, execute, swear to, verify, acknowledge, correct and file the following documents and any other documents deemed by the Managing General Partner to be necessary for the business of the Limited Partnership:

(a) This Agreement, and any amendments thereto;

(b) Any certificate of Limited Partnership for the Limited Partnership and amendments thereto required or permitted or deemed advisable by the Managing General Partner to be made or filed on behalf of the Limited Partnership, and any and all certificates or other instruments necessary to qualify the Limited Partnership as a Limited Partnership;

(c) Any other instrument or document that may be required to be filed by the Limited Partnership under the laws of any state or by a governmental agency or which the Managing General Partner deems advisable to file; and

(d) Any instrument or document which may be required to effect the continuation of the Limited Partnership and admission of an additional or substitute General or Limited Partner, or the dissolution and termination of the Limited Partnership (provided such continuation, admission or dissolution and termination are in accordance with the terms of this Agreement).

(e) Execute any and all documents necessary to enable the Managing General Partner to carry out powers of the Managing General Partner including but not limited to granting Limited Partnership Property as security for Limited Partnership obligations and sale or conveyance of Limited Partnership Property.

(2) This power of attorney is a special power of attorney coupled with an interest, is irrevocable, shall survive the death of each Limited Partner and is limited to those matters herein set forth.

**ARTICLE XV
MISCELLANEOUS**

Section 15.01. Amendments. Except as otherwise provided by law, this Agreement may be amended in any respect by the Managing General Partner without the written approval or consent of Limited Partners owning Interests in the Limited Partnership; provided however, that:

(1) Without the consent of Limited Partners to be adversely affected by the amendment, this Agreement may not be amended so as to change the Capital Contributions required, or rights and interests in profits, losses and distributions of any Partner; and

(2) In the case of any provision hereof which requires the action, approval or consent of a specified Interest of Limited Partners, such provision may not be amended without the consent of the Limited Partners owning such specified Interests.

Section 15.02. Notices. Any notice, offer, consent or other communication required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been sufficiently given or made when delivered personally to the party (or an officer of the party) to whom the same is directed, or (except in the event of a mail strike) five (5) days after being mailed by first class mail, postage prepaid, if to the Limited Partnership or to the Managing General Partner, to the office described in Section 1.03 hereof, or if to a General Partner or to a Limited Partner, to the address set forth in Schedule A attached hereto. Any Partner may change his or its address for the purpose of this Section 15.02 by giving notice of such change to the Limited Partnership, such change to become effective on the tenth (10th) day after such notice is given.

Section 15.03. Governing Law; Survival of Rights; Severability of Provisions. This Agreement shall be governed by the internal laws of the State of Washington and shall, subject to the restrictions on transfer set forth herein, bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. If any provision of this Agreement is held to be invalid, the remainder of this Agreement shall not be affected thereby.

Section 15.04. Entire Agreement. This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understandings among them, oral or written, all of which are hereby cancelled. This Agreement may not be modified or amended other than pursuant to Section 15.01 hereof.

Section 15.05. Captions; Pronouns. The paragraph titles or captions contained in this Agreement are inserted only as a matter of convenience of reference. Such titles and captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any provision hereof. All pronouns and any variation thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

Section 15.06. No Waiver. The failure of any Partner to seek redress for violation, or to insist on strict performance, of any covenant of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

Section 15.07. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one Agreement, binding on all of the parties hereto.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

MANAGING GENERAL PARTNER:

American Life Inc.


By: Henry Liebman

Its: President

618 Second Avenue Limited Partnership
(a Washington limited partnership)

SUBSCRIPTION AGREEMENT

618 Second Avenue Limited Partnership
3223 Third Avenue South, Suite 200
Seattle, Washington 98134-1943

Prospective Investor:

This Subscription Agreement is made by and between 618 Second Avenue Limited Partnership, a Washington limited partnership (the "Partnership") and the undersigned purchaser who is subscribing for the Partnership Interests as set forth below pursuant to the terms set forth in this Subscription Agreement.

The information contained herein is being furnished to determine whether the undersigned's Subscription Agreement to purchase an Interest complies with the requirements of Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and Rule 506 incorporated in Regulation D promulgated thereunder by the Securities and Exchange Commission, and the requirements of certain state securities laws. The undersigned understands that American Life, Inc., the Managing General Partner of the Partnership and the Partnership will rely upon the information contained herein for purposes of such determination.

The undersigned also understands and agrees that, although the Partnership will use its best efforts to keep the information provided in answers to this questionnaire strictly confidential, the Partnership may present this questionnaire and the information provided in answers to it if the Partnership reasonably believes such disclosure is necessary (a) to establish the availability under any federal or state securities laws of an exemption from registration of the offering of the Interests, or (b) to defend or promote the best interests of the Partnership in connection with any action, suit or proceeding to which the Partnership is a party or by which it is or may be bound.

Interests will be sold only to individuals or Entities that are Accredited Investors (as defined in Rule 501 incorporated in Regulation D).

**I. AGREEMENT TO PURCHASE
AND ADMISSION AS A LIMITED PARTNER**

(b)(4) A. **Purchase.** Subject to the terms and conditions hereof, the undersigned hereby irrevocably agrees to purchase the partnership interest set forth in Subsection A (3) herein. The minimum Capital Contribution shall be [REDACTED] [REDACTED] (USD\$) plus a syndication fee of [REDACTED]. Payment in full for the Partnership Interests purchased accompanies the delivery of this Subscription Agreement (herein referred to as a "Capital Contribution").

1. Partnership Acceptance of Subscription Agreement. The undersigned agrees that the Partnership may reject any subscription in its sole and absolute

discretion within 15 days of receipt, and in particular, from any proposed subscriber who is not an accredited investor or who either alone or with his purchaser representative fails to meet the sophistication requirements set forth in Section II(A). The Partnership shall notify the undersigned that it has accepted the subscription herein by delivering to the undersigned a signed copy of this Subscription Agreement.

2. Capital Contributions. Capital Contributions shall be made payable to 618 Second Avenue Limited Partnership, delivered with this fully executed Subscription Agreement to the offices of the Partnership, at the address listed above. In the event the subscription is not accepted in whole or in part by the Partnership, the full or ratable amount, as the case may be, of any Capital Contribution received will be promptly refunded to the subscriber without deduction from or interest on the Capital Contribution.

3. Purchase Terms:

AMOUNT OF SUBSCRIPTION
INCLUDING SYNDICATION FEE: USD\$ _____

NUMERATOR USED TO
CALCULATE PERCENTAGE: Your capital contribution not including the
syndication fee.

(b)(4) DENOMINATOR USED TO
CALCULATE INTEREST:

NAME(S) UNDER WHICH
TITLE SHALL BE HELD: _____

ADDRESS _____

TELEPHONE/FAX _____

EMAIL _____

DATE OF BIRTH _____

ALIEN NUMBER (IF APPLICABLE) _____

U.S. SOCIAL SECURITY NUMBER _____

OR U.S. TAXPAYER ID NUMBER _____

YOU MAY WIRE YOUR CAPITAL CONTRIBUTION TO:

Credit Bank: Citibank, NA
111 Wall Street
New York, NY 10005

(b)(4)

ABA Number:
Credit Account:
Credit Account Name:
For Further Credit to:

618 Second Avenue Limited Partnership
[investor's name], OR

Memo:

You may mail your check payable to 618 Second Avenue Limited Partnership, and deliver the check and completed Subscription Agreement to:

618 Second Avenue Limited Partnership
Attn: Henry Liebman
3223 Third Avenue South, Suite 200
Seattle, Washington 98134-1943

B. **Admittance as Limited Partner.** Upon the Partnership's acceptance of this Subscription Agreement and receipt of your Capital Contribution, the undersigned shall be admitted as a Limited Partner of the Partnership. The undersigned acknowledges the receipt of a true and correct copy of the Partnership Agreement and agrees to be bound by its terms. Your Capital Contribution shall be used to further the business purposes of the Partnership as set forth in the Partnership Agreement.

C. **Investment Terms.** FOR A COMPLETE DESCRIPTION OF THE INVESTMENT TERMS AND HOW AVAILABLE CASH FLOW WILL BE DISTRIBUTED PLEASE REFER TO THE PARTNERSHIP AGREEMENT.

You will receive each month a distribution of Available Cash Flow equal to Seventy percent (70%) of your pro rata share of the Total Distribution for Limited Partners

(b)(4) You will receive upon the occurrence of a Capital Event your pro rata share of the Net Proceeds from a Capital Event multiplied by \$

This is a long-term investment with no redemption option.

D. **Eb5 Investors**

1. Independent Counsel. The Undersigned shall hire an Independent Counsel for immigration processing and other legal matters. The Undersigned shall be responsible for payment of legal fees and costs.

2. Filing the Immigration Petition. American Life, Inc. shall use its best efforts to assist the Undersigned's Counsel with the filing of Investors I-526 and I-829 petitions, and

verifying required direct and indirect employment until the removal of the Undersigned's conditional permanent residency. The Managing General Partner shall not charge additional fees to assist with the Undersigned's permanent residence application.

- (b)(4) 3. Visa Denial. If the Undersigned's I-526 or I-829 petition is denied, American Life, Inc. shall pay back the Undersigned's Capital Contribution in cash within ninety days of the Undersigned's written request. In the event any visa petition is denied, the Undersigned's rights are limited to the return of the Capital Contribution of [REDACTED] only. The syndication fee is not refundable.

The returned \$500,000 Capital Contribution is separate from any previously paid or currently due Partnership distribution of Profits.

4. American Life, Inc. agrees that it will not sell the property the Undersigned relies upon for Eb5 visa approval until removal of the Undersigned's conditional permanent residence status.

- (b)(4) Partnership Interests are available on a first-come first-serve basis. Those who need additional time to gather their Capital Contribution may make a non-refundable deposit of [REDACTED] to raise capital. The deposit will be forfeited if the subscription amount due is not received by the Partnership within the 90-day period. We recommend assessing availability before engaging professional assistance.

E. **Managing General Partner's Warranties.** The Managing General Partner hereby represents and warrants that the Partnership is duly organized, registered and in good standing in the State of Washington and that the Partnership shall comply with all applicable laws and regulations with respect to the Partnership.

II. REPRESENTATIONS AND WARRANTIES

The undersigned hereby represents and warrants to the Partnership as follows:

- A. That the offer to sell the Partnership Interests was directly communicated to the undersigned by the Partnership through the Memorandum and meetings with the Managing General Partner of the Partnership in such a manner that the undersigned was able to ask questions of and receive answers from the Partnership or a person acting on its behalf concerning the terms and conditions of this Offering. At no time was the undersigned presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.
- B. That the undersigned is the sole and true party in interest and is not subscribing for the benefit of any other person. If the undersigned is a corporation, partnership or other entity, the undersigned was not organized for the purpose of acquiring the Partnership Interests. If the undersigned is an individual, he or she is twenty-one (21) years of age or over.

- C. That the Partnership Interests are being purchased for the undersigned's own account solely for investment, and with no present intention to distribute any of the Partnership Interests to any other person.
- D. That the undersigned understands that the Partnership Interests are not being registered under the Securities Act of 1933, as amended (Securities Act) in reliance upon the so-called "private offering" exemption provided by Section 4(2) the Securities Act and/or Regulation D promulgated pursuant to the Securities Act, and that the Partnership is basing its exemption in part on the representations, warranties, statements and agreements contained herein and those of other subscribers contained in similar Subscription Agreements.
- E. That the undersigned is an Accredited Investor within the meaning of Rule 501 of Regulation D promulgated pursuant to the Securities Act; or, if not an Accredited Investor, the undersigned is sophisticated and has, either alone or together with a Purchaser Representative, such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of a prospective investment in the Partnership Interests.

The undersigned understands that if a Purchaser Representative is used, the Purchaser Representative must complete, and the undersigned must review and acknowledge, a separate Purchaser Representative Questionnaire and Purchaser Acknowledgment, which must be returned to the Partnership prior to acceptance of this Subscription Agreement.

The undersigned meets the criteria of an Accredited Investor based on (check the applicable box):

- 1. The undersigned proposes to purchase an Interest in the Partnership of at least (the minimum permitted investment in the Partnership) and, in the case of an individual, such individual has a net worth (either individually or jointly with his or her spouse) of at least or, in the case of an Entity, such Entity has a net worth equal to at least or
- 2. The undersigned prospective individual investor had an individual income,* not including the income of his or her spouse (even if they are proposing to purchase an Interest with funds that are community property or as joint tenants or tenants in common), in excess of in each of the most recent two years or joint income with his or her spouse in excess of in each of those years and reasonably expects to achieve the same level in the current year; or
- 3. The undersigned is a General Partner of the General Partner of the Partnership; or
- 4. The undersigned is an Entity and each partner (including general and limited partners), shareholder, grantor of a revocable trust or other equity owner of the undersigned Entity (a) has a net worth, individually or jointly with his or spouse, of at least (b)
- 5. The undersigned Entity is (a) a bank, as defined in Section 3(a)(2) of the Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; (b) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as

amended (the "Exchange Act"); (c) an insurance company, as defined in Section 2(13) of the Act; (d) an investment company registered under the Investment Company Act of 1940 (the "1940 Act") or a business development company as defined in Section 310(c) or (d) of the Small Business Investment Act of 1958; (e) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or 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 total assets in excess of [redacted] or an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974("ERISA"), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, that is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of [redacted] or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors; or had an individual income in excess of [redacted] in each of the most recent two years or joint income with his or her spouse in excess of [redacted] in each of those years and reasonably expects to achieve the same level in the current year; (c) is a General Partner of the Partnership; or (d) meets the requirements of any of categories 5, 6 or 7 below; or

(b)(4)

6. The undersigned is a "private business development company" as defined in Section 202(a)(22) of the Investment Advisers Act of 1940; or

7. The undersigned is an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of making the investment, with total assets in excess of [redacted] or

(b)(4)

8. A trust, with total assets in excess of [redacted] not formed for the purpose of investing in the Partnership.

F. That the undersigned understands that the Partnership Interests have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed or reviewed the accuracy or determined the adequacy of the information set forth in the Memorandum.

G. That the undersigned understands that the Partnership Interests are characterized as restricted securities under the Act and applicable state securities laws inasmuch as they are being acquired from the Partnership in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be transferred or resold without registration under the Securities Act and applicable state securities laws only in certain limited circumstances.

H. That prior to executing this Subscription Agreement, the undersigned confirms that all documents requested by the undersigned have been made available, and that the undersigned has been supplied with all of the additional information concerning this Offering that has been requested.

I. That the undersigned has carefully considered and has, to the extent the undersigned considers necessary, discussed with the undersigned's professional legal, tax and

financial advisers the suitability of an investment in the Partnership for the undersigned's particular tax and financial situation.

- J. That the undersigned has adequate means of providing for current needs and personal contingencies, and is aware that an investment in the Partnership Interests is highly speculative and subject to substantial risks. The undersigned is capable of bearing the high degree of economic risk and burden of this investment, including but not limited to, the possibility of the complete loss of all contributed capital and the limited transferability of the Partnership Interests.
- K. That the undersigned understands that the Partnership prepared pro formas and estimates of possible revenues and expenses and the possible consequent financial returns the Partnership could experience if such revenues and expenses were achieved. The undersigned understands that the Partnership is still in an early stage of development and has no history of achieving such revenues. The Partnership estimates are based on a good faith belief of what the Partnership can accomplish if it is able to obtain adequate financing and is able to commence and maintain operations in accordance with its current business plan. The *pro formas* were not prepared by any independent accountant and were not prepared with a view toward compliance with the Association of Independent Certified Accountants' guidelines for projections. The assumptions and estimates are uncertain and the actual results of the Partnership will vary from the projected results and could vary in a materially adverse manner.
- L. That the undersigned, in making the decision to purchase the Partnership Interests subscribed for, relied upon independent investigations made by the undersigned and his or her Purchaser Representatives (if any), and the undersigned and such representatives (if any) have, prior to any sale to the undersigned, been given access and the opportunity to examine all material books and records of the Partnership, all material contracts and documents relating to this Offering, and an opportunity to ask questions and receive answers from the Partnership or any person acting on its behalf concerning the terms and conditions of this Offering, and an opportunity obtain any additional information, to the extent the Partnership possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any information provided.
- M. THAT THE UNDERSIGNED EITHER READS AND UNDERSTANDS ENGLISH OR HAD THIS SUBSCRIPTION AGREEMENT TRANSLATED BY A TRUSTED ADVISOR INTO A LANGUAGE THAT THE UNDERSIGNED DOES UNDERSTAND.
- N The undersigned acknowledges that under U.S., international and other anti-money laundering laws, rules, regulations, treaties or other restrictions, the Managing General Partner or the Partnership may require further identification of the undersigned before they will process a subscription or withdrawal and the undersigned's subscription or withdrawal may be delayed if the undersigned does not provide such required information on a timely basis. The undersigned agrees to provide to the Managing General Partner any additional information regarding the undersigned that the Managing General Partner or the Partnership deems necessary or convenient to ensure

compliance with all applicable laws concerning money laundering and similar illicit activities.

- The undersigned understands that the Partnership is prohibited from accepting a subscription for Partnership Interests by any person or entity that is acting, directly or indirectly, in violation of any anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, including any person, entity or organization that is included on any so-called "watch list" maintained by any governmental agency of the U.S. (including, but not limited to, the U.S. Central Intelligence Agency, the U.S. Department of the Treasury, the U.S. Federal Bureau of Investigation, the IRS, the U.S. Office of Foreign Assets Control and the SEC) (each such person or entity being called herein a "Prohibited Investor"). The undersigned further represents and warrants that:

The undersigned is not (A) acting as an agent, representative, nominee or intermediary for any other person, entity or other beneficial owner (each such person, entity or owner being called herein an "Underlying Beneficial Owner") and no Underlying Beneficial Owner has any beneficial or economic interest in the Interests, (B) a Prohibited Investor or (C) a senior foreign political figure,¹ an immediate family member of a senior foreign political figure² or a close associate of a senior foreign political figure.³

If the undersigned is a corporation, partnership, limited liability company, trust, association or other entity, the undersigned (A) has established the identity of each director, officer and beneficial owner of the undersigned (including, but not limited to, each shareholder, member, partner, trustee and beneficiary), (B) will maintain all evidence identifying such persons for at least five years after the date the undersigned terminates its entire interest in the Partnership, (C) has made such information available to the Managing General Partner or will provide such information to the Managing General Partner immediately on the Managing General Partner's request and (D) has no intention or obligation to distribute, assign, transfer or sell all or any portion of the Interests to any Underlying Beneficial Owner.

If the undersigned is an investment entity (such as an investment pool organized as a limited partnership, limited liability company, corporation or other entity), (A) the undersigned has established and applies anti-money laundering practices and procedures that comply with all applicable

¹ A "senior foreign political figure" is a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

² The "immediate family of a senior foreign political figure" typically includes the figure's parents, siblings, spouse, children and in-laws.

³ A "close associate of a senior foreign political figure" is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

laws, rules and regulations and are designed to detect and report any activity that raises suspicion of money laundering activities and (B) none of the undersigned's directors, officers, managers, members, partners, shareholders or other beneficial owners is a Prohibited Investor, a senior foreign political figure, an immediate family member of a senior foreign political figure or a close associate of a senior foreign political figure.

The assets used to subscribe for the Interests hereby were not derived, directly or indirectly, from any illegal activity or source.

- P The undersigned agrees to notify the Managing General Partner immediately if any of the representations, warranties or agreements in subsection (N) or (O) above becomes false, inaccurate or incomplete in any respect at any time that the undersigned holds any Partnership Interests. The undersigned understands and agrees that if the Managing General Partner believes that any of the representations, warranties or agreements in subsection (N) or (O) or any other information that the undersigned has supplied to the Managing General Partner or the Partnership is or becomes false, inaccurate or incomplete in any respect, the Managing General Partner or the Partnership may be required to expel the undersigned from the Partnership, freeze the assets of the undersigned, suspend the undersigned's withdrawal rights, request additional information, deliver the undersigned's assets invested in the Partnership to a governmental agency, report any such action and the undersigned's identity to a governmental agency or take any combination of the foregoing actions or any other action as required by applicable law. The undersigned hereby (1) waives and releases any known or unknown claim that the undersigned might now or at any future time have against the Partnership, the Managing General Partner or any of their respective affiliates, controlling persons, shareholders, members, managers, partners, directors, officers, employees and agents in connection with such action by the Managing General Partner or the Partnership and (2) agrees that, in connection with such action by the Managing General Partner or the Partnership, the Managing General Partner may segregate and manage any portion or all of the undersigned's investment in the Partnership separate and apart from the Partnership's assets, in the Managing General Partner's absolute discretion, including without limitation, by selling or otherwise disposing of such assets of the undersigned and reinvesting the proceeds therefrom. The rights and obligations of the Managing General Partner under this subsection (P) shall supersede any duties that the Managing General Partner may have to the undersigned under the Partnership Agreement or otherwise.
- Q. That each representation and warranty of the undersigned contained herein and all information furnished by the undersigned to the Partnership, is true, correct and complete in all respects.

III. RISK FACTORS

AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES AN INVESTMENT IN THE PARTNERSHIP

SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP.

- A. **Lack of Significant Operating History.** This Partnership is being formed for the specific purpose of acquiring this Project. Accordingly, neither the Partnership nor the Managing General Partner has any operating history with respect to the Project. The Managing General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.
- B. **Financial Projection.** Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections which are included in the Offering are based upon what the Managing General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership and the representations of seller as to past operations of the Project. No assurances can be made that these forecasts will prove to be accurate, and investors are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Partners' Interest in the Partnership.
- C. **General Risks of Real Estate Ownership.** The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks; condemnation of the Project and other factors which are beyond the control of the Partnership and the Managing General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of

cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.

- D. **Leverage and Other Factors Relating to Financing.** Although the Partnership has no plans to borrow (except the Secured Debt), emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.
- E. **Future Market Value of the Project.** The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes in tax laws and numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.
- F. **Distributions From Operations.** The General Partner has made qualified projections as to distributions of Available Cash Flow. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be Available Cash Flow for distribution to investors. Investors who borrowed all or part of their Capital Contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.
- G. **General Tax Risks.**

Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since the investors generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax

aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

1. Changes in federal income tax laws;
2. Partnership status;
3. Taxable income in excess of distributions;
4. Allocation of tax items among Partners;
5. Allocation of purchase price;
6. Partnership termination;
7. At risk limitations;
8. Risk of audit;
9. Profit objective; and
10. Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the undersigned. Each prospective investor is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

H. Limited Transferability of Partnership Interests.

Except upon death, a Limited Partner may not assign, sell or transfer his Partnership Interests to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Partnership Interests and it is not anticipated that a market will develop for the purchase or sale of the Partnership Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

I. Illiquidity. Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.

J. Limitation of General Partner's Liability. Under the Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.

K. Limited Right to Participate in Management. The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the Managing General Partner, except as expressly provided in the Partnership Agreement.

L. No Independent Counsel. No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each investor is therefore urged to consult

with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.

- M. **Uninsured Losses; Casualty Insurance.** Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.
- N. **Environmental Risks.** The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such as adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project. The Pioneer Square neighborhood is near the SODO, an older industrial area generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government.
- O. **Potential Conflict of Interest.** The obligations of the Managing General Partner to the Partnership is not exclusive, and the Managing General Partner need only devote so much time to the Partnership's affairs as the Managing General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The Managing General Partner will from time to time be involved in approximately twenty-five (25) other properties that may compete with the Project. Commitments undertaken by the Managing General Partner in connection with such other properties could adversely affect its ability to manage the Project.
- P. **Immigration Risks**
- 1) Congress and or USCIS may change the law, regulations, or interpretations of the law without notice and in a manner that may be detrimental to an investor or the Partnership.
 - 2) It is impossible to predict visa-processing times. Investors should not physically move to the United States until their visa has been issued.
 - 3) Investors who obtain permanent residence status must intend to make the United States their primary residence. Permanent residents who continue to live abroad risk revocation of their permanent residence status.
 - 4) Removal of Conditional Status depends upon creating a combination of 10 direct and indirect jobs for each immigrant investor. Estimates of future direct and indirect employment are based upon Economic projections prepared by an economist. Market or other factors may make it difficult or impossible to achieve projected employment

creation. 8 C.F.R. 216.6, in pertinent part, requires the alien to "create or can be expected to create with a reasonable period of time ten full-time jobs to qualifying employees". In the event of delay or in the event it is impossible to achieve predicted employment at the time of filing to remove conditional status an immigrant investor's removal of conditional status petition may be delayed or possibly denied.

Q. Construction Risks.

The Project involves significant construction activity. Remodeling older buildings often involves surprises and unexpected problems. These problems may delay construction which in turn delays the ability to generate cash flow and increases costs which can significantly reduce projected rates of return. Obtaining building permits is a time consuming process and it is virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs.

IV. POWER OF ATTORNEY

The undersigned hereby irrevocably makes, constitutes and appoints American Life, Inc., and each General Partner of the Partnership, with full power of substitution, its true and lawful attorney-in-fact in its name to execute and acknowledge (i) the Partnership Agreement attached to the Offering as Exhibit B and to attach the Limited Partner execution page delivered herewith to such Partnership Agreement and thereby cause the undersigned to become a Limited Partner in the Partnership; and (ii) any document required to effect the formation or continuation of the Partnership or which counsel to the Partnership deems necessary or desirable to comply with any state or federal law. The power of attorney hereby granted is irrevocable and coupled with an interest and may be exercised by the attorney-in-fact for the undersigned as well as other Limited Partners of the Partnership by executing any instrument by use of the single signature of such attorney-in-fact acting for all the Limited Partners.

V. MISCELLANEOUS

- A. **Indemnification.** The undersigned hereby agrees to indemnify the Partnership and hold the Partnership harmless from and against any and all liability, damages, costs or expenses incurred on account of or arising out of:
1. Any inaccuracy in the declarations, representations, and warranties hereinabove set forth;
 2. The disposition of any of the Partnership Interests by the undersigned, contrary to the foregoing declarations, representations and warranties; and
 3. Any action, suit or proceeding based upon (i) a claim that the herein declarations, representations or warranties were inaccurate or misleading or otherwise a cause for obtaining damages or redress from the Partnership; or (ii) the disposition of any of the Partnership Interests or any part thereof, contrary to the foregoing declarations, representations and warranties.

- B. **Confidentiality.** The undersigned acknowledges that the information contained in this Subscription Agreement and in the Offering Circular, and which the undersigned receives orally or in writing from the Partnership is confidential and non-public and agrees that all such information shall be kept in confidence by the undersigned unless disclosure is otherwise required by law or court order.
- C. **Binding Agreement.** The undersigned agrees that the undersigned may not cancel, terminate or revoke this Subscription Agreement or any agreement of the undersigned made hereunder, and that this Subscription Agreement shall survive the death or disability of the undersigned and shall be binding upon the heirs, successors, assigns, executors, administrators, guardians, conservators or personal representatives of the undersigned.
- D. **Defined Terms.** Capitalized terms not defined herein shall have the meaning as in the Partnership Agreement.
- E. **Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which shall be considered an original but all of which together shall constitute one and the same instrument.
- F. **Severability.** Every provision of this Subscription Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Subscription Agreement.
- G. **Non-waiver.** No provision of this Subscription Agreement shall be deemed waived except if such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.
- H. **Applicable Law.** This Subscription Agreement shall be interpreted and enforced in accordance with the federal laws of the United States of America and the laws of the State of Washington, without giving effect to principles and provisions relating to choice of law.
- I. **Entirety of Agreement.** This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof.
- J. **Additional Information.** The undersigned shall supply the Partnership with such additional information and documentation as may be required in order to ensure compliance with applicable law, including, without limitation, the Securities Act and regulations promulgated thereunder.
- K. **Company Privacy Policy.** It is the policy of the Managing General Partner to protect the privacy of its investors. Therefore, the Managing General Partner will not disclose the names

of investors to those who are not Partners (or consultants to) in the Partnership, unless required to do so by law.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on the date set forth on the signature page, and desires to take title in the Partnership Interests (check one):

- a. Individual (one signature required on the Signature Page);
- b. Husband and Wife, as community property (one [1] signature required on the Signature Page if interest held in one [1] name, *i.e.*, managing spouse; two [2] signatures required on the signature Page if interest held in both names);
- c. Joint Tenants with right of survivorship (both parties must sign Signature Page);
- d. Tenants in Common (both parties must sign Signature Page);
- e. Trust /Custodian must sign the Signature Page);
- f. Partnership (general partner(s) must sign the Signature Page);
- g. Corporation (authorized officer must sign on the Signature Page);
- h. Limited Liability Partnership (authorized managing member must sign on Signature Page; in the event the Partnership is member managed, then all members must sign the Signature Page).

If subscriber is an individual or husband and wife:

Signature: _____

Signature of Spouse: _____

If subscriber is a Trust/Custodian:

a. Name: _____

b. Name: _____

c. Date formed: _____

d. Signature: _____

If subscriber is a Partnership:

- a. _____
Name of Partnership
- b. By: _____
Signature of General Partner
- c. By: _____
Signature of Additional General Partner if required by Partnership Agreement

If subscriber is a Corporation:

- a. _____
Name of Corporation
- b. By: _____
Signature of Authorized Agent
- c. _____
Title of Signer

If subscriber is a Limited Liability Company:

- a. _____
Name of Limited Liability Company
- b. By: _____
Signature of Authorized Agent
- c. _____
Title of Signer

Additional Members' Signatures (if needed):

Signature of Member _____ Print Name _____

Signature of Member _____ Print Name _____

Signature of Member _____ Print Name _____

Signature of Member _____ Print Name _____

SUBSCRIPTION ACCEPTED this _____ day of _____, 2007.

618 Second Avenue Limited Partnership,
a Washington limited partnership

By: American Life, Inc.,
a Washington Corporation
Its Managing General Partner

By: _____
Henry Liebman, President



Real Estate Development Company

**4746 OHIO AVENUE SOUTH LIMITED PARTNERSHIP
3223 3RD AVENUE SOUTH SUITE 200
SEATTLE, WA 98134 USA**

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4746 OHIO AVENUE SOUTH LIMITED PARTNERSHIP

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Real Estate Development Company

EXECUTIVE SUMMARY

Business Strategy

American Life Inc. (“*American Life*” or the “Company”) offers investors a secure investment in prime real estate. The investment offers superior monthly income and a significant capital gain opportunity. The proven strategy developed over the past decade is to:

1. Acquire aging industrial properties immediately south of downtown Seattle (SODO district).
2. Create a footprint of contiguous properties which, at a future date, could be sold to a corporate user or developer as a site for a corporate campus. (Note: this is compelling because the window to find a campus with a Seattle address close to downtown, the port and infrastructure is rapidly closing.)
3. Make limited improvements to allow rental at reasonable rates to commercial tenants, while providing investors with a meaningful income return.
4. Operate with the lowest possible risk by remaining free of debt, and owning all properties unencumbered by bank loans. (Note: by avoiding mortgage interest costs *American Life* will maximize current income to its investors while patiently awaiting the exit strategy that maximizes investor profits.)

Potential for Capital Gain

SODO, an industrial area immediately “south of downtown” Seattle, is in transition to mixed-use. Bounded by Seahawks Stadium to the North, Spokane Street to the South, The Port of Seattle to the West and Interstate 5 to the East, it is becoming an urban hub similar other former industrial areas, such as Coors Field in Denver, South of Market Street in San Francisco, the Docklands in London, and the Daiba area in Tokyo. The transition from industrial to mixed uses (residential, commercial and industrial) stands to significantly increase land values. See Exit Strategy below.

SODO's proximity to downtown Seattle and important infrastructure (including the Port of Seattle, Interstates 5, Interstate 90 and Highway 99, and Boeing Field) make it amongst the most accessible zip codes for commerce and industry, in the greater Seattle area. Furthermore, SODO is the last of the downtown Seattle neighborhoods to begin a metamorphosis.

The principals behind *American Life* targeted SODO as a high growth area as early as 1990. *American Life Inc.*, formed in 1996, raises capital to acquire a meaningful market share of SODO real estate. Governmental entities own or utilize approximately 60% of SODO's total of 550 acres. American Life Inc., which now controls, through ownership or leasehold interest, approximately 20 acres of the some 220 acres available for private development, is one of the largest privately owned property portfolios in SODO.

SODO continues to receive an infusion of capital investment. Safeco Field, (home of the Seattle Mariners); Seahawks Stadium, a new football stadium; a new exhibition center, important transportation upgrades and the redevelopment of commercial and retail space adjacent to the Seattle railway station, make an impressive transition from downtown Seattle into SODO. Significant infrastructure upgrades are also underway. Improvements include expansion of all highways that bound SODO, and the extension of commuter lines. These are scheduled for completion by 2009, making SODO the hub of Puget Sound's regional transportation system.

SODO offers the largest and most convenient close-in location to accommodate future growth. Surrounding mountain ranges and large bodies of water limit the land that is available for development and for transportation systems in the Seattle area. As a result, the real estate rental market places a premium on convenient close-in locations. The continuing steady growth of the Seattle area increases pressure on SODO, Seattle's only centrally located industrial area, able to transform from industrial to mixed-use.

Significant momentum now exists to change the current zoning from primarily industrial uses, to that of mixed-use large-scale office, retail and residential applications. The Port of Seattle recently announced plans to convert harbor property along Alaskan Way into high-income condo living, and the Old Rainier Brewery/Tully's roasting plant on Interstate 5 has been approved for conversion into live work apartments. With residential spaces approved for development, demand will increase for retail and schools. Companies such as Starbucks, Boeing, and Amazon.com already maintain substantial office facilities in the area. Major retailers already include Sears, Costco, Home Depot and Office Max.

The Port of Seattle and many of the Seattle City Council representatives publicly support rezoning SODO to full mixed use. While a future rezoning, of course, cannot be guaranteed all indications are that it will occur. But, even without rezoning, SODO's superior location will continue to drive land prices and rents upward. The addition of residential uses will merely accelerate the process of increasing land values.

Secure Income Stream

American Life properties have historically maintained 97% occupancy. The overall growth of the Seattle economy, coupled with SODO's unique location immediately south of downtown, attracts companies to the area. At the same time, government has been acquiring substantial amounts of SODO land and buildings for capital and transportation infrastructure projects. This net reduction in building stock diminishes supply, while the market continues to demand more.

Due to proximity to Seattle's downtown and regional transportation infrastructure, SODO warehouse rents tend to be higher than warehouse rents in more distant locations. Over the past twenty years, SODO rents have increased at an average rate of some 7% a year, compared to the South Seattle industrial area average rental increase of 3% a year.¹ *American Life* management believes that investors who wish to project future rental increases may conservatively assume annual rental increases of 5 – 6%. 5-6% is higher than current market (location), but lower than the historical norm over past 20 years.

Providing a superior service keeps buildings rented. *American Life* works directly with its tenants in customizing spaces to best suit their needs. In addition to normal property management services, *American Life* tenants receive free space planning and access to loans for tenant improvements. As tenant space needs grow and change, they may also rearrange their space within any *American Life* building without penalty. Referrals from satisfied tenants are our best source of new business.

To prevent cost and level of service issues from affecting investor returns, all tenants sign "triple net leases". Under these leases, all building operating expenses are charged to tenants.

1. Source: Lamb, Hanson and Lamb Appraisers.
2. Triple Net is a term for all expenses of the building, including: tax, insurance, repairs and utilities

Exit Strategy Options

Management believes the SODO rezone from industrial use to full mixed-use will occur. Even without a rezone, management believes that SODO land values will continue to rise as a result of their superior location and increasing income stream. If and when a rezone occurs, the returns would be more significant.

Management considers that the minimum holding period is until all public works projects are completed. These include the various freeway expansion and light rail projects.

Regardless of whether a rezone to mixed-use does in fact occur, exit strategies and options include:

- Selling to a large developer
- Selling to a real estate investment trust
- Developing the parcels and selling each parcel separately as mixed-use campus
- Forming a publicly traded real estate investment trust

Partnership Structure and Investor Safety

American Life's partnerships allow investment until each property is free and clear of mortgage financing; this assures maximum investor safety. *American Life* purchases each property with its own funds and interim mortgage financing that is personally guaranteed by the Company's shareholders. Under normal circumstances, each property is owned by a separate limited partnership with the Company acting as the managing general partner.

The property is assigned to a limited partnership, (made up of its investors,) and acts as the investment vehicle for investors. *American Life* uses investor proceeds to pay down the mortgage debt. When the balance of the mortgage reaches zero for a particular property, and when the partnership for that property has adequate reserves for future repairs and renovations, the specific limited partnership and the specific partnership is closed to additional investors.

Investors as limited partners have no obligation to fund future capital needs, although in the unlikely event that there were a capital call, a non-contributing partner could be diluted. If a need for funds occurs, *American Life* expects to provide or arrange for required financing and to fund negative cash flow when necessary.

(b)(4) A partnership's investors, as a group, receive of the monthly income and capital gain related to that partnership. Amounts are calculated on a partnership-by-partnership basis and paid monthly; there is no pooling of results from multiple partnerships. Unlike common industry practice, *American Life* charges no asset management fees to the partnerships. It does charge certain service fees to tenants.



Real Estate Development Company

COMPANY INTRODUCTION

History and Operations

American Life Inc., established in 1996 ("*American Life*" or the "Company"), assembles contiguous and near-by properties within the Duwamish industrial area ("SODO"), a section bordering the south end of downtown Seattle, extending south to Spokane Street. Management believes SODO will grow significantly in importance and value in the mid to long-term. In particular, due to Seattle's geography that severely limits available land near-downtown, management sees that Seattle's historically steady growth will force SODO, presently Seattle's only centrally located industrial area, to transform to a higher-value full mixed-use district. The Port of Seattle and many of the Seattle City Council representatives publicly support rezoning portions of SODO to full mixed-use status.

The management of *American Life* began investing in the Seattle area in 1974. Since its formation in 1996, the Company or persons closely related to it purchased or leased 20 prime warehouse properties in or nearby SODO and added significant value by converting what were low yielding warehouses into higher return, flexible office, hi-tech, shop and storage space. The Company and its principals now control approximately 20 acres within SODO. This represents approximately 9% of the limited portion of SODO land available for private development, making *American Life* one of the largest private holders of SODO real estate.

Initially, *American Life* and its principals relied on their own capital, borrowed funds, and earnings to make acquisitions and property improvements. Soon thereafter they began seeking U.S. and international investment, developing in the process a standard limited partnership format. Under this format, *American Life* acts as general partner with investors entering as legally protected limited partners. Investors earn regular monthly income from their partnership's rent roll as well as future appreciation.

For the safety and security of the investors, *American Life* does not attempt to increase yield to investors maintaining debt. To the contrary, *American Life* strives to reduce existing mortgage balances to zero. *American Life* applies the proceeds of sales of limited partnership interests to investors to pay down debt on the related property. *American Life* closes off further investment in a partnership once the debt on that property had been fully repaid and a reasonable reserve fund established.

American Life pays the mortgage on each property from its own funds until the mortgage is paid in full. The Company's principals have made personal guarantees covering all debt and no debt is cross-collateralized among the properties and partnerships.

The Company runs a lean operation to minimize any direct expenses charged against the partnerships' earnings. To produce a stable income stream, all tenant leases are on a triple-net basis. *American Life* does not charge separate management fees to the limited partnerships.

Company Goals

American Life's goals are simply stated:

1. To build a strategic portfolio of contiguous and near-by properties within and adjacent to SODO, a district in the path of current and future development, that will have a value far in excess of the sum of each property's separate value.
2. To realize such value in the future by:
 - a. Selling part or all of the portfolio to a large developer or real estate investment trust,
 - b. Developing the parcels into a mixed-use campus, or
 - c. Forming a publicly traded real estate investment trust.
3. To earn for the Company and investors a secure income stream.
4. To be the major private sector property holder in the SODO area

Management Team

Henry Liebman - President and Co-Founder

Mr. Liebman graduated from the University of Washington in 1973, receiving a BA in Political Science. Since receiving his JD from the Puget Sound School of Law in 1980, Mr. Liebman has had over twenty years experience in real estate law as Managing Partner of Coe Nordwall Liebman LLC and currently at Liebman-Mimbu PLLC. Mr. Liebman also served as Of Counsel for immigration matters to Musik Peeler & Garret, a Los Angeles based law firm, and was a founder of Northwest Business Bank, serving as the bank's first Board Chairman and now as a Director.

In addition to his professional activities, during the past 20 years Mr. Liebman has been actively involved in commercial real estate management and investment. Mr. Liebman's unique business and legal background provides particular value to *American Life* and its investors. He is a member of the board of Enterprise Seattle, and a founding member of the Seattle SODO Rotary Club.

Ray Klein - Vice President and Co-Founder

Mr. Klein graduated from Rensselaer Polytechnic Institute in 1985 with a BS in Computer Science. He received his MS in Computer Science from Michigan State University in 1987. Three years later in Tokyo Japan, Mr. Klein established a strategic consulting firm specializing in funding Japanese hi-tech companies. Through this firm, TekInvest KK, Mr. Klein successfully funded

several Japanese firms, most notably NetRatings Japan, Inc. (AC Nielsen's Japanese licensee), and Mixx Entertainment Inc.

Mr. Klein has served as a Board Member of NetRatings Japan, Inc. and Watchfire, Inc. He also served as executive advisor to Network Associates, guiding its entry into Japanese markets. Mr. Klein also served as Chairman of the Invest in USA Committee of the American Chamber of Commerce in Japan in 1996 and 1997. In 1998 Mr. Klein turned his attention to real estate investment, focusing on raising capital and developing strategic relationships for *American Life* Inc. Mr. Klein's depth of knowledge, skills, and experience with mergers and acquisitions lend significant strength to *American Life* support of its international investors.

Jim Christensen – CFO Consultant

Mr. Christensen graduated from Minnesota State University in 1972 with a BS degree in Accounting and has 30 years of increasingly responsible positions in accounting and finance, both in public accounting and in industry. Mr. Christensen obtained his CPA in 1974 while employed six years with KPMG Peat Marwick in Minneapolis, a large international public accounting firm. While there he performed audit services for a variety of publicly held industries, both medium and large.

During the mid 1980's, Mr. Christensen was the Corporate Controller & CAO for Food Services of America, a large (formerly publicly owned) wholesale distributor/retail food company. Since then he has 16 years of experience as the Chief Financial Officer for small to medium and rapidly growing and privately owned wholesale distribution companies. This includes NutraSource Inc, a leading Northwest natural food wholesaler, successfully sold in 1995. More recently, he was the CFO for Pacific Rim Import Corp, one of the largest independent wholesale gift and houseware import distributors in the nation. Mr. Christensen has a strong background in managing accounting, finance and administration functions.

Jo Hwang - Administrative Director / Sales and Marketing

Ms. Hwang, a long time resident of Seattle, attended the University of Washington. Prior to joining American Life, Inc. in 2000, Ms. Hwang spent eight years at Herrmann Law Firm as a paralegal specializing in immigration, personal injury, and other areas of law. She also successfully managed her own businesses in Seattle-Tacoma area for many years. At *American Life*, along with managing various properties, tenants and investors, Ms. Hwang assists non-U.S. persons who wish to invest in projects qualifying them for either a U.S. immigrant visa or a non-immigrant visa.

Donald R. Ayres - Property Manager

Don brings 30 years of management and development experience to American Life Inc. Prior to American Life Inc., he was with HealthForce Partners as a founding member and Senior VP of 12 physical therapy clinics and 4 Regional Occupational Medicine Clinics in King and Snohomish Counties. He has been working in the Seattle business community for 30 years and was a founding partner in Eagle Rehab in 1992, a 40-office group of clinics through Washington State where he served as regional manager in charge of operations, facility development, and property management as well holding responsibility for budgeting and business development for 17 clinics. Prior to that

he founded Therapy Network Services, a 175 member IPA in 3 states that contracted with Insurance Companies to provide rehabilitation.

Don received his BS in Athletic Training from Washington State University and post-graduate degree in Physical Therapy in 1976 from Children's Hospital in Los Angeles. He has served as Board Chair for Washington State Private Practice and Socioeconomic Chairman for The Washington State Physical Therapy Association. He has also served as President of Everett Golf and Country Club in 2001 and currently serves on the BOD and is Vice Chair of the Providence Everett Medical Center Foundation.

Derrick Chasan – Sales and Marketing

Mr. Chasan graduated from the University of Leeds (UK) with a B.A Honors in 1970. In 1973 he was awarded his MBA from the University of Cape Town (South Africa). Mr. Chasan has over 30 years experience marketing brands for a number of prestigious Northwest companies including Starbucks Coffee, Pyramid Brewing, Stimson Lane Winery, the Washington State Lottery and Corbis. In 2003, Mr. Chasan changed his focus to real estate investment and raising capital for *American Life Inc* from domestic investors.

Vincent DeLuca

Mr. DeLuca graduated from Kent State University in 1967 with a bachelor's degree in marketing and economics. He also earned a masters degree from Cleveland State University in 1972. He was accepted into the Mensa Society in 1975. As a real estate consultant, Mr. DeLuca is a Senior Vice President within the Colliers International office in Seattle. He has been with Colliers working in Seattle and Western Washington real estate for twenty-three years. He has been affiliated with *American Life* and its principals for the past five years.

James Dillon - Construction and Design Manger

Mr. Dillon graduated in 1974 from the Philadelphia College of Art receiving a BS in Environmental Design. He later received his Master of Architecture degree from Carnegie Mellon University in 1978. Mr. Dillon has over 28 years of experience in architectural design and construction as senior designer at DMJM, one of top ten architectural and engineering firms in the world, and currently as the President of Dillon Design and Constructions, Inc. Mr. Dillon manages, builds and designs all *American Life's* construction projects and remodels.

Shari Hollinger - Account Manager

Ms. Hollinger attended the University of Alaska in Business Administration with an emphasis in Accounting. Ms. Hollinger spent five years with Atlantic Richfield early in her career. For the past 15 years, she has devoted her efforts to working with a variety of small businesses including her family's trucking firm. She brings to *American Life* her experience gained in the areas of cash management, project accounting, finance, and commercial property management. Ms. Hollinger has been with *American Life* since 1998.

Thomas T. Wu – Senior Consultant

Mr. Wu has been an executive in the tourism industry for the past 25 years. He has extensive experience in Senior Business Management, Sales & Marketing, and Product Development with solid record of leadership, strategic partnership and profitable international relations. Mr. Wu brings an insightful multi-cultural and diverse understanding, as well as thorough knowledge of domestic and international business practices. He adds significant energy and momentum to American Life, Inc. taking full advantage of the rapidly developing opportunity for growth in China. Mr. Wu will provide assistance to Chinese investors in China, Taiwan, Hong Kong and Singapore who wish to invest in projects qualifying them for either a U.S. immigrant visa or a non-immigrant visa.

References

- Hong Kong Banking Corporation—Seattle Branch

(b)(4)



Mortgage Lending and Deposit Relationship

- Northwest Business Bank



Deposit Relationship

- Columbia Bank
William Marshal

(b)(4)



Deposit Relationship

- Young deNormandie and Oscarson, Attorneys-at-Law



- Morrow Kessler Dowsing, Certified Public Accountants

(b)(4)



Potential Conflicts

Due to the central management by the Company and its principals of all *American Life* properties, each of which has a different set of investors, there are unavoidable potential conflicts that may arise and of which investors must be aware and accept. These include, without limitation:

- Which property's vacant space will be shown and offered to a prospective tenant;
- The pricing allocation among properties when two or more partnerships' properties are to be sold in a single transaction or related transactions; and
- The Company's receipt of certain management fees directly from tenants.

American Life will use its best efforts to resolve any conflicts that arise in a fair and impartial manner.



Real Estate Development Company

PNW/SEATTLE—GENERAL ECONOMIC DATA AND TRENDS

Introduction-The Seattle Metropolitan Area

The Seattle metropolitan area/Puget Sound region, the economic and cultural capital of the northwestern United States, houses the largest concentration of population north of San Francisco and west of Chicago. The leading regional financial institutions and several major corporations base their headquarters in the Seattle area. Seattle's modern seaport and airport link the area to the outside world and serve as a major transshipment point from Asia to the entire United States. The historic growth of the Pacific Northwest coupled with the expansion of Pacific Rim economies should sustain Seattle's growth well into the future.

Geography

The Seattle metropolitan area lies in the northwest corner of the continental U.S. on Puget Sound in western Washington State. Puget Sound directly connects Seattle and the Pacific Ocean, 110 miles to the west. The Puget Sound region includes four Census-defined metropolitan areas, one of which includes Seattle, Bellevue, Everett and the adjacent areas. Each of the four areas is referred to as a "PMSA" (Primary Metropolitan Statistical Area) while these four PMSAs combined comprise the Seattle-Tacoma-Bremerton Consolidated Metropolitan Statistical Area ("CMSA").

The Seattle urban area is long and slender, sandwiched between an inland sea and two mountain ranges, extending 100 miles from north to south but little more than 15 miles wide in the east-west direction. The city of Seattle lies near the center of this ribbon of urban development, occupying a narrow isthmus that divides Puget Sound to the west from seventeen-mile long Lake Washington to the east.

Economy

Captain Cook visited Puget Sound during his third voyage of discovery. Cook described an area rich in natural resources, blessed with a mild climate, but not practical for colonization due to its distance by sailing ship from European population centers. Modern communications and particularly jet airplane travel, not coincidentally first mass produced in Seattle, conquered the problems of distance and set off a prolonged period of growth and economic development in the Pacific Northwest of North America.

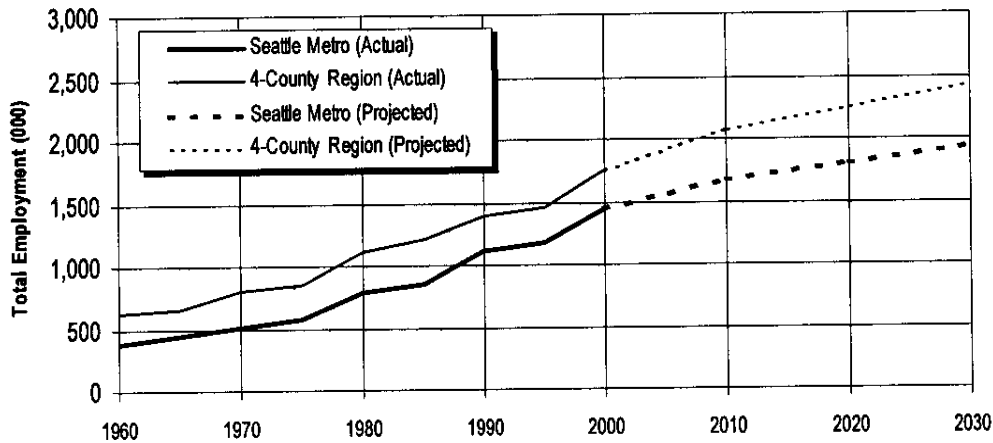
Historically, the aerospace, forest products, and shipping industries, along with the military, have formed the economic base of the Puget Sound region. Emerging major industries include software, biotechnology, tourism, Internet services, and telecommunications. Seattle's central

residential and business districts have not experienced the blight and decay found in many other big cities. The region's economy has several notable characteristics:

- **Above-average growth.** Historically, the Seattle/Puget Sound economy has expanded faster than the national economy and that of most other West Coast cities. Above-average growth is a long-run trend transcending business cycles that should continue throughout the foreseeable future.

Total employment in Seattle more than doubled between 1960 and 1980, from 370,000 to 780,000. By 2000, total employment increased to more than 1.4 million. The Puget Sound Regional Council (PSRC) projects that metropolitan Seattle will contain 1.66 million jobs by 2010, 1.8 million jobs by 2020, and nearly 2 million jobs by 2030.

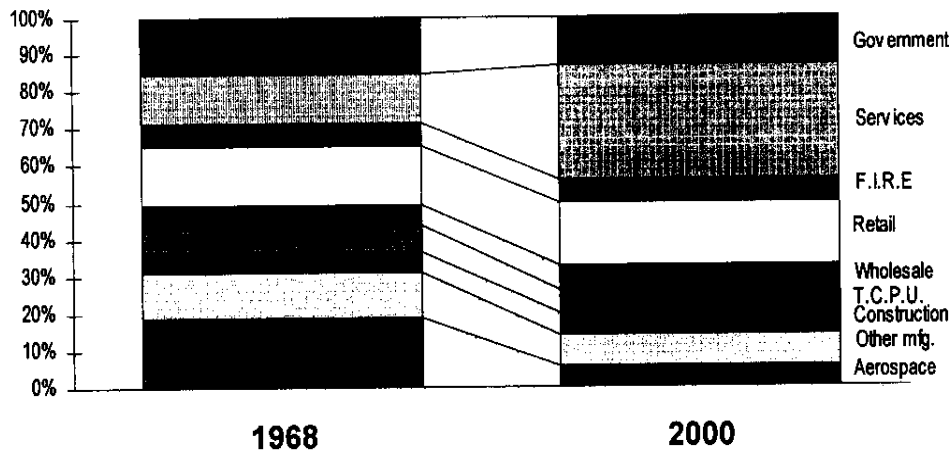
Historical and Projected Employment



Sources: Washington Office of Financial Management; Puget Sound Regional Council; Property Counselors

- **Dominance of Boeing.** Seattle has long had a reputation of being a one-industry town, and Boeing is still its most important single employer. In 2000, aerospace alone comprised 41.4 percent of all manufacturing jobs in the Seattle PMSA. However, this industry constituted only about 5.8 percent of total non-agricultural employment, down significantly from 18.8 percent in 1968.
- **Strongly cyclical.** The Seattle area has grown in periodic surges associated with economic cycles, lasting roughly a decade. This pattern repeated itself during each of the last four decades. Each decade began with a recession or comparatively slow growth, followed by economic booms and rapid expansion of employment and population in the closing years of each decade. This pattern appears to be repeating itself in the first decade of the 21st century.
- **Shift to Services.** Like other cities nationwide, Seattle's economy is shifting from manufacturing to dominance by service and knowledge intensive industries. This trend is evident in the *Changing Employment Distribution* table below.

Changing Employment Distribution



Sources: Washington Employment Security Department; Property Counselors

The traditional goods-producing activities are declining relative to services, biotech, wholesale trade, and retail trade. The services sector includes the rapidly expanding computer software industry.

- Growth of Advanced Technology.** The Seattle area is a leading center of software, telecommunications, biotechnology, and medical-technology industries. Microsoft, now the world's largest software maker, employs approximately 23,000 workers locally, making it the second-largest private sector employer in the region. Biotechnology—centered around the University of Washington, the Fred Hutchinson Cancer Research Institute, and the large complex of medical facilities in Seattle—is another rapidly-expanding industry.

In the last half of the 1990s, Internet-related companies grew rapidly. Firms such as F5Networks, Amazon.com, Real Networks and many more expanded rapidly fueling demand for thousands of workers and millions of square feet of office space. In mid-2000, the Internet stocks crashed, and many of the formerly high-flying firms disappeared, evaporating demand for large blocks of office space, and causing many developers to place projects on hold. While Seattle still contains a large number of Internet-related companies, many remain in financial difficulty and others have greatly scaled back their growth plans.

Despite the current slowdown, the central Puget Sound region remains attractive to high technology industries principally because it possesses one of the most highly trained and well-educated labor forces in the U.S. Boeing created a large demand for such workers, while the University of Washington and other local higher education institutions provided much of the supply. The aerospace and software industries created numerous spin-off and support activities. The Puget Sound region enjoys excellent access to the high tech industries in both California and Japan. Finally, the region's environmental and cultural amenities attract entrepreneurs and workers alike.

- Links to the Pacific Rim.** Pacific Rim economic expansion influences the growth of the Puget Sound region. With Boeing, Microsoft, agriculture, and the forest products

industry, the Puget Sound economy is the largest per capita exporter in the U.S. The area's location gives it special advantages as a transshipment point between the U.S. economic heartland and Alaska, Japan, South Korea, Hong Kong, Taiwan, and other points around the Pacific. By ship, the Puget Sound ports are a full day closer to the Orient than their competitors in California.

Seattle's port was one of the first in the nation to develop modern container-handling facilities. The Puget Sound "load center" (including both Seattle and Tacoma) is the second-busiest port on the west coast after Los Angeles/Long Beach.

In 1996, the U.S. Navy completed its new homeport for an aircraft carrier battle group in Everett. This base brought 18,000 new jobs to Snohomish County. Higher military spending, pushed by the Bush administration, should increase military expenditures in the region in the future.

- **Alaska.** Alaska, a land area one-sixth the size of the entire continental U.S., is a treasure trove of energy and natural resources. Since the Klondike gold rush of the 1890's, virtually every item needed to support Alaska's 500,000 people, resource and energy extraction comes through Seattle. The business of supplying Alaska, although not publicized, provides one of the mainstays of the Seattle economy.

To summarize, downtown Seattle remains the chief center of financial, administrative, and office activities for the Pacific Northwest. Seattle and the Puget Sound area's combination of a central location on the Pacific Rim, highly educated work force, low cost hydro-electric power, and abundant natural resources, despite the ups and downs of economic cycles, continues to create a dynamic and growing economy.

Population Trends

The Seattle area's population has grown in periodic surges associated with economic cycles. This pattern has repeated itself during each of the last four decades. Each decade began with a recession and comparatively slow population growth, followed by economic booms and rapid expansion of employment and population in the closing years of each decade.

Also, several non-economic factors may influence population growth. These are the national publicity that Seattle is the best city to live in from a life-style perspective and some migration that occurs from Californians sick of the expensive crowded conditions in the San Francisco and Los Angeles areas.

According to the Washington State Office of Financial Management, the city of Seattle contained 568,100 people in 2001 with the total population of the Puget Sound region numbering more than 3.6 million. Current and historic population data at the county and metro area levels are summarized in the following table.

Populations of Metro Areas

Metropolitan Area	1970	1980	1990	2000	2001
Seattle PMSA	1,424,611	1,607,618	2,033,128	2,414,616	2,449,300
King County	1,159,375	1,269,898	1,507,305	1,737,034	1,758,300
Snohomish County	265,236	337,720	465,628	606,024	618,600
Island County	27,011	44,048	60,195	71,558	72,400
Tacoma PMSA (Pierce)	412,344	485,667	586,203	700,820	713,400
Bremerton PMSA (Kitsap)	101,732	147,152	189,731	231,969	233,400
Olympia PMSA (Thurston)	76,894	124,264	161,238	207,355	210,200
Seattle CMSA	2,042,592	2,408,749	2,970,300	3,554,760	3,606,300

PMSA = Primary Metropolitan Statistical Area; CMSA = Consolidated Metropolitan Statistical Area
 Sources: U.S. Census; Washington Office of Financial Management; Property Counselors

Nearly three-fourths of the Seattle PMSA's population lives within its 60 incorporated cities and towns. The following table lists the largest cities in the PMSA.

Largest Cities, 2001

Rank	City	County	Population	Rank	City	County	Population
1	Seattle	King	568,100	7	Renton	King	51,140
2	Bellevue	King	111,500	8	Kirkland	King	45,770
3	Everett	Snohomish	95,990	9	Redmond	King	45,490
4	Federal Way	King	83,890	10	Auburn	King	43,985
5	Kent	King	81,900	11	Edmonds	Snohomish	39,590
6	Shoreline	King	53,150	12	Sammamish	King	34,560

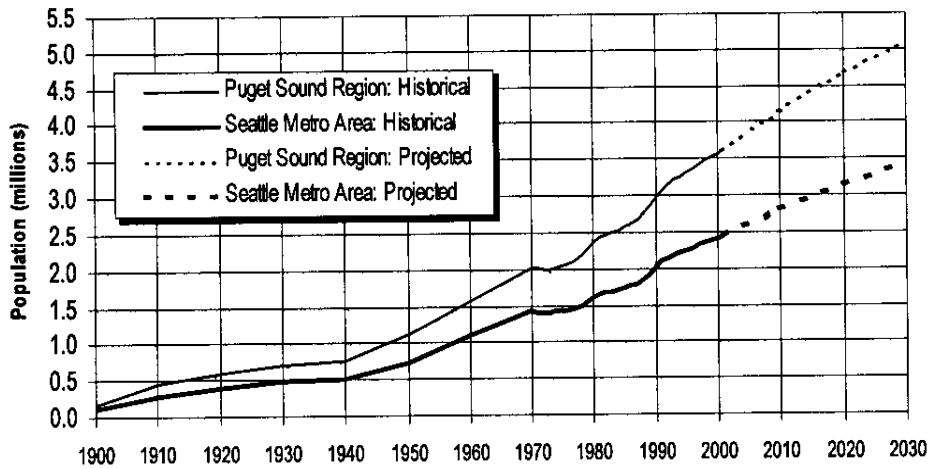
Sources: Washington Office of Financial Management; Property Counselors

The combined population of all cities and towns in the Seattle PMSA stood at 1,751,998 in 2000, while unincorporated areas contained 697,302 inhabitants.

Like other large U.S. urban areas, Seattle's population was stable or declining prior to 1990. In the late 1980s, Seattle reversed a 30-year decline, and its population rebounded from 493,846 in 1980 to 568,100 by 2001, the highest ever recorded for the city. This growth came despite no significant annexation of territory by Seattle. Seattle's downtown is among the fastest-growing neighborhoods in the region.

By 2010, the PMSA's population is expected to approach 2.76 million (refer to the *Population Trends* graph below) and should exceed 3.1 million by 2020. The population of the entire Puget Sound region is expected to surpass 4.1 million by 2010 and should approach 4.7 million by 2020. By 2030, nearly 5.1 million people are expected to call the Puget Sound region home.

Population Trends



Sources: U.S. Census; Washington Office of Financial Management; Property Counselors

The most rapid growth is expected to be to the east, southeast, and northeast of Seattle. Modest projected increases in the southwest and North End suburbs are expected to result from a dwindling supply of vacant land and encroachment of commercial and industrial uses on older residential neighborhoods. Seattle and the inner suburbs (Highline, Burien, Shoreline, Bellevue, Kirkland, and Renton) are expected to grow slowly, as increases in the number of new housing units are offset by declining household sizes. Most residential development in these areas will involve infill construction, renovation, and conversion of non-residential buildings to residential use. The number of households in Seattle is expected to continue growing as the proportion of small (one and two person) households keeps expanding.

Incomes and Purchasing Power

Household incomes are higher in the Seattle area than elsewhere in Washington State and the U.S. The distributions of disposable household income for the Seattle PMSA, Washington State, and the U.S. appear in the following *Disposable Income* table.

Disposable Income for Seattle, Washington, and the U.S.

2000 Disposable Income	Household City Seattle	of Seattle Suburbs	King County	Seattle PMSA	Sea-Tac CMSA	State Wash.	of United States
Less than \$20,000	17.3%	11.1%	12.4%	12.8%	15.2%	19.9%	24.4%
\$20,000 to \$34,999	16.3%	14.7%	14.0%	15.1%	16.9%	19.2%	20.7%
\$35,000 to \$49,999	13.6%	15.5%	14.0%	15.0%	16.1%	16.5%	16.8%
\$50,000 and over	52.8%	58.7%	59.6%	57.1%	51.8%	44.4%	38.2%
Median household EBI	\$53,490	\$58,638	\$60,393	\$57,246	\$51,744	\$44,682	\$39,129
Average household EBI	\$62,552	\$49,744	\$72,038	\$68,094	\$62,263	\$54,921	\$49,252
Per capita EBI	\$29,030	\$30,062	\$29,726	\$27,315	\$24,415	\$21,284	\$18,246
Aggregate EBI (\$million)	\$16,576	\$35,572	\$52,149	\$66,739	\$87,859	\$127,088	\$5,230,825

PMSA = Primary Metropolitan Statistical Area (King, Snohomish, and Island counties)
 CMSA = Consolidated Metropolitan Statistical Area (PMSA plus Pierce, Kitsap, and Thurston counties)
 EBI = Effective buying income (disposable after-tax income)
 Sources: Sales & Marketing Management, 2001 Survey of Buying Power; Property Counselors

The table indicates that the Seattle PMSA has proportionately more households in the over-\$50,000 income group than the U.S. average. The median disposable income of Seattle PMSA households is 28.1 percent higher than the statewide median, and 46.3 percent above the national median.

The principal source of this section's material was Allen N. Safer, MAI.



Real Estate Development Company

SODO—REAL ESTATE MARKET

Background and Description of SODO

Major freeway and transportation access projects, coupled with the recent completion of a convention center and two new sports stadiums, drive SODO's transition from primarily industrial uses to higher yielding office, showroom, high-tech, retail and possibly residential uses. SODO's growth pattern reflects a national trend. Similar development patterns apply to aging, centrally located, industrial areas in Cleveland, San Francisco, and Denver.

The SODO district, a roughly rectangular area directly south of downtown, encompasses 550 acres. Its northern edge lies against Seattle's downtown while its eastern edge borders Interstate 5. Puget Sound borders the west, while Spokane Street forms the southern border.

Seattle's first settlers in the last half of the 19th Century initially built up what is now downtown, Belltown, and First Hill. The area's abundant timber was cut and shipped to San Francisco to supply gold rush stimulated construction. In the 1890s industry started to spill over into what is now SODO, a one square mile area located between Puget Sound and the first range of coastal hills, immediately south of Seattle's present downtown area.

With the extensive rail lines that were built within the area, the draining of the Duwamish River delta, and the development of the immediately adjacent port facilities on the western edge of SODO, warehousing and wholesale trade, spurred by the Klondike, Alaska gold rush, grew alongside with manufacturing.

By the 1920s, much of Seattle's heavy industry was located in SODO. During World War II, SODO factories built airplanes, ships, components, and munitions. Between the end of the Korean War and 1990, warehousing and light industrial activities slowly replaced heavy industry. Since these early days, SODO has been a primarily manufacturing/warehousing area with little change until relatively recently.

In the early 1990's, businesses that primarily served the downtown core started to move into SODO to take advantage of the proximity to customers and the lower rents. These businesses included office supplies, distribution, furniture, building supplies, art supplies, high tech, banks and professional offices. In addition major retailers like Home Depot, Office Max, and Costco opened major sales outlets within SODO. By 1998, with the major renewal of the northern section of SODO due to the two newly constructed stadiums, downtown's central business district itself began moving into SODO and revitalizing SODO's importance as an urban hub.

New transportation infrastructure drives current growth. New freeway accesses and the light-rail, all under construction, mean that Puget Sound's regional transportation infrastructure ties together within SODO's one square mile. This will make SODO one of the most convenient locations in the Seattle metropolitan area.

Various governmental agencies own or utilize approximately 60% of SODO acreage. These uses include post office transfer facilities; waste recycling facilities, school district office space, social services, the Port of Seattle, mass transit stations and systems, two stadiums and a convention center. As a result, private uses account for a mere 220 acres out of the total 550 acres.

Family run businesses engaged in light industry, warehousing, office and retail activities own most of the privately held land. American Life controls either through ownership or leasehold approximately 20 acres of these 220 acres, or about 9% of the total. American Life focuses on purchasing contiguous properties allowing for future sales of combined parcels of sufficient size to interest institutional developers or real estate investment trusts.

Dynamics of the SODO Real Estate Market

The strong economy and rapid growth of the late 1980s and 1990s touched off a series of land-use conflicts that continue to reverberate throughout the region. The Washington State Growth Management Act (GMA), passed by the Legislature in 1990, mandated the adoption of comprehensive growth-plans to encourage future growth in existing urban areas while restricting low-density "sprawl" in the suburbs. As a result, suburban growth has been slowing while in-fill in established urban areas such as SODO has been increasing.

SODO's small available acreage close to the Port and downtown tends to create a demand for SODO space that generally exceeds the supply. Further, within the Seattle downtown area or near-by districts, the continuing demolition of competing properties for transportation infrastructure and for new office/retail projects creates additional demand because the overall supply of affordable close-in locations is reduced. The approximate 7% average annual rental increases that have occurred over the past twenty years reflect this trend. SODO's 1.5% vacancy rate (north of Spokane St) indicates a tight rental market. This is, by far, the lowest vacancy rate in the region.

SODO's proximity to downtown Seattle, the port, the freeway system, and rail facilities creates demand for space from users with a variety of special requirements for buildings and access. Tenants continue to pay a premium for convenient central locations. As a result, SODO warehouses commonly fetch 50 cents a foot per month as opposed to 35 cents a foot for newer facilities in outlying areas.

SODO's building stock, generally 30 years old or older, works for existing warehouse uses, but not for the new uses moving into the area. As a result, the largest recent non-infrastructure developments within SODO entailed the conversion and re-use of existing facilities, often involving transformation of single-user facilities into multi-tenant properties. The conversion of Sears' turn-of-the-last-century warehouse, distribution and retail facility into Starbucks Coffee's world headquarters, Office Max and other retail uses and the conversion of the U.S. Post Office transfer facility into administrative offices for the City of Seattle School District exemplify this trend.

Growth patterns and infrastructure development continue to increase land prices. In many cases, land values exceed the value of the building. As properties change hands at higher land prices, new owners cannot afford to rent to traditional warehousing and light industrial users. For the foreseeable future, the market dynamics should continue to force the conversion of existing warehouse stock to more intense uses.

Major Infrastructure Developments

A proposal to build a region-wide network of transportation improvements was approved by voters in November 1996. When completed, this system will include a 24-mile light-rail transit system between the University District, downtown Seattle, and Seattle-Tacoma International Airport; a 1.6 mile light-rail line in downtown Tacoma, 81 miles of commuter rail service linking Everett, Seattle, Tacoma, and Lakewood and bus/carpool ramps serving 100+ miles of HOV (high-occupancy vehicle) lanes on the region's freeway network. The estimated completion date for the project is 2009.

Sea-Tac International Airport is being expanded to include a third runway, new and expanded terminals and parking facilities, improved access and circulation roads, a new hotel next to the main terminal, a people-mover system, and connections to the regional light rail network. There are several other transportation infrastructure projects in varying stages of construction and/or funding.

Much of this transportation infrastructure directly benefits SODO. These include:

- **Automobile access improvements.** Major improvements are now underway at both the north and south ends of SODO.

At the north end, construction proceeds on access to SODO from the Interstate 5 and Interstate 90 freeways. The new freeway extension serves both 1st and 4th Avenues South, the two major SODO north/south thoroughfares.

At the south end, upgrades to Highway 99 and the West Seattle Freeway along Spokane Street will provide significantly better access from a number of directions. (Note that the West Seattle Freeway connects with Interstate 5 allowing direct access for drivers coming from the south.)

- **Light-Rail.** This 24-mile system, now under construction, will run through SODO, include two SODO stations and connect SODO to downtown and the airport. Estimated completion is in 2009.

In addition to transportation infrastructure, SODO benefits from:

- **Safeco Field (new home of the Seattle Mariners), a new football stadium, and a new exhibition center.**

- **Effects of February 2001 Earthquake.** The February 2001 Nisqually Earthquake forced some SODO property owners to upgrade their buildings. These repairs and replacements will upgrade SODO as a whole.

Future SODO Rezone

Despite the above-described expansion from its historical industrial use, SODO remains industrially zoned with exceptions large enough to permit the wide variety of uses now found. There is growing momentum to change SODO's zoning from purely industrial, with exceptions for office and retail, to a full mixed-use zoning that would include residential and large office development. The Port of Seattle and many of the Seattle City Council representatives publicly support rezoning SODO to this full mixed-use status.

The Port and certain Council representatives have only made public their support in mid-2002. As such, the rezoning effort is only in its beginning stages.

American Life Management's Expectation of Future Rentals and Values

- (b)(4) American Life partnerships hold land at purchase prices of up to [REDACTED] (not including building values or improvements). In the future, land sold for high-rise development could be sold for upwards of [REDACTED]. A SODO rezone to mixed-use supports a potential future realization of such values.

Management further notes that SODO's superior location should continue to drive land prices and rents without a zoning change. The existing zoning prohibits large scale office development (over 50,000 square feet of office in one structure), large box retail, and residential uses, but does not restrict construction of large facilities offering flex space suitable for light industrial, tech, and other modern manufacturing uses. Existing zoning also allows the construction of facilities where employees or owners live in the same structure as where they work. Ironically, Office Max, Home Depot and Costco opened stores in SODO before the advent of the current zoning restrictions. American Life sees that values will continue to increase as a result of steadily rising rents from demand in excess of the limited SODO supply. The addition of residential uses would accelerate the process of increasing land values.

Since any disposition of American Life properties will be some years from now, the level of future rentals is important to investor returns over an extended period. Over the past twenty years, SODO rents have increased at an average rate of some 7% a year. This compares to an average rental increase of 3% per annum for the South Seattle industrial area. Because the past twenty years were years of steadily increasing economic growth, American Life management believes that investors who wish to project future rental increases may conservatively assume annual rental increases of 3% to 5%.

Outlook

American Life management strongly believes that SODO will continue to move from its industrial base to becoming a mixed-use densely populated downtown area. This trend is based on a number of factors that are independent of the status of the region's economy. These factors include the following:

- SODO's land area provides readily available growth potential for businesses serving Seattle's downtown. No other areas of Seattle effectively serve this market.
- Freeway projects increasing vehicular access to SODO will improve the viability of SODO as a place to do business. Increased vehicular access to SODO should entice major retailers to place outlets in SODO as well as attract developers looking for sites for new retail, light industrial, office and residential centers.
- The lower level of rents in SODO relative to other Seattle areas adjacent to downtown will continue to attract a variety of tenants in addition to those from the service and retail sectors. These include tenants looking for office space, light industrial, flex space, and showroom space. No other areas of Seattle effectively service the downtown market.
- The Monorail and light rail projects will connect SODO to downtown and beyond without depending upon automobile transport. As a result, a variety of new users will want to take advantage of SODO's central location and proximity to downtown.
- Regional traffic congestion coupled with the fact that all of the regional transportation infrastructure comes together within a few SODO city blocks has created a premium on locating in a central area such as SODO.

To conclude, SODO offers a close-in location with the best transportation infrastructure in the Puget Sound region. Given the shortage of available land and the area's highly desirable location near the Port, downtown, and major transportation facilities, and the management of American Life believes that SODO will remain a high-growth real estate market.



Real Estate Development Company

AMERICAN LIFE PROPERTIES DATA

Land area north of Spokane Street to the Stadiums at Royal Brougham

Total area	+/-550 acres.
Government owned land	+/-approximately 230 acres
Land under American Life, Inc. management	+/-30 acres

1. Lone Star Cement Warehouse

Address	6335 1st Avenue South, Seattle, WA 98108
Land Area	112,000 sq ft
Built out Area	57,960 sq ft
Number of tenants	5
Usage	Warehouse/showroom/office

2. St. Vincent Building

Address	2963 Utah Ave South, Seattle, WA 98134
Land Area	10,000 sq ft
Built out Area	10,000 sq ft
Number of tenants	0
Usage	Warehouse/showroom/office or parking

2959 Utah Ave.

Address	2959 Utah Avenue South, Seattle, WA 98134
Land Area	19,800 sq ft
Built out Area	7,400 sq ft
Number of tenants	0
Usage:	Industrial/showroom/flex

3. Mendelson Land

Address	2 nd and Hinds St., Seattle, WA 98134
Land Area	22,000 sq ft
Number of tenants	1
Usage	Yard Space

4. Close Electric Building

Address	3317 3rd Ave South, Seattle, WA 98134
Land Area	30,000 sq ft
Built out Area	37,000 sq ft
Number of tenants;	4
Usage:	Warehouse/showroom/office

5. Pipe Building

Address	3223 3rd Avenue South, Seattle, WA 98134
Land Area	70,000 sq ft
Built out Area	48,057 sq ft
Number of tenants;	6
Usage:	Office/warehouse

6. 2962 1st Avenue South

Address	2962 1 st Avenue South, Seattle, WA 98134
Land Area	9,000 sq ft
Built out Area	8,000 sq ft - Under Renovation
Number of tenants	2
Usage	Office/retail

- 7. **Hullin Transfer Building**
 Address 270 South Hanford, Seattle, WA 98134
 Land Area 128,500 sq ft
 Built out Area 100,913 sq ft
 Number of tenants 19
 Usage Warehouse/office/industrial
- 8. **Esquin Building**
 Address 2700 4th Avenue S., Seattle, WA 98134
 Land Area 67,315 sq ft
 Built out Area 60,315 sq ft
 Number of tenants 5
 Usage Retail/showroom
- 9. **Industrial Transfer Building**
 Address 624 South Lander Street, Seattle, WA 98134
 Land Area 160,000 sq ft
 Built out Area 113,000 sq ft; divided into 1500-5000 square foot industrial suites
 Number of tenants +/- 60
 Usage: Office/warehouse
- 10. **2440 1st Avenue South**
 Address 2440 1st Avenue South Seattle, WA 98134
 Land Area 22,662 sq ft
 Built out Area 22,662 sq ft
 Number of tenants 1
 Usage Retail/showroom
- 11. **2430 1st Avenue South**
 Address 2430 1st Avenue South Seattle, WA 98134
 Land area 9,000 sq ft
 Number of tenants 0
 Usage Parking Lot
- 12. **2418-20 1st Avenue South**
 Address 2400 Block 1st Avenue South Seattle, WA 98134
 Land Area 27,000 sq ft
 Built out Area 27,000 sq ft
 Number of tenants 5
 Usage: Retail/warehouse strip
- 13. **Coast Cranes Building**
 Address 1500 block South Utah Street, Seattle, WA 98134
 Land Area 70,000 sq ft
 Built out Area 23,500 sq ft
 Number of tenants 1
 Usage: Office/warehouse with event parking
- 14. **Owl Transfer Building**
 Address 3623 6th Ave South, Seattle, WA 98134
 Land Area 140,000 sq ft
 Built out Area 73,335 sq ft
 Number of Tenants 0
 Usage Industrial/showroom/distribution/flex
- 15. **Gorlick Supply**
 Address 2944 1st Ave S, Seattle, WA 98134
 Land Area 36,000 sq ft
 Built out Area 28,000 sq ft, including mezzanine
 Number of Tenants Vacant
 Usage Retail/showroom/office

- | | |
|---|---|
| 16. Rivers West Building | |
| Address | 2900 4 th Ave South, Seattle, WA 98134 |
| Land Area | 60,000 sq ft |
| Built out Area | 48,000 sq ft |
| Number of tenants | 3 |
| Usage: | Industrial/showroom/distribution |
| 17. Ederer Cranes Building | |
| Address | 2925, 2931 1 st Avenue South and 2936 Utah Avenue South, Seattle, WA 98134 |
| Land Area | 64,380 sq ft |
| Built out Area | 74,680 sq ft |
| Number of tenants | 1 |
| Usage: | Industrial |
| 18. Ederer Annex Building | |
| Address | 66 South Horton Street, Seattle, WA 98134 |
| Land Area | 30,000 sq ft |
| Built out Area | 29,700 sq ft |
| Number of tenants | 0 |
| Usage: | Warehouse/office/industrial |
| 19. 2945 1st Avenue South | |
| Address | 2945 1 st Avenue South, Seattle, WA 98134 |
| Land Area | 9,000 sq ft |
| Built out Area | 9,000 sq ft |
| Number of tenants | 0 |
| 20. 3601 W. Marginal Way S.W. | |
| Address | 3601 W. Marginal Way S.W., Seattle, WA 98106 |
| Land Area | 20,000 sq ft |
| Built out Area | 17,000 sq ft |
| Number of tenants | 0 |
| Usage: | Light industrial/showroom |
| 21. 3100 Airport Way South | |
| Address | 3100 Airport Way South, Seattle, WA 98134 |
| Land Area | 18,000 sq ft |
| Built out Area | 150,000 sq ft |
| Number of tenants | 1 |
| Usage: | Storage facility/office/parking |
| 22. 1016 1st Avenue South | |
| Address | 1016 1 st Avenue South, Seattle, WA 98134 |
| Land Area | 10,000 sq ft |
| Built out Area | 51,250 sq ft |
| Number of tenants | 9 |
| Usage: | Retail/office/parking |
| 23. 4746 Ohio Avenue South | |
| Address | 4746 Ohio Avenue South, Seattle, WA 98134 |
| Land Area | 455,037 sq ft (10.22 acres) |
| Built out Area | 283,000 sq ft |
| Number of tenants | 4 |
| Usage: | Warehouse/showroom/industrial |

Map Color Key

- Green, Light Pink, Rose, and Orange Government owned properties and land
- Blue Line: Central Link (Commuter rail)
- Purple Lines: Interstate 5/Interstate 90 Expansions
- Gray Lines: Spokane Street Viaduct Expansion

COMPREHENSIVE BUSINESS PLAN

4746 OHIO AVENUE SOUTH LIMITED PARTNERSHIP

1. Overview

(b)(4) The 4746 Ohio Avenue South Limited Partnership ("4746 LP"), a State of Washington limited partnership, will acquire an approximately 283,000 square foot warehouse (4746 Ohio Avenue S., Seattle), situated on a 455,037 square foot lot (10.22 acres). 4746 LP plans to renovate the warehouse and divide the bulk of it into 4800-12,000 square-foot light industrial suites. 4746 LP will renovate and manage the project for current cash flow and long-term appreciation. The total Partnership capitalization is approximately [REDACTED] 4746 LP's owners include local investors as well as intending immigrants.

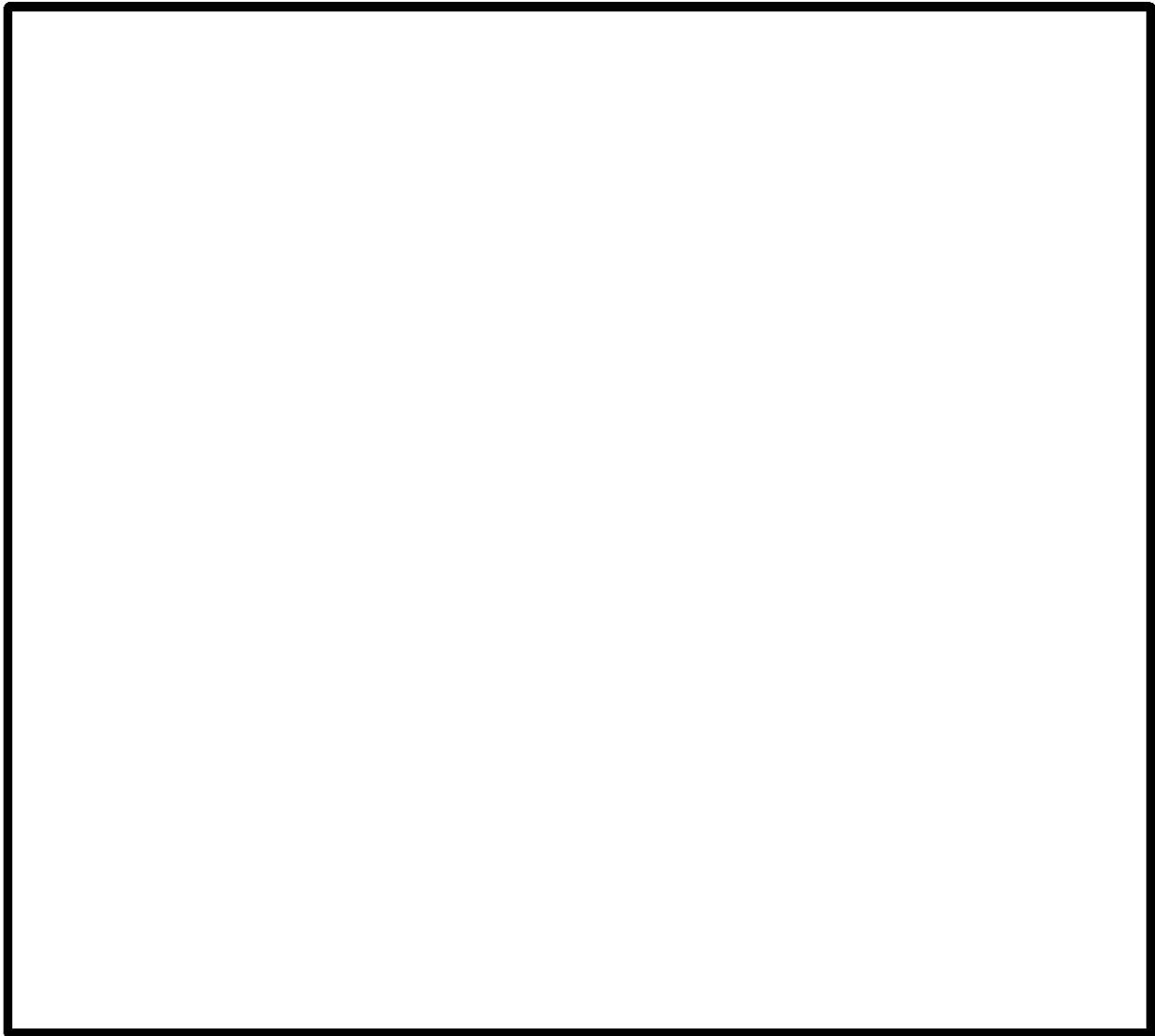
4746 LP is one of a group of investment entities that has acquired, rehabilitated and managed older industrial warehouses located in the Duwamish industrial sector south of downtown ("SODO") Seattle. This concerted renovation activity is targeted in a relatively small geographic area and has occurred gradually since 1996, when the legacy Immigration & Naturalization Service ("INS") designated the area a regional center under the Immigrant Investor Pilot Program. The Port of Seattle and the City of Seattle supported the regional center designation. Federal and state government designations of the SODO area as an enterprise community and empowerment zone ("EC/EZ") reflect the widely held view that the area suffers from chronic high unemployment. One of the primary objectives of the INS-designated regional center activities is the channeling of immigrant investor capital to rehabilitate abandoned or dilapidated industrial warehouses in the SODO. 4746 LP is doing exactly that.

2. The Business Model

(b)(4)



(b)(4)



3. Market Analysis

4746 LP acquired an underutilized industrial/commercial real estate located south of the central core of Seattle in the SODO area to improve the property in order to enhance the appeal to new tenants, and then to hold that property for the benefit of its income stream and long-term appreciation. The key to the success of the business model is to improve the property in a meaningful way so that tenants can be attracted to the property. This particular location targets smaller businesses which typically have clients in downtown Seattle who can be easily accessed from the nearby SODO location.

As background, for at least the past decade most businesses with large warehousing and manufacturing needs have relocated away from Seattle to Kent Valley located 20 miles to the south. In Kent Valley, where larger, newer, affordable parcels were available for development, the warehousing industry set up business and drew jobs away from Seattle's industrial core. Kent Valley offers better amenities such as extensive parking. Economists have tracked a definite shifting of warehousing and trucking jobs out of the Seattle central industrial core to Kent Valley. Warehouse rents in Kent Valley range from \$.25 to \$.38 per square foot, per

month, for warehouse shell compared to average warehouse rents in SODO at \$.50 - \$.55 per square foot per month for warehouse shell. Kent Valley attracts larger users that do not need to be near the urban core.

Older warehouses in the SODO area, generally 30 to 60 years old, are unsuitable for single large tenants due to lack of insulation, insufficient power availability, traffic congestion restricting 24 hour truck access, insufficient floor load factors, and obsolete floor plans with reduced clear span. Many such warehouses have been abandoned or neglected. The SODO area, in fact, has many empty, boarded-up buildings.

Mapping general market trends, the largest manufacturers move to China or to other Asian venues where labor is cheaper. The remaining U.S. operation (sales, R&D, administration) now operates from a suburban office complex. The mid-level user of 25,000 feet to 200,000 feet moves to modern warehouse facilities located in areas where land is plentiful and cheaper such as in the Kent Valley or for example in San Bernardino County near Los Angeles. Such companies sell or distribute through distribution networks and generally do not usually interact with the final customer. The smaller commercial users generally seek close-in industrial areas which have higher land costs but offer proximity to the ultimate customer, such as SODO, or South of Market in San Francisco. This market dynamic occurs through out much of the United States, which is why outdated industrial properties in close-in industrial areas nationwide are challenged to locate capital that can be used for renovations that would to suit the needs of the smaller user. Minneapolis, Indianapolis, Denver, Portland, and San Francisco are just some of the cities that exemplify the trend.

Thus, many smaller businesses, on the other hand, desire a SODO location because of its proximity to downtown Seattle and centrally located customers, provided the facility offers required amenities at affordable prices. 4746 LP targets this market niche by improving its property into a modern, multi-tenant facility. The 4746 building will be renovated into multiple suites configured for light manufacturing, warehousing/distribution, and similar uses. Multiple means of ingress and egress facilitate freight mobility as well as expanding each unit's utility. This property enjoys easy access to Hwy 99 and I-5 and is very close to the Port of Seattle Harbor Island Terminals.

As an additional amenity, tenants may move within the family of affiliated properties, as tenant needs change, without being penalized for breaking their lease. In other words a tenant may move from building A to building B at a comparable rate without a penalty. These unique services are important to our competitive advantage. By aggressively pursuing this niche market, we have enjoyed success.

(b)(4)



There are two comparable warehouse properties currently on the market. The Spokane St.

Distribution Center 3800 1st Ave S has a building area of 327,203 square feet with net operating income of \$1,966,771 for 2006. The property is being auctioned. The brokers believe the property will sell for in excess of \$35,000,000 or \$107 per foot for the building and \$83 per foot for the land. This is probably a more visible location than the Ohio St warehouse, the buildings are more difficult to divide and it is tight on parking and truck turning radius. The Alaska Distributors Building which is 387,618 square feet situated on 13.53 acres and relatively new construction is being offered at \$36,000,000 as is and vacant for \$93 a foot for the building and \$60.47 feet for the land. The Alaska Distributors Building does not offer comparable visibility to the Ohio St property and is not easily converted into a multi-tenanted facility. Although the Spokane St Building is a more desirable property, because of the expected sale price, we do not find it to be as compelling an investment as the Ohio Avenue warehouse. The Ohio Avenue property has much greater potential for price appreciation, where as in our view the Spokane St Building is fully priced.

4. The 4746 Building – History and Renovation

The 4746 property is located at 4746 Ohio Avenue South, Seattle, Washington. It is a 283,000 square foot warehouse with convenient freeway access and visibility from E. Marginal Way, one of the main north-south arterials connecting Boeing Field, and the Port of Seattle to downtown Seattle. The property's superior freeway access makes it an ideal location. The property is 5 minutes from downtown Seattle and the Port of Seattle, and ten minutes from Sea-Tac International Airport.

The subject property lies in the Duwamish River delta, which was drained to form today's Duwamish industrial area aka SODO in the early 1900s. The US Army Corps of Engineers first developed this particular parcel in 1942/1943. The property was used for munitions storage and other wartime related activities. The property was later transferred to the Port of Seattle who rented it for Port related warehouse uses. The Port of Seattle sold the property to Triple B Corporation in 2004; Triple B Corporation soon after sold the property to Port 106 LLC, the current owners. Port 106 LLC contacted with the 4746 LP to sell the property for \$20 million including renovations to bring the property to a modern multi tenanted standards.

The Property was appraised to be worth \$12 million in its unimproved condition in March of 2004. In 2004 the building was surrounded by weeds and brush, was not demised into multiple spaces, had very few bathrooms and was not insulated. Approximately \$3 million of the \$20 million purchase price has been allocated to the cost of bringing the property to a modern standard.

The property will be delivered to Purchaser in a turn-key condition with spaces demised and finished to what is known as a warm shell. Such improvements generally include clearing brush around the property, creating access around the property, new siding, demising the property for multiple tenancies. Each tenant bay shall be improved with sufficient handicap bathrooms one or two depending on size of space, finished office equal to 10% of rented area, insulated ceilings and exteriors walls, demising walls with dry wall finish and painted, finished and painted dry wall on exterior walls, sufficient lighting for show room and light industrial uses, separate fuse boxes and panels separately metered, gas drop down heaters separately metered, pave south yard,

clean exterior, paint exterior, patch asphalt as required, seal asphalt on the east side, pave west side asphalt, stripe parking lot and north and south yards. The Partnership plans to demise each 43,000 foot bay into 4 spaces of 4800 and two spaces of 12,000 approximately square feet per plans submitted to obtain the building permit. The spaces facing west to E. Marginal Way will become primarily showroom, office, retail spaces and the eastward facing spaces will be used for loading and warehouse uses. Shell space rents start at \$.55 cents for large spaces increasing to \$.65 for the 4800 foot spaces.

(b)(4)

The 4746 property has been vacant for the past two years. The current owners, who will continue as minority owners of this Partnership, started renovating the Property in January of 2006. There are currently three permanent tenants whose leases commenced January 2006 totaling approximately 69,000 square feet whose spaces are in various stages of renovation. The remaining space will be renovated over the course of the next year or so. See Projections.

The property will be transformed from a single-use freight transfer and storage facility to a multi-tenanted light industrial complex. 4746 LP plans to take advantage of the over 1500 feet length to create superior access and circulation to concert them into office/warehouse units of 4800 square feet and larger. The completed project consists of 283,000 square feet of shell flex space. Each unit will have built out office and roll up doors for freight handling, as well as energy efficient lighting, insulation, and heating systems.

The project's capitalization may be described as follows:

Total Project Costs

(b)(4)

5. Financial Performance

(b)(4)

(b)(4)



COMMERCIAL AND INVESTMENT PURCHASE AND SALE AGREEMENT

This has been prepared for submission to your attorney for review and approval prior to signing. No representation is made by licensee as to its sufficiency or tax consequences.

Date: 3/17, 2006

The undersigned Buyer, American Life, Inc. and/or Permitted Assigns agrees to buy and Seller agrees to sell, on the following terms, the commercial real estate and all improvements thereon (collectively, the Property) commonly known as _____ in the City of Seattle, King County, Washington, legally described on attached Exhibit A. (Buyer and Seller authorize the escrow officer to insert and/or correct, over their signatures, the legal description of the Property.)

1. **PURCHASE PRICE.** The total purchase price is (i) _____ including the earnest money (the "Cash Purchase Price"), payable as follows (check only one), as well as (ii) a Class B limited partnership interest in Buyer pursuant to the terms of the limited partnership agreement attached to this Agreement as Exhibit B (the "Buyer Limited Partnership Agreement").

- All cash at closing, including the earnest money, with no financing contingency, less the amount deposited in Escrow as set forth on the attached Addendum.
- All cash at closing, including the earnest money, contingent on new financing under Section 4a below.
- \$ _____ / _____ % of the purchase price in cash at closing, including the earnest money, with the balance of the purchase price paid as follows (check one or both, as applicable).
- Buyer's assumption of any underlying note and deed of trust, or real estate contract, under Section 4b below; Buyer's delivery at closing of a promissory note for the balance of the purchase price, secured by a deed of trust encumbering the Property, as described in Section 4c below
- Other _____

(b)(4)

2. **EARNEST MONEY.** Buyer agrees to deliver the earnest money _____ in the form of Cash Personal check Promissory note Other:

If the earnest money is in the form of a promissory note, it shall be due no later than:

- _____ days after mutual acceptance.
- Upon removal of the inspection contingencies in Section 5 below.
- Other: At Closing.

The earnest money shall be held by Selling Licensee Closing Agent. (N/A)

Buyer shall deliver the earnest money no later than:

- Five days after mutual acceptance.

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Initials: Buyer [Signature] Date 3/17/06 Seller [Signature] Date 3/17/06
 Buyer _____ Date _____ Seller _____ Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

Upon removal of the inspection contingencies in Section 5 below.

Other _____

If the earnest money is to be held by Selling Licensee and is over \$10,000, it shall be deposited to: Selling Licensee's pooled trust account (with interest paid to the State Treasurer) A separate interest bearing trust account in Selling Licensee's name. The interest, if any, shall be credited at closing to Buyer whose Social Security or taxpayer ID Number is: _____. If this sale fails to close, whoever is entitled to the earnest money is entitled to interest.

Selling Licensee shall deposit any check to be held by Selling Licensee within 3 days after receipt or mutual acceptance, whichever occurs later. Buyer agrees to pay financing and purchase costs incurred by Buyer. If all or part of the earnest money is to be returned to Buyer and any such costs remain unpaid, Selling Licensee or Closing Agent may deduct and pay them therefrom. Unless otherwise provided in this Agreement, the earnest money shall be applicable to the purchase price and shall be non-refundable except where a condition to Buyer's obligation under this Agreement is not satisfied through no fault of Buyer.

3. **EXHIBITS AND ADDENDA.** The following Exhibits and Addenda are made a part of this Agreement:

Exhibit A - Legal Description

- Earnest Money Promissory Note, CBA Form EMN
- Promissory Note, LPB Form No. 28A/CBA Form N1-A
- Short Form Deed of Trust, LPB Form No. 20
- Deed of Trust Rider, CBA Form DTR
- Utility Charges Addendum, CBA Form UA
- FIRPTA Certification, CBA Form 22E
- Assignment and Assumption, CBA Form PS-AS
- Addendum/Amendment, CBA Form PSA
- Back-p Addendum, CBA Form BU-A
- Vacant Land Addendum, CBA Form VLA
- Other Exhibit B - The Buyer Limited Partnership Agreement

4. **FINANCING.**

a. **Application for New Financing.** If payment of the purchase price is contingent on Buyer obtaining new financing, then Buyer's obligation to close is conditioned upon Buyer accepting a written commitment for financing Buyer will not reject those terms of a commitment which provide for a loan amount of at least _____ percent (____%) of the purchase price, interest not to exceed _____ percent (____%) per annum, a payment schedule calling for monthly payments

Initials: Buyer [Signature] Date 3/12/06 Seller [Signature] Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

amortized over not less than _____ (_____) years, and total placement fees and points not more than _____ percent (____%) of the loan amount. Buyer shall make immediate application for said commitment, pay required costs and make a good faith effort to procure such financing. This Agreement shall terminate and Buyer shall receive a refund of the earnest money unless Buyer gives Seller written notice (that this condition is satisfied or waived on or before _____ (____) days (60 days, if not completed) following mutual acceptance of this Agreement.

b. **Assumption of Existing Financing.** If payment of the purchase price includes Buyer's assumption of a note and mortgage or deed of trust, or a real estate contract, Seller shall promptly deliver to Buyer a copy of the underlying debt instrument(s) to be assumed, and Buyer shall be deemed to have approved all of the terms of the debt instrument(s) unless Buyer gives notice of disapproval within five (5) days after receiving such instrument(s). If any of the debt instrument(s) requires the consent of a third party to the assumption by Buyer, then Buyer shall apply for such consent within seven (7) days after receiving the debt instrument(s). Upon Buyer's request, Seller shall assist Buyer by requesting the third party's consent to the assumption on Buyer's behalf. This Agreement shall terminate and Buyer shall receive a refund of the earnest money unless Buyer gives Seller written notice within _____ (____) days (30 days, if not completed) of receiving the debt instrument(s) stating that such consent is available. Buyer shall pay any assumption fees or other out-of-pocket expenses attributable to the assumption of the underlying indebtedness.

c. **Seller Financing.** If Seller is financing a portion of the purchase price by promissory note and deed of trust, unless different forms are attached to this Agreement, Buyer shall execute and submit to the Closing Agent: (i) LPB Form No. 28A Promissory Note and the DUE ON SALE and COMMERCIAL PROPERTY optional clauses in that form shall apply, (ii) UCC-1 Financing Statement covering the personal property described in Section 14 below; (iii) LPB Form No. 20 Short Form Deed of Trust; and (iv) CBA Form No. DTR Deed of Trust Rider. The promissory note shall bear interest at the rate of _____% per annum, and shall be payable as follows (choose one): monthly installments of interest only, monthly installments of \$ _____, equal monthly installments of principal and interest in an amount sufficient to fully amortize the outstanding principal balance at the stated interest rate over _____ years, other _____. Payments shall commence on the first day of the first month after closing and continuing on the same day of each succeeding month until (choose one): months from the date of closing, other _____ on which date all outstanding principal and interest shall be due. The principal shall, at Seller's option, bear interest at the rate of per annum (18% or the maximum rate allowed by law, whichever is less, if not filled in) during any period of Buyer's default. If Seller receives any monthly payment more than _____ days (15 days if not filled in) after its due date, then a late payment charge of \$ _____ / _____ % of the delinquent amount (5% of the delinquent amount if not filled in) shall be added to the scheduled payment. Buyer shall have _____ days (5 days if not filled in) after written notice to cure a default before Seller may declare all outstanding sums to be immediately due and payable.

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Initials: Buyer [Signature] Date 3/12/06 Seller [Signature] Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____



PURCHASE AND SALE AGREEMENT
(CONTINUED)

(Note to Buyer and Seller: If the Property is currently used primarily for agricultural purposes, then a nonjudicial foreclosure/forfeiture remedy is available to Seller only by using a real estate contract and is not available with a deed of trust.)

d.a. **Section 1031 Like-Kind Exchange.** If either Buyer or Seller intends for this transaction to be a part of a Section 1031 like-kind exchange, then the other party agrees to cooperate in the completion of the like-kind exchange so long as the cooperating party incurs no additional liability in doing so, and so long as any expenses (including attorneys fees and costs) incurred by the cooperating party that are related only to the exchange are paid or reimbursed to the cooperating party at or prior to closing.

5. **INSPECTION CONTINGENCY.** This Agreement shall terminate and Buyer shall receive a refund of the earnest money unless Buyer gives written notice to Seller within forty five (45) days (20 days if not filled in) of mutual acceptance of this Agreement stating that Buyer is satisfied, in Buyer's reasonable discretion, concerning all aspects of the Property, including without limitation, its physical condition; the presence of or absence of any hazardous substances; the contracts and leases affecting the property; the potential financial performance of the Property, the availability of government permits and approvals; and the feasibility of the Property for Buyer's intended purpose. If such notice is timely given, the inspection contingencies stated in this Section 5 shall be deemed to be satisfied.

a. **Books, Records, Leases, Agreements.** Seller shall make available for inspection by Buyer and its agents as soon as possible but no later than **twenty (20)** days after mutual acceptance of this Agreement all documents available to Seller relating to the ownership, operation, renovation or development of the Property, including without limitation statements for real estate taxes, assessments, and utilities, property management agreements, service contracts, and agreements with professionals or consultants entered into by the Seller or any predecessor in title to the Seller; leases of personal property or fixtures; leases or other agreements relating to occupancy of all or a portion of the Property and a schedule of tenants, rents, and deposits; plans, specifications, permits, applications, drawings, surveys, studies and maintenance records; and accounting records and audit reports. Buyer shall determine within the contingency period stated in the preceding introductory paragraph whether it wishes and is able to assume as of closing, all of the foregoing leases, contracts, and agreements which have terms extending beyond closing. Buyer shall be solely responsible for obtaining any required consents to such assumption. Seller shall transfer the leases, contracts and agreements as provided in Section 17 of this Agreement.

b. **Access.** Seller shall permit Buyer and its agents, at Buyer's sole expense and risk to enter the Property at reasonable times after legal notice to tenants, to conduct inspections concerning the Property and improvements, including without limitation, the structural condition of improvements, hazardous materials (limited to a Phase I audit only), pest infestation, soils conditions, sensitive areas, wetlands, or other matters affecting the feasibility of the Property for Buyer's intended use. Buyer shall schedule any entry onto the Property with Seller in advance. Buyer shall not perform any invasive testing or contact the tenants without obtaining the Seller's prior written consent, which shall not be unreasonably withheld. Buyer shall restore the Property and improvements to the same condition they were in prior to inspection. Buyer agrees to indemnify and defend Seller from all liens, costs, claims, and expenses, including

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Initials: Buyer [Signature] Date 3/17/06 Seller [Signature] Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

attorneys' and experts' fees, arising from or relating to entry onto or inspection of the Property by Buyer and its agents. This agreement to indemnify and defend Seller shall survive closing Buyer may continue to enter the Property and interview tenants in accordance with the foregoing terms and conditions after removal or satisfaction of the inspection contingency only for the purpose of re-sale, leasing or to satisfy conditions of financing.

6. **TITLE INSURANCE.**

a. **Title Report.** Seller authorizes Lender and Listing Agent, Selling Licensee or Closing Agent, at Seller's expense, to apply for and deliver to Buyer a standard extended (standard, if not completed) coverage owner's policy of title insurance. If an extended coverage owner's policy is specified, Buyer shall pay the increased costs associated with that policy including the excess premium over that charged for a standard coverage policy, and the cost of any survey required by the title insurer. The title report shall be issued by Chicago Title Insurance Company (the "Title Company").

b. **Permitted Exceptions.** Buyer shall notify Seller of any objectionable matters in the title commitment or any supplemental report within ten (10) days after receipt of such commitment or supplement. This Agreement shall terminate and Buyer shall receive a refund of the earnest money, less any costs advanced or committed for Buyer, unless (a) within ten (10) days of Buyer's notice of such objections, Seller agrees to remove all objectionable provisions, or (b) within fifteen (15) days after Buyer's notice of such objections, Buyer notifies Seller in writing that it waives any objections which Seller does not agree to remove. The closing date shall be extended to the extent necessary to permit time for these notices. Those provisions not objected to or for which Buyer waived its objections shall be referred to collectively as the Permitted Exceptions. The title policy shall contain no exceptions other than the General Exclusions and Exceptions common to such form of policy and the Permitted Exceptions.

7. **CLOSING OF SALE.** This sale shall be closed on or before August 31, 2006 (closing") by the Title Company ("Closing Agent"). Buyer and Seller will, immediately on demand, deposit with Closing Agent all instruments and monies required to complete the purchase in accordance with this Agreement. "Closing shall be deemed to have occurred when all documents are recorded and the sale proceeds are available to Seller. Time is of the essence in the performance of this Agreement.

8. **CLOSING COSTS.** Seller shall pay the excise tax and premium for the owner's standard coverage title policy. Seller and Buyer shall each pay one-half of the escrow fees. Real and personal property taxes and assessments payable in the year of closing; rents on any existing tenancies; interest; mortgage reserves, utilities; and other operating expenses shall be pro-rated as of closing. Buyer shall pay all costs of financing including the premium for the lender's title policy. Security, cleaning, and any other unearned deposits on tenancies, and remaining mortgage or other reserves shall be assigned to Buyer at closing.

a. **Unpaid Utility Charges.** Buyer and Seller WAIVE DO NOT WAIVE the right to have the Closing Agent disburse closing funds necessary to satisfy unpaid utility charges affecting the Property

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Initials: Buyer [Signature] Date 3/17/06 Seller [Signature] Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

pursuant to RCW 60.80. If "do not waive" is checked, then attach CBA Form UA ("Utility Charges" Addendum). If neither box is checked, then the "do not waive" option applies.

9. **POST-CLOSING ADJUSTMENTS, COLLECTIONS, AND PAYMENTS.** After closing, Buyer and Seller shall reconcile the actual amount of revenues or liabilities upon receipt or payment thereof to the extent those items were prorated or credited at closing based upon estimates. Any bills or invoices received by Buyer after closing which relate to services rendered or goods delivered to the Seller or the Property prior to closing shall be paid by Seller upon presentation of such bill or invoice. At Buyer's option, Buyer may pay such bill or invoice and be reimbursed the amount paid plus interest at the rate of 12% per annum beginning fifteen (15) days from the date of Buyer's written demand to Seller for reimbursement until such reimbursement is made. Rents collected from each tenant after closing shall be applied first to rentals due most recently from such tenant for the period after closing, and the balance shall be applied for the benefit of Seller for delinquent rentals owed for a period prior to closing. The amounts applied for the benefit of Seller shall be turned over by Buyer to Seller promptly after receipt.
10. **OPERATIONS PRIOR TO CLOSING.** Prior to closing, Seller shall continue to operate the Property in the ordinary course of its business and maintain the Property in the same or better condition than as existing on the date of mutual acceptance of this Agreement, but shall not be required to repair material damage from casualty except as otherwise provide in this Agreement. Seller shall not enter into or modify existing rental agreements or leases (except that Seller may modify or terminate residential rental agreements or leases in the ordinary course of its business), service contracts, or other agreements affecting the Property which have terms extending beyond closing without first obtaining Buyer's consent, which shall not be unreasonably withheld.
11. **POSSESSION.** Buyer shall be entitled to possession, subject to existing tenancies (if any). on closing
 _____ (on closing, if not completed).
12. **SELLER'S REPRESENTATIONS AND WARRANTIES.** Seller represents and warrants to Buyer that, to the best of Seller's actual knowledge, without any obligation to conduct an independent factual inquiry, each of the following is true as of the date hereof and shall be true as of closing: (a) Seller is authorized to enter into the Agreement, to sell the Property, and to perform its obligations under the Agreement; (b) All books, records, leases, agreements and other items delivered to Buyer pursuant to this Agreement are accurate and complete in all material respects; (c) The Property and the business conducted thereon comply with all applicable laws, regulations, codes and ordinances, except to the extent that failure to so comply would not have a material adverse impact on the Property; (d) Seller has all material certificates of occupancy, permits, and other governmental consents necessary to own and operate the Property for its current use; (e) There is no pending or threatened litigation which would adversely affect the Property or Buyer's ownership thereof after closing; (f) There are no covenants, conditions, restrictions, or contractual obligations of Seller which will adversely affect in any material respect Buyer's ownership of the Property after closing or prevent Seller from performing its obligations under the Agreement, except as disclosed in the preliminary commitment for title insurance or as otherwise disclosed to Buyer in writing prior to the end of the inspecting contingency stated in Section 5 above; (g) There is no

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Initials: Buyer [Signature] Date 3/17/06 Seller [Signature] Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____



PURCHASE AND SALE AGREEMENT
(CONTINUED)

pending or threatened condemnation or similar proceedings affecting the Property, and except as otherwise disclosed in the preliminary commitment for title insurance as or otherwise disclosed to Buyer in writing prior to closing, the Property is not within the boundaries of any planned or authorized local improvement district; (h) Seller has paid (except to the extent prorated at closing) all local, state and federal taxes (other than real and personal property taxes and assessments described in Section 8 above) attributable to the period prior to closing which, if not paid, could constitute a lien on Property (including any personal property), or for which Buyer may be held liable after closing; and (i) Seller warrants that there are no pending or threatened notices of violation of building, zoning, or land use codes applicable to the Property; Seller makes no representations or warranties regarding the Property other than those specified in this Agreement. Buyer otherwise takes the Property AS IS," and Buyer shall otherwise rely on its own pre-closing inspections and investigations.

13. **HAZARDOUS SUBSTANCES.** Except as disclosed to or known by Buyer prior to the satisfaction or waiver of the inspection contingency stated in Section 5 above, Seller represents and warrants to Buyer that, to the best of its actual knowledge except as disclosed by reports given to Buyer, **without any obligation to conduct an independent factual inquiry:** (i) there are no Hazardous Substances (as defined below) currently located in, on, or under the Property in a manner or quantity that presently violates any Environmental Law (as defined below); (ii) there are no underground storage tanks located on the Property; and (iii) there is no pending or threatened investigation or remedial action by any governmental agency regarding the release of Hazardous Substances or the violation of Environmental Law at the Property. As used herein, the term "Hazardous Substances" shall mean any substance or material now or hereafter defined or regulated as a hazardous substance, hazardous waste, toxic substance, pollutant, or contaminant under any federal, state, or local law, regulation, or ordinance governing any substance that could cause actual or suspected harm to human health or the environment ("Environmental Law"). The term "Hazardous Substances" specifically includes, but is not limited to, petroleum, petroleum by-products, and asbestos.

14. **PERSONAL PROPERTY.**

a. This sale includes all right, title and interest of Seller to the following tangible personal property:
 None That portion of the personal property located on and used in connection with the Property, which Seller will itemize in an Addendum to be attached to this Agreement within ten (10) days of mutual acceptance (None, if not completed). The value assigned to the personal property shall be the amount agreed upon by the parties and, if they cannot agree, the County-assessed value if available, and if not available, the fair market value determined by an appraiser selected by the Listing Agent and Selling Licensee. Seller warrants title to, but not the condition of, the personal property and shall convey it by bill of sale. Buyer shall pay any sales or use tax arising from the transfer of the personal property.

b. In addition to the leases, contracts and agreements assumed by Buyer pursuant to Section 5a above, this sale includes all right, title and interest of Seller to the following intangible property now or hereafter existing with respect to the Property including without limitation: all rights-of-way, rights of ingress or egress or other interests in, on, or to, any land, highway, street, road, or avenue, open or

Initials: Buyer _____

Date _____

3/17/06

Seller _____

Date _____

3/17/06

Buyer _____

Date _____

Seller _____

Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

proposed, in, on, or across, in front of, abutting or adjoining the Property; all rights to utilities serving the Property; all drawings, plans, specifications and other architectural or engineering work product; all governmental permits, certificates, licenses, authorizations and approvals, all utility, security and other deposits and reserve accounts made as security for the fulfillment of any of Seller's obligations; any name of or telephone numbers for the Property and related trademarks, service marks or trade dress; and guaranties, warranties or other assurances of performance received.

15. **CONDEMNATION AND CASUALTY.** Buyer may terminate this Agreement and obtain a refund of the earnest money, less any costs advanced or committed for Buyer, if improvements on the Property are destroyed or materially damaged by casualty before closing, or if condemnation proceedings are commenced against all or a portion of the Property before closing.
16. **FIRPTA- TAX WITHHOLDING AT CLOSING.** Closing Agent is instructed to prepare a certification (CBA or NWMLS Form 22E, or equivalent) that Seller is not a foreign person" within the meaning of the Foreign Investment in Real Property Tax Act Seller agrees to sign this certification. If Seller is a foreign person, and this transaction is not otherwise exempt from FIRPTA, Closing Agent is instructed to withhold and pay the required amount to the Internal Revenue Service.
17. **CONVEYANCE.** Title shall be conveyed by a Statutory Warranty Deed subject only to the Permitted Exceptions. If this Agreement is for conveyance of Seller's vendee's interest in a Real Estate Contract, the Statutory Warranty Deed shall include a contract vendee's assignment sufficient to convey after acquired title. At closing, Seller and Buyer shall execute and deliver to Closing Agent CBA Form No. PS-AS Assignment and Assumption Agreement transferring all leases, contracts and agreements assumed by Buyer pursuant to Section 5a and all intangible property transferred pursuant to Section 14b.
18. **NOTICES AND COMPUTATION OF TIME.** Unless otherwise specified, any notice required or permitted in, or related to this Agreement (including revocations of offers and counteroffers) must be in writing. Notices to Seller must be signed by as least one Buyer and must be delivered to Seller. A notice to Seller shall be deemed delivered only when received by Seller. Notices to Buyer must be signed by at least one Seller and must be delivered to Buyer. A notice to Buyer shall be deemed delivered only when received by Buyer.

Unless otherwise specified in this Agreement, any period of time in this Agreement shall begin the day after the event starting the period and shall expire at 5:00 p.m. Pacific time of the last calendar day of the specified period of time, unless the last day is a Saturday, Sunday or legal holiday as defined in RCW 1.16.050, in which case the specified period of time shall expire on the next day that is not a Saturday, Sunday or legal holiday. Any specified period of five (5) days or less shall not include Saturdays, Sundays or legal holidays

19. **AGENCY DISCLOSURE.** (N/A)At the signing of this Agreement,

Selling Licensee _____

Initials: Buyer KA Date 3/17/06 Seller KA Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

(Insert names of Licensee and the Company name as licensed)

represented _____
(Insert Seller, Buyer, both Seller and Buyer or Neither Seller nor Buyer)

and the Listing Agent _____
(Insert names of Licensee and the Company name as licensed)

represented _____
(Insert Seller, Buyer, both Seller and Buyer or Neither Seller nor Buyer)

If Selling Licensee and Listing Agent are different salespersons affiliated with the same Broker, then Seller and Buyer confirm their consent to Broker acting as a dual agent. If Selling Licensee and Listing Agent are the same person representing both parties, then Seller and Buyer confirm their consent to that person and his/her Broker acting as dual agents. If Selling Licensee, Listing Agent, or their Broker are dual agents, then Seller and Buyer consent to Selling Licensee, Listing Agent and their Broker being compensated based on a percentage of the purchase price or as otherwise disclosed on an attached addendum. Buyer and Seller confirm receipt of the pamphlet entitled "The Law of Real Estate Agency."

20. **ASSIGNMENT.** Buyer may may not (may not, if not completed) assign this Agreement, or Buyer's rights hereunder without Seller's prior written consent, unless provided otherwise herein, **provided that Buyer may assign all of its rights and obligations under this Agreement to an entity controlled by Buyer, controlling Buyer or under common control with Buyer (a "Permitted Assign"). Notwithstanding any assignment by Buyer to a Permitted Assign, Buyer shall remain liable for all of Buyer's obligations under this Agreement.**

21. **DEFAULT AND ATTORNEY'S FEE.** In the event Buyer fails, without legal excuse, to complete the purchase of the Property, then (check one):

that portion of the earnest money which does not exceed five percent (5%) of the purchase price shall be kept by Seller as liquidated damages (subject to Seller's obligation to pay certain costs or a commission, if any) as the sole and exclusive remedy available to Seller for such failure; or

Seller may, at its option, (a) keep as liquidated damages all of the earnest money (subject to Seller's obligation to pay certain costs or a commission, if any) as the sole and exclusive remedy available to Seller for such failure, (b) bring suit against Buyer for Seller's actual damages, (c) bring suit to specifically enforce this Agreement and recover any incidental damages, or (d) pursue any other rights or remedies available at law or equity.

If Buyer or Seller institutes suit concerning this Agreement, the prevailing party is entitled to reasonable attorneys' fees and expenses. In the event of trial, the amount of the attorney's fee shall be fixed by the court. The venue of any suit shall be the county in which the Property is located, and this Agreement shall be governed by the laws of the state where the Property is located.

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Initials: Buyer KA Date 3/17/06 Seller KA Date 5/10/06
Buyer _____ Date _____ Seller _____ Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

22. MISCELLANEOUS PROVISIONS.

- a. **Complete Agreement.** The Agreement and any addenda and exhibits to it state the entire understanding of Buyer and Seller regarding the sale of the Property. There are no verbal or written agreements which modify or affect the Agreement.
- b. **No Merger.** The terms of the Agreement shall not merge in the deed or other conveyance instrument transferring the Property to Buyer at closing. The terms of this Agreement shall survive closing.
- c. **Counterpart Signatures.** The Agreement may be signed in counterpart, each signed counterpart shall be deemed an original, and all counterparts together shall constitute one and the same agreement.
- d. **Facsimile Transmission.** Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, shall be the same as delivery of an original. At the request of either party, or the Closing Agent, the parties will confirm facsimile transmitted signatures by signing an original document.

23. **ACCEPTANCE; COUNTEROFFERS.** (N/A) Seller has until midnight of _____ (if not filled in, the third business day following the last Buyer signature date below) to accept its offer, unless sooner withdrawn. If this offer is not timely accepted, it shall lapse and the earnest money shall be refunded to Buyer. If either party makes a future counteroffer, the other party shall have until 5:00 p.m. on the _____ business day (if not filled in, the second business day) following its receipt to accept the counteroffer, unless sooner withdrawn. If the counteroffer is not timely accepted or countered, this Agreement shall lapse and the earnest money shall be refunded to the Buyer. No acceptance, offer or counteroffer from the Buyer is effective until a signed copy is received by the Seller, the Listing Agent or the licensed office of the Listing Agent. No acceptance, offer or counteroffer from the Seller is effective until a signed copy is received by the Buyer, the Selling Licensee or the licensed office of the Selling Licensee.

24. **INFORMATION TRANSFER.** In the event this Agreement is terminated, Buyer agrees to deliver to Seller within ten (10) days of Seller's written request copies of all materials received from Seller and any plans, studies, reports, inspections, appraisals, surveys, drawings, permits, application or other development work product relating to the Property in Buyer's possession or control as of the date this Agreement is terminated.

25. **CONFIDENTIALITY.** Until and unless closing has been consummated, Buyer will treat all information obtained in connection with the negotiation and performance of this Agreement as confidential (except for any information that Buyer is required by law to disclose and then only after giving Seller written notice at least three (3) days prior to the disclosure) and will not use or knowingly permit the use of any confidential information in any manner detrimental to Seller.

- 10 -

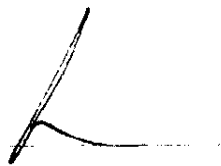
Initials: Buyer [Signature] Date 3/17/06 Seller [Signature] Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____



**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

26. **SELLER'S ACCEPTANCE AND BROKERAGE AGREEMENT.** (NA) Seller agrees to sell the Property on the terms and conditions herein, and further agrees to pay a commission in a total amount computed in accordance with the listing agreement. If there is no written listing agreement, Seller agrees to pay a commission of _____% of the sales price or \$_____. The commission shall be apportioned between Listing Agent and Selling Licensee as specified in the listing agreement or any co-brokerage agreement. Seller assigns to Listing Agent and Selling Licensee a portion of the sales proceeds equal to the commission. If the earnest money is retained as liquidated damages, any costs advanced or committed by Listing Agent or Selling Licensee for Buyer or Seller shall be reimbursed or paid therefrom, and the balance shall be paid one-half to Seller and one-half to Listing Agent and Selling Licensee according to the listing agreement and any co-brokerage agreement. In any action by Listing Agent or Selling Licensee to enforce this Section, the prevailing party is entitled to reasonable attorneys' fees and expenses. Neither Listing Agent nor Selling Licensee are receiving compensation from more than one party to this transaction unless disclosed on an attached addendum, in which case Buyer and Seller consent to such compensation. The Property described in attached Exhibit A, is commercial real estate. Notwithstanding Section 26 above, the pages containing this section, the parties' signatures and an attachment describing the Property may be recorded.
27. **LISTING AGENT AND SELLING LICENSEE DISCLOSURE.** (NA) EXCEPT AS OTHERWISE DISCLOSED IN WRITING TO BUYER OR SELLER, THE SELLING LICENSEE, LISTING AGENT, AND BROKERS HAVE NOT MADE ANY REPRESENTATIONS OR WARRANTIES CONCERNING THE LEGAL EFFECT OF THIS AGREEMENT, BUYER'S OR SELLER'S FINANCIAL STRENGTH, OR THE PROPERTY, INCLUDING WITHOUT LIMITATION, THE PROPERTY'S ZONING, COMPLIANCE WITH APPLICABLE LAWS (INCLUDING LAWS REGARDING ACCESSIBILITY FOR DISABLED PERSONS), OR HAZARDOUS MATERIALS. SELLER AND BUYER ARE EACH ADVISED TO SEEK INDEPENDENT LEGAL AND TAX ADVICE ON THESE AND OTHER MATTERS RELATED TO THIS AGREEMENT.

Initials: Buyer



Date

¹¹⁻
3/17/06

Seller



Date

3/17/06

Buyer

Date

Seller

Date



(b)(6)

**PURCHASE AND SALE AGREEMENT
(CONTINUED)**

Buyer _____ Date _____
Buyer _____ Date _____
Office Phone _____ Home Phone _____
Print Buyer's Name _____
Buyer's Address _____
Selling Office _____
Office Phone _____ Fax No. _____ Home Phone _____
Address _____ MLS Office No. _____
By _____ Print Name _____
Seller PORT 106 LLC Date _____
Seller by: KSAW Date _____
Home Phone _____ Office No. _____ Fax _____
Print Seller's Name _____
Seller's Address _____
Listing Office _____
Office Phone _____ Other Phone _____ Fax No. _____
Address _____ MLS Office No. _____

28. **BUYER'S RECEIPT.** Buyer acknowledges receipt of a Seller signed copy of this Agreement, on _____

BUYER _____ BUYER _____

Initials: Buyer [Signature] Date 3/17/06 Seller KA Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____

ADDENDUM
TO
REAL ESTATE PURCHASE AND SALE AGREEMENT
BETWEEN
PORT 106, LLC, AS SELLER,
AND
AMERICAN LIFE, INC., OR PERMITTED ASSIGNS,
AS BUYER

The terms set forth in this Addendum supplement the terms of that certain Commercial and Investment Purchase and Sale Agreement between Port 106 LLC, as Seller, and 4746 Ohio Avenue South Limited Partnership and/or Permitted Assigns, as Buyer (the "Agreement").

The intention of this agreement is that the purchase price includes improvements to the Property and leasing commissions that will be paid from the purchase price but completed by seller before and after closing to bring it to a leaseable condition. The property will be delivered to Purchaser in a turn key condition with spaces demised and finished to what is known as a warm shell more fully described herein. Such improvements generally include clearing brush around the property, creating access around the property, new siding, demising the property for multiple tenancies. Each tenant bay shall be improved with sufficient handicap bathrooms one or two depending on size of space, finished office equal to 10% of rented area, insulated ceilings and exterior walls, demising walls with dry wall finish and painted, finished and painted dry wall on exterior walls, sufficient lighting for show room and light industrial uses, separate fuse boxes and panels separately metered, gas drop down heaters separately metered, pave south yard, clean exterior, paint exterior, patch asphalt as required, seal asphalt on the east side, pave west side asphalt, stripe parking lot and north and south yards. It's the intention to demise each 43,000 foot bay into 4 spaces of 4800 and two spaces of 12,000 square feet per plans submitted to obtain the building permit.

(b)(4) Any substantial changes from the plans submitted to obtain the building permit must be approved by Purchaser whose consent shall not be unreasonably withheld. A substantial change shall mean any change order or deviation from the Plans in excess of [redacted]

Notwithstanding anything to the contrary set forth in the Agreement, and in order to insure Seller's compliance with this Agreement, at Closing Buyer shall deposit in escrow (the "Escrow") with the Title Company (the "Escrow Agent"), out of the Cash Purchase Price, the following amounts (the "Escrow Funds") with respect to the warehouse bays located at the Property (each a "Bay"):

(b)(4) (i) in the case of warehouse Bays numbers 1, 2, 4, 5, 6 and 7 located in the Property, [redacted] for each Bay as to which no tenant improvements have been completed, [redacted] less the cost of tenant improvements which have been partially completed, and \$-0- for any such Bay

Initials: Buyer [Signature] Date 3/17/06 Seller [Signature] Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____

(b)(4) as to which tenant improvements have been completed, and in the case of Bay number 3, \$ [redacted] to the extent no tenant improvements have been completed, [redacted] less the cost of tenant improvements which have been partially completed, and \$-0- in event tenant improvements have been completed as to such Bay (such amounts, the "Tenant Improvement Funds");

(b)(4) (ii) in the case of warehouse Bays numbers 1, 2, 4, 5, 6 and 7, [redacted] for each such Bay as to which a leasing commission has not been paid in full prior to Closing, less any leasing commission partially paid prior to Closing, and in the case of Bay number 3, to the extent a leasing commission has not been paid in full prior to Closing, [redacted] less any leasing commission partially paid prior to Closing (such amounts, the "Leasing Commission Funds").

The Escrow Funds deposited with respect to each Bay shall be released to the Seller in their entirety as to any such Bay (on a Bay by Bay basis), regardless of the actual cost of tenant improvements or leasing commissions as to that Bay (i) in the case of the Tenant Improvement Funds, at such time as tenant improvements are substantially completed for such Bay, and (ii) in the case of the Leasing Commission Funds, at such time as leasing commissions are paid in full for such Bay.

(b)(4) In no event shall Seller be obligated to pay leasing commissions in excess of [redacted] of the rent for a five year lease term and in no event shall Seller be obligated to pay tenant improvements in excess of the tenant improvements described on Exhibit B.

(b)(4) Until closing Seller agrees to obtain Buyer's consent before executing leases. Buyer's consent shall not be unreasonably withheld. The parties agree that the minimum rental amount shall be [redacted] on a triple net basis for spaces 12,000 square feet and more; [redacted] on a triple net basis for spaces between 12,000 square feet and 4800 square feet and [redacted] on a triple net basis for spaces of 4800 square feet and less. All leases shall include a property management fee of [redacted] of base rent. The parties agree to use a lease format substantially in the form attached hereto as Exhibit C.

The Buyer and Seller shall mutually agree to and enter into an escrow agreement with the Escrow Agent prior to closing containing the terms set forth in this Addendum and such other terms as are customary for such escrows.


(b)(4) The Purchaser shall be the General Partner of a limited partnership agreement (to be attached as Exhibit D). Sellers shall be limited partners in said partnership with an interest equal to [redacted] of the General Partner's share interest as a General Partner. The purchasing limited partnership shall be capitalized at [redacted] million which shall include the purchase price and the improvements as well as reserve for tenant improvements. This transaction is contingent upon both Buyer and Seller agreeing to the form of the limited partnership agreement to be attached within 45 days hereof.

Initials: Buyer K Date 3/17/06 Seller KA Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____

(b)(4)

Purchaser may extend closing for 4 consecutive months by making non refundable but applicable to the purchase price earnest money deposits of per month.

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Initials: Buyer  Date 3/17/06 Seller KA Date 3/17/06
Buyer _____ Date _____ Seller _____ Date _____

UNITED STATES OF AMERICA

The State of  Washington

Secretary of State

I, **SAM REED**, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF LIMITED PARTNERSHIP

to

4746 OHIO AVENUE SOUTH LIMITED PARTNERSHIP

a/an WA Limited Partnership. Charter documents are effective on the date indicated below.

Date: 3/15/2006

UBI Number: 602-594-652

APPID: 514701



Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

A handwritten signature in cursive script that reads "Sam Reed".

Sam Reed, Secretary of State

UBI 602 594 652

**CERTIFICATE OF FORMATION
OF
4746 OHIO AVENUE SOUTH LIMITED PARTNERSHIP**

03/15/2006 604433
\$195.00 Check #6509
Tracking ID: 1069415
Doc No: 604433-001

FILED
SECRETARY OF STATE
SAM REED
03/15/2006
STATE OF WASHINGTON

THE UNDERSIGNED hereby executes the following Certificate of Formation for the purpose of forming a limited partnership under the Washington Limited Partnership Act pursuant to the Revised Code of Washington, Ch. 25.10.

ARTICLE I

The name of this limited partnership is **4746 Ohio Avenue South Limited Partnership**, a Washington State limited partnership.

ARTICLE II

The records required by RCW 25.10.050 to be maintained by the limited partnership shall be kept at an office located at 3223 3rd Ave. S., #200, Seattle, Washington 98134.

ARTICLE III

The name of the limited partnership's initial registered agent is Robert Mimbu. The address of the limited partnership's initial registered office is Liebman-Mimbu, PLLC, 3223 3rd Ave. S., Ste. 200, Seattle, Washington 98134.

ARTICLE IV

The names and geographical and mailing addresses of general partners are:

American Life, Inc.
3223 3rd Ave. So., Ste. 200
Seattle, WA 98134

ARTICLE V

The latest date upon which the limited partnership shall be dissolved is the date that is thirty five (35) years after the date of filing of this Certificate of Limited Partnership with the Washington Secretary of State.

Articles-1

ARTICLE VI

The effective date of this Certificate of Limited Partnership shall be the date on which it is actually file with the Secretary of State.

DATED this 14th day of March 2006.

American Life, Inc.
General Partner

By: 
Henry Liebman, Managing General Partner

CONSENT TO APPOINTMENT AS REGISTERED AGENT

I, Robert Mimbu, hereby consent to serve as registered agent in the state of Washington for the following limited partnership: **4746 Ohio Avenue South Limited Partnership**. I understand that as agent for the limited partnership, it will be my responsibility to accept service of process in the name of the limited partnership; to forward all mail license renewals to the appropriate members of the limited partnership; and to immediately notify the Office of the Secretary of State of my resignation or of any change in the address of the registered office of the limited partnership for which I am agent.

DATED this 14th day of March 2006,



Robert Mimbu
3223 3rd Avenue South #200
Seattle, WA 98134

Articles-3

**PARTNERSHIP AGREEMENT
OF
4746 OHIO AVENUE SOUTH LIMITED PARTNERHIP
A WASHINGTON LIMITED PARTNERSHIP**

This Agreement is made by and among **American Life Inc.**, a Washington Corporation (the "General Partner") and each of the persons set forth in Schedule A attached hereto and designated as Limited Partners (the "Limited Partners"). The Limited Partners and the General Partners are collectively referred to as the "Partners."

AGREEMENT

**ARTICLE I
FORMATION OF LIMITED PARTNERSHIP**

Section 1.01. Formation. The undersigned hereby form 4746 Ohio Avenue South Limited Partnership, a Washington limited partnership, under the revised Uniform Limited Partnership Act of the State of Washington, as amended from time to time (the "Act"), to acquire, manage, develop and operate the buildings commonly known as 4746 Ohio Avenue, Seattle, Washington 98134.

Section 1.02. Name. The name of the Limited Partnership is "4746 Ohio Avenue South Limited Partnership, a Washington limited partnership." The Managing General Partner may from time to time change the name of the Limited Partnership to adopt such trade or fictitious names as it may determine to be appropriate.

Section 1.03. Principal Office of the Limited Partnership. The principal office of the Limited Partnership shall be at 3223 3rd Avenue South, Seattle, Washington, 98134. The Limited Partnership may maintain offices at such other location as may be determined appropriate by the Managing General Partner.

Section 1.04. Name and Place of Residence of Each Partner. The name, address, Capital Contribution, and number of Units of each of the Partners are designated on the attached Schedule A. The name and address of the Managing General Partner is American Life Inc., located at 3223 3rd Avenue South, Seattle, Washington, 98134.

Section 1.05. Term. The term of the Limited Partnership shall commence upon filing of the Certificate in the office of the Washington Secretary of State and shall continue until the Limited Partnership is dissolved, wound up and terminated in accordance with the provisions of this Agreement and the Act.

Section 1.06. Designated Agents for Service of Process. The Limited Partnership elects and appoints Robert Mimbú of Liebman-Mimbú, PLLC, 3223 3rd Avenue South, Seattle, Washington 98134, as the designated agent for service of process.

ARTICLE II DEFINITIONS

The following terms used in the Agreement shall have the meaning specified below:

Section 2.01. "Act" means the Uniform Limited Partnership Act of the State of Washington, as amended from time to time.

Section 2.02. "Additional General Partner" means a person or entity that serves as a General Partner in addition to American Life Inc.

Section 2.03. "Affiliate" means any person who directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control of the General Partners or Limited Partners.

Section 2.04. "Agreement" means this Agreement, as it may be amended from time to time.

Section 2.05. "Assignee" means a person who has acquired all or any portion of a Limited Partner's Interest in the Limited Partnership and has not been admitted as a Limited Partner.

Section 2.06. "Available Cash Flow" means funds provided from operation of the Limited Partnership, without deductions for payments made to service Secured Debt and for depreciation, but after deducting funds used to pay all expenses and debts of the Limited Partnership, including administrative operational expenses, debt payments, capital improvements, and less the amount set aside by the Managing General Partner, in the exercise of its sole discretion, for reserves.

Section 2.07. "Capital Account" means that as defined in **Section 4.04** herein.

Section 2.08. "Capital Contribution" means the total amount of money or property contributed to the Limited Partnership by each Partner.

Section 2.09. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Section 2.10. "Capital Event" The refinance, sale, exchange or other disposition of the Project or any portion thereof, including an involuntary conversion or condemnation of real property or any portion thereof.

Section 2.11. "Deficit Capital Account" means the situation whereby the Limited Partnership has distributed to a Partner distributions in excess of such Partners capital contributions plus allocable share of income less allocable share of loss and any other charges allowable under this Agreement, resulting in such Partner's capital account falling below zero.

Section 2.12. "Net Proceeds from a Capital Event" The net proceeds derived by the Limited Partnership from a capital event after payment or allowance for the expenses incurred in connection with such Capital Event and after payment or allowance for existing indebtedness (but not including any outstanding Secured Debt), the discharge of any other expenses or liabilities of the Limited Partnership and the establishment of appropriate reserves, all as determined by the Managing General Partner, in its sole discretion.

Section 2.13. "General Partner" means American Life, Inc. and/or any other person admitted as a General Partner pursuant to the Agreement and their successors.

Section 2.14. "Interest" or "Limited Partnership Interest" or "Partnership Interest" means the ownership interest of a Partner in the Limited Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in the Agreement and in the Act, together with the obligations of such Partner to comply with all the terms and provisions of the Agreement and the Act. The Limited Partnership Interests held by each Partner is set forth on the attached Schedule A.

Section 2.15. "Limited Partner" means each Limited Partner listed on Schedule A and any person admitted to the Limited Partnership as a Limited Partner.

Section 2.16. "Managing General Partner" means American Life Inc., or any other General Partner elected to serve as the Managing General Partner.

Section 2.17 "Partners" means collectively the General Partners and the Limited Partners, and a reference to a Partner shall be to any one of the Partners.

Section 2.18 "Limited Partnership" means the 4746 Ohio Avenue South Limited Partnership, a Washington limited partnership.

Section 2.19. "Person" means any natural person, partnership, corporation, association or other legal entity.

Section 2.20. "Positive Capital Account" means that the balance of a Partner's Capital Account is greater than zero.

Section 2.21. "Profit or Loss" means the income or loss of the Limited Partnership as determined by the method of accounting chosen by the Managing General Partner and permitted by the Code.

Section 2.22. "Project" or the "Limited Partnership Property means the real property, remodel and improvements located at 4746 Ohio Avenue South, Seattle, Washington 98134.

Section 2.23. "Subscription Agreement" means the agreement signed by each Limited Partner in connection with their Capital Contribution to the Limited Partnership.

Section 2.24. "Units" or Limited Partnership Interests means each Partner's percentage of ownership in the Partnership as set forth adjacent to their name in **Schedule A**.

ARTICLE III PURPOSE, BUSINESS AND POWERS OF THE LIMITED PARTNERSHIP

Section 3.01. Purpose and Business of the Limited Partnership. The business of the Limited Partnership shall be to acquire, develop, manage and operate Limited Partnership Property and to do all other acts which may be necessary, incidental or convenient to the foregoing.

Section 3.02. Powers. The Limited Partnership is hereby authorized:

- (1) To acquire, manage and operate Limited Partnership Property and to hold it for economic gain;
- (2) To mortgage, sell, lease, transfer and exchange or otherwise convey or encumber all or part of the Limited Partnership Property in furtherance of any and all of the objectives of Limited Partnership business; and
- (3) To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to, the operation of Limited Partnership Property.

ARTICLE IV CAPITAL CONTRIBUTIONS

Section 4.01. Capital Contributions.

(1) Each of the Partners' Capital Contributions is set forth on Schedule A. The Limited Partners shall have no obligation to make additional Capital Contributions. The General Partners may make an additional Capital Contribution to the Partnership. A portion of this General Partner's Capital Contribution may arise from loan proceeds borrowed to fund construction costs in excess of Partnership capital using the Project as security for the loan. To the extent the loan proceeds cause Partnership capital to increase, each Partners' percentage interest in the Partnership shall be recalculated as a percentage of the sum of the loan proceeds plus existing General and Limited Partner capital contributions. The Managing General Partner has approved this security interest over the Project and the Limited Partners hereby

acknowledge, consent and approve of same. The General Partners shall be responsible for repaying the described borrowing according to its terms from the General Partners' allocation of Available Cash Flow and Net Proceeds from a Capital Event, from sums distributed to the General Partners upon dissolution of the Limited Partnership, and/or from each General Partners' own funds. The Limited Partners shall have no liability for retiring this borrowing. The General Partners shall have no obligation to the Limited Partnership or the Partners to make additional Capital Contributions, except for the General Partners' obligation, if any, to repay the "Secured Debt".

Section 4.02. Return and Withdrawal of Capital. No Partner shall have the right to demand Limited Partnership Property. Further, no Partner shall have any right to withdraw or make a demand for the withdrawal of any of such Partner's Capital Contribution (or the capital interest reflected in such Partner's Capital Account) until the full and complete winding up and liquidation of the Limited Partnership.

Section 4.03. The Project's valuation is referenced in each Partner's subscription agreement. The project valuation will be adjusted to reflect actual sales, leasing, construction and development costs. Partnership percentage interests shall be revised upward or downwards as a percentage of the actual funds expended to complete the project.

Section 4.04. Partner Capital Accounts. An individual Capital Account shall be maintained for each Partner in accordance with the requirements of the Code. Except as required by the Code, the Capital Account of each Partner shall consist of his Capital Contribution, as increased by any contribution of capital subsequent to his original contribution, and by such Partner's share of Limited Partnership income and gain allocated after the date hereof to such Partner, and as decreased by the amount of all cash and the fair market value of all property and assets distributed to such Partner, the amount of all losses allocated after the date hereof to such Partner, and any amounts charged under Section 4.05, and/or Section 10.08 to such Partner.

Section 4.05. Interest on Capital Contributions. No interest shall be paid to a Partner on Capital Contributions. Interest will be charged by the Limited Partnership to a Partner on the sum of any amounts charged to such Partner's Capital Account from obligations to the Limited Partnership or a General Partner arising under Section 10.08 concerning federal income tax withholding. The interest charged will be computed on a calendar year compounded basis at a rate equal to two percent above the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be collected by reduction of any distributions payable to the Partner immediately following the calculation of the year's interest by the General Partner. To the extent that there are no distributions against which the interest can be applied, then the interest will be charged to the Partner's Capital Account. This Section 4.05 will survive the termination of a Partner's status as a Partner.

4.06. Service of Secured Debt. Payments to service the Secured Debt shall be made by the General Partner out of its share of Available Cash Flow, Net Proceeds from a Capital Event, and sums distributed upon dissolution of the Limited Partnership. If such

amounts are insufficient to meet the terms of the Secured Debt, then the Managing General Partner's share of any such amounts (and the shares of any additional General Partners admitted to the Limited Partnership) shall be used. For the security of the Limited Partners, the Limited Partnership will service the Secured Debt directly out of the General Partners' shares of these items including the General Partners' Share of Distributions to Limited Partners as defined in Section 6.02(1)(b)(ii). If amounts required for service of the Secured Debt are in excess of the General Partners' shares of these items, then any one or all of the General Partner will timely pay such amounts from their own funds. This obligation will be the joint and several obligation of all General Partners. In the event the General Partners fail to repay the Secured Debt according to its terms, any or all of the Limited Partners may, at their option, pay the unpaid amount and receive interest at the rate described in paragraph 7.01(2) or convert the unpaid amount to equity based on a Limited Partnership valuation equal to total Partnership capital contributions including the loan proceeds. In the event of any conversion by one or more Limited Partners, the full increase in Limited Partnership Interest of the Limited Partners who convert will dilute solely the Limited Partnership Interest of the General Partners. The dilution will not affect the Interest of any Limited Partner.

ARTICLE V COMPENSATION FOR SERVICES

Section 5.01. General Partners' Fees. The Managing General Partners shall be entitled to collect a monthly management fee, which is billed to the tenants, equal to 4% of gross rental income. Additionally, the General Partner may charge the Partnership for commercially reasonable costs of operations such as accounting, administration and un-reimbursed property management fees.

ARTICLE VI ALLOCATIONS AND DISTRIBUTIONS

Section 6.01. Allocation of Income, gain, deductions and loss.

Except for any special allocations required or permitted by the United States Tax Code to ensure that all allocations hereunder have substantial economic effect, all items of income, gain, deductions and loss shall be allocated to the Partners in the same manner as their proportionate share of Available Cash Flow and Net Proceeds from a Capital Event as set forth below in Section 6.02 and in their Subscription Agreements. Any non cash items of income or expense (such as depreciation or amortization) will be allocated in accordance with each Partner's Interest in the Partnership.

Section 6.02. Distributions.

- (1) Distributions of Available Cash Flow

(a) General Partner Distribution and Limited Partner Distribution. Available Cash Flow shall first be distributed to the General Partners and the Limited Partners, pro rata in accordance with each class of Partners' Limited Partnership Interest in the Limited Partnership as set forth on Schedule A. For example, if the General Partners hold One Percent (1%) of the Limited Partnership Interests and the Limited Partners hold Ninety Nine Percent (99%) of the Limited Partnership Interests, then One Percent (1%) of the Available Cash Flow shall be distributed to the General Partners ("General Partner Distribution") and the remaining Ninety Nine Percent (99%) shall be distributed to the Limited Partners ("Limited Partner Distribution").

(b) General Partner Distributions.

(i) Distribution of General Partner Distribution. The General Partner Distribution shall be distributed monthly to the General Partners pro rata in accordance with each General Partner's Limited Partnership Interest.

(ii) Distribution of General Partner's Share of Distributions to Limited Partners. Any amounts distributable to the General Partners pursuant to **Section 6.02(1)(c)** herein shall be distributed monthly to the General Partners pro rata in accordance with the agreement for such division among the General Partners.

(c) Limited Partner Distributions. The Limited Partnership will distribute to each Limited Partner an amount equal to the Limited Partner Distribution multiplied by each Limited Partner's Limited Partnership Interest set forth on the attached Schedule A, then by multiplying the amount so obtained by each Limited Partner's applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. Distributions shall be made monthly and may only be made out of the accumulated balance of the operating profits of the Limited Partnership. In the event that the Limited Partner Distribution exceeds the aggregate of the distributions to all Limited Partners as calculated in this paragraph, then such excess shall be distributed to the General Partners.

(2) Distribution of Net Proceeds from a Capital Event or from Dissolution

The Net Proceeds from a Capital Event and/or a distribution from the dissolution of the Limited Partnership shall be distributed first to all Partners in accordance with each Partner's Limited Partnership Interest in the Partnership up to the amount of each Partner's original Capital Contribution as listed on Schedule A and then, the excess amount, if any ("Excess Amount"), shall be shared amongst the Partners. Each Limited Partner's share will be determined by multiplying the Excess Amount by the product of that Limited Partner's Interest multiplied by the applicable percentage of Capital Appreciation set forth in that Limited Partner's Subscription Agreement. The share of the General Partners will be the amount of the Excess Amount remaining after the shares for all Limited Partners have been calculated. The amount determined in the immediately preceding sentence will be distributed to each General Partner in accordance with the agreement for such division among the General Partners.

Section 6.03. Deficit Capital Accounts at Liquidation. The Limited Partners shall have no liability to the Limited Partnership, to the General Partners, or to the creditors of the Limited Partnership on account of any deficit balance in their Capital Accounts upon liquidation of the Limited Partnership, provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligations described in Section 4.05 and/or Section 10.08 is required to pay to the Limited Partnership the amount of any negative balance in his Capital Account, but such payment shall not exceed the sum of the obligations under Section 4.05 and Section 10.08. This Section 6.03 will survive the termination of a Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

ARTICLE VII EXPENSES

Section 7.01. Limited Partnership Expenses. The Limited Partnership shall pay all costs and expenses of the Project which may include, but are not limited to:

(1) All costs of personnel employed by the Limited Partnership or performing services for the Limited Partnership;

(2) All costs of borrowed money including repayment of advances to the Partnership made by a Partner which shall be paid monthly, interest only, and repaid in one lump sum five years after the date of initial advance, at an interest rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate" plus 2%, taxes and assessments on Limited Partnership Property (except payments in connection with the Secured Debt used to finance the General Partners' Capital Contribution and secured by the Project) and other taxes applicable to the Limited Partnership;

(3) Legal, audit, accounting, brokerage and other fees;

(4) Printing and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents evidencing ownership of an Interest in the Limited Partnership or in connection with the business of the Limited Partnership;

(5) Fees and expenses paid to contractors, mortgage bankers, brokers and services, leasing agents, consultants, on-site managers, real estate brokers, insurance brokers and other agents, including Affiliates of any General Partner;

(6) Expenses in connection with the acquisition, preparation, operation, improvement, development, disposition, replacement, alteration, repair, remodeling,

refurbishment, leasing, and financing and refinancing of Limited Partnership Property (except any such expenses in connection with the Secured Debt or any refinancing of the Secured Debt).

(7) The cost of insurance obtained in connection with the business of the Limited Partnership;

(8) Expenses of organizing, revising, amending, converting, modifying or terminating the Limited Partnership;

(9) Expenses in connection with distributions made by the Limited Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with, Limited Partners;

(10) Expenses in connection with preparing and mailing reports required to be furnished to Partners for required tax reporting, or other purposes which the Managing General Partner deems appropriate;

(11) Costs incurred in connection with any litigation, including any examination or audits by regulatory agencies; and

(12) Costs of preparation and dissemination of informational material and documentation relating to potential sale, refinancing or other disposition of Limited Partnership Property.

ARTICLE VIII POWERS, RIGHTS AND OBLIGATIONS OF GENERAL PARTNERS

Section 8.01. General Authority and Powers of the Managing General Partner. The Managing General Partner shall have the exclusive right and power to manage, operate and control the Limited Partnership and to do all things and make all decisions necessary or appropriate to carry on the business and affairs of the Limited Partnership. In addition to the specific rights and powers herein granted to the General Partners, the Managing General Partner shall possess and enjoy and may exercise all the rights and powers of a general partner as provided in the Act, including the full and exclusive power and authority to act for and to bind the Limited Partnership. The scope of the Managing General Partner's power and authority shall encompass all matters connected with or incident to the business of the Limited Partnership, including but not limited to the power and authority:

(1) To spend and or invest the capital and revenue of the Limited Partnership to maximize return to the Limited Partnership, including the acquisition of the Project;

(2) To manage, sell, develop, purchase, mortgage, improve, operate and dispose of Limited Partnership Property, including to act on behalf of the Limited Partnership

with respect to any Limited Partnership or joint venture in which the Limited Partnership participates;

(3) To employ persons, firms and/or corporations for the sale, operation, management, syndication and development of Limited Partnership Property, including but not limited to sales agents, broker-dealers, attorneys and accountants;

(4) To employ agents, attorneys, accountants, engineers and other consultants or contractors who may be Affiliates of a General Partner; however, any employment of such persons must be on terms not less favorable to the Limited Partnership than those offered by unaffiliated persons for comparable services in the same area;

(5) To acquire and or sell personal or real property owned by the Limited Partnership or in which the Limited Partnership has an interest, lease real property, borrow on a secured or unsecured basis in the name of the Limited Partnership, grant Partnership property as security for a loan to the Partnership, hire and fire employees, to sign any documents required on behalf of the Limited Partnership, without the signatures or consents of the Limited Partners, required to carry out the duties of the Managing General Partner, and all other acts necessary, appropriate, or helpful for the operation of the Limited Partnership business;

(6) To appoint representatives to manage the day-to-day operations of the Limited Partnership;

(7) To execute, acknowledge and deliver any and all instruments to effectuate any of the foregoing powers and any other powers granted to the Managing General Partner under the laws of the State of Washington or other provisions of this Agreement;

(8) To enter into and to execute agreements for employment or services, as well as any other agreements and all other instruments the Managing General Partner deems necessary or appropriate to own, sell, improve, operate and dispose of Limited Partnership Property or to effectively and properly perform its duties or exercise its powers hereunder;

(9) To enter into such agreements and contracts with parties and to give such receipts, releases and discharges, with respect to the business of the Limited Partnership, which the Managing General Partner, in its sole discretion, deems advisable or appropriate;

(10) To purchase, at the expense of the Limited Partnership, such liability and other insurance as the Managing General Partner, in its sole discretion, deems advisable to protect the Limited Partnership's assets and business; however, the Managing General Partner shall not be liable to the Limited Partnership or the other Partners for failure to purchase any insurance, including earthquake insurance, unless such act or omission constitutes gross negligence or willful misconduct by a General Partner within the meaning of Section 8.04;

(11) To sue and be sued, complain, defend, settle, and/or compromise, with respect to any claim in favor of or against the Limited Partnership, in the name and on behalf of the Limited Partnership; and

(12) To grant Limited Partnership real or personal property as security for a loan to the Limited Partnership, and sign all documents required to grant such security interests in Limited Partnership Property, without the signatures or consents of the Limited Partners provided that such borrowing is in furtherance of a Project purpose.

Section 8.02. Right of Public to Rely on Authority of Managing General Partner. No person, firm or corporation dealing with the Limited Partnership or any Limited Partnership or joint venture for which the Limited Partnership is a general partner or otherwise authorized to act, shall be required to inquire into the authority of the Managing General Partner to take any action, make any decision, or sign and deliver any document, instrument or deed. The Managing General Partner does not require an authorizing resolution from the Partners in order to grant Limited Partnership Property as security for an obligation of the Limited Partnership.

Section 8.03. Time Devoted to Limited Partnership; Other Ventures. The General Partners and the Managing General Partner shall devote so much of their time to the business of the Limited Partnership as in their judgment the conduct of the Limited Partnership's business reasonably requires. The General Partners and the Managing General Partner may engage in business ventures and activities of any nature and description independently or with others, whether or not in competition with the business of the Limited Partnership, and neither the Limited Partnership nor any of the other Partners shall have any rights in and to such independent ventures and activities or the income or profits derived there from by reason of the acquisition of Interests in the Limited Partnership. For example most of the development work for the Project will be conducted by a General Partner and its Affiliates.

Section 8.04. Liability of General Partners to Limited Partners and Limited Partnership. In carrying out their duties and exercising the powers hereunder, the General Partners shall exercise reasonable skill, care and business judgment. A General Partner shall not be liable to the Limited Partnership or the Limited Partners for any act or omission performed or omitted by them in good faith pursuant to the authority granted to them by this Agreement unless such act or omission constitutes gross negligence or willful misconduct by that General Partner. In exercising their powers hereunder, the General Partners recognizes their fiduciary responsibility to the Limited Partnership as set forth in **Section 8.06** hereof. The General Partners shall be entitled to rely on the advice of counsel and public accountants experienced in any matter at issue, and shall not be liable, responsible or accountable in damages or otherwise to the Limited Partnership, or any Limited Partner for any action taken or failure to act on behalf of the Limited Partnership in good faith and in reliance on any such advice.

Section 8.05. Indemnification. The Limited Partnership shall indemnify and hold harmless the General Partners and the Managing General Partner from any loss or damage, including attorneys' fees actually and reasonably incurred by them, by reason of any act

performed by them on behalf of the Project or in furtherance of the interests of the Project; provided, however, that such indemnification or agreement to hold harmless shall be recoverable only out of the assets of the Project and not from the Limited Partners. The foregoing indemnity shall extend only to acts or omissions performed or omitted by a General Partner in good faith and in the belief that the acts or omissions were in the Limited Partnership's interests, or not opposed to the best interests of the Limited Partnership and which are not a result of negligence or willful or wanton misconduct on the part of that General Partner.

Section 8.06. Fiduciary Responsibility. The General Partners shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Limited Partnership.

ARTICLE IX STATUS OF LIMITED PARTNERS

Section 9.01. Participation in Management. Except as specifically provided herein, no single Limited Partner shall control the Limited Partnership's business or management or have any right or authority to act for or on the behalf of, or otherwise bind, the Limited Partnership (except a Limited Partner who may also be a General Partner and then only in its capacity as General Partner within the scope of its authority hereunder). Notwithstanding the above the Limited Partners shall form an advisory committee to consult and advise the General Partner with respect to the partnership business as defined in RCW 25.10.190(2)(f)(i) through (f)(x) except (f)(ii) and (f)(iii).

Section 9.02. Limitation of Liability. No Limited Partner shall have any personal liability whatever, whether to the Limited Partnership, to any Partners or to the creditors of the Limited Partnership, for the debts or obligations of the Limited Partnership or any of its losses beyond his Capital Contribution set forth opposite his name in Schedule A attached hereto; provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligation described in the last paragraph of Section 6.03, Section 4.05, and/or Section 10.08 is required to reimburse the Limited Partnership for the amount of any negative balance in his Capital Account, but such reimbursement shall not exceed the sum of the Partner's obligations under Section 6.03, 4.05, and Section 10.08. This Section 9.02 will survive the termination of an Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Limited Partnership or a General Partner in collecting amounts under this proviso from the Partner.

Section 9.03. Death or Incapacity of Limited Partner. The death, legal incapacity, dissolution, termination, merger, consolidation or bankruptcy of a Limited Partner shall not cause dissolution of the Limited Partnership, but the rights of such Limited Partner to share in the profits and losses of the Limited Partnership, to receive distributions from the Limited Partnership and to assign an Interest in the Limited Partnership shall, on the happening of such an event, devolve upon such Limited Partner's executor, administrator, guardian, conservator, or other legal representative or successor, as the case may be, subject to the terms and conditions of this Agreement, and the Limited Partnership shall continue as a Limited Partnership. However,

in any such event such legal representative or successor, or any assignee of such legal representative or successor shall be admitted to the Limited Partnership as a Limited Partner only in accordance with and pursuant to all of the terms and conditions of **Article XI** hereof.

Section 9.04. Recourse of Limited Partners. Each Limited Partner shall look solely to the Project for all distributions with respect to the Limited Partnership and his Capital Contribution thereto and share of profits and losses thereof and shall have no recourse therefore, upon dissolution or otherwise, against the General Partners or any other Limited Partner, except to the extent of any required General Partner contributions to the Limited Partnership required by **Section 4.06**

Section 9.05. No Right to Property. No Limited Partner shall have any right to demand or receive any distribution from the Limited Partnership in any form other than cash, upon dissolution or otherwise.

Section 9.06. Voting Rights of Limited Partners. Subject to the provisions of **Article VIII**, the Limited Partners owning Interests constituting in the aggregate at least two-thirds of the Interests of all Limited Partners unless stated otherwise may, without the concurrence of the General Partners and in accordance with **Section 12.02** hereof, remove the Managing General Partner for cause and admit a substitute Managing General Partner.

Section 9.07. Meetings of Limited Partners.

(1) Meetings of the Limited Partners to vote upon any matters on which the approval or consent of the Limited Partners is required or on which the Limited Partners are authorized to take action under this Agreement may be called at any time by the General Partners and shall be called by the General Partners within ten (10) days after receipt of a written request for such a meeting signed by one or more Limited Partners owning Interests constituting in the aggregate more than 30% of the Interests of all Limited Partners. Any such request shall state the purpose of the proposed meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. Meetings shall be held at the principal office of the Limited Partnership or at such place as may be designated by the General Partners or, if the meeting is called upon the written request of Limited Partners, as designated by such Limited Partners.

(2) Notification of any meeting to be held pursuant to this **Section 9.07** shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting, to each Limited Partner at his record address, or at such other address which he may have furnished in writing to the Managing General Partner. Such notice shall be in writing; shall state the place, date and hour of the meeting; and shall indicate that the notice is being issued at or by the direction of the Partner or Partners calling the meeting. The notice shall state the purpose or purposes of the meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. If a meeting is adjourned to another time and place, and if an announcement of the adjournment of time or

place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting. No notice of the time, place or purpose of any meeting of Limited Partners need be given to any Limited Partner who attends in person or is represented by proxy, except for a Limited Partner attending a meeting for the express purpose of objecting at the beginning of the meeting to the transaction or any business on the ground that the meeting is not lawfully called or convened, or to any Limited Partner entitled to such notice who, in a writing executed and filed with the records of the meeting, either before or after the time thereof, waives such notice.

(3) For the purpose of determining the Limited Partners entitled to notice of, or to vote at, any meeting or any adjournment thereof, or to vote by written consent without a meeting, the General Partners or the Limited Partners requesting such meeting or vote may fix, in advance, a date as the record date for any such determination of Limited Partners. Such date shall not be more than sixty (60) days nor less than ten (10) days before any such meeting or submission of a matter to the Limited Partners, the date on which notice of the meeting or submission of the matter to the Limited Partners for a vote by written consent is mailed shall be the record date for such determination of Limited Partners.

(4) Each Limited Partner may authorize any person or persons to act for him by proxy with respect to any matter in which a Limited Partner is entitled to participate, whether by waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Limited Partner. No proxy shall be valid after the expiration of twelve (12) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable by the Limited Partner executing it.

(5) Any matter for which the approval or consent of the Limited Partners is required or for which the Limited Partners are authorized to take action under this Agreement or under applicable law may be approved or action may be taken by the Limited Partners without a meeting and shall be as valid and effective as action taken by the Limited Partners at a meeting assembled, if written consents to such action by the Limited Partners are signed by the Limited Partners owning Interests constituting in the aggregate the Interests required to approve or otherwise authorize such action, and such written consents are delivered to the General Partners.

(6) Personal presence of the Limited Partners shall not be required at any meeting, provided an effective written consent to or rejection of the action proposed to be taken at such meeting is submitted to the Managing General Partner. Attendance by a Limited Partner and voting in person at any meeting shall revoke any written consents or rejections of such Limited Partner submitted with respect to action proposed to be taken at such meeting.

(7) Failure to vote either in person, by proxy or by written consent at a duly called meeting upon receipt of notice as provided for in this **Article IX** on matters for which approval of the Limited Partners are required by this Agreement shall be counted as an affirmative vote.

ARTICLE X
BOOKS AND RECORDS, ACCOUNTING, REPORTS AND
STATEMENTS AND TAX MATTERS

Section 10.01. Books and Records. The Managing General Partner shall, at the expense of the Limited Partnership, keep and maintain, or cause to be kept and maintained, the books and records of the Limited Partnership using the method of accounting chosen by the Managing General Partner. All books and records of the Limited Partnership shall be kept at the principal office of the Limited Partnership.

Section 10.02. Annual Accounting Period. All books and records of the Limited Partnership shall be kept on the basis of an annual accounting period ending December 31 of each year, except for the final accounting period which shall end on the date of termination of the Limited Partnership. All references herein to the "fiscal year of the Limited Partnership" are to the annual accounting period described in the preceding sentence, whether the same shall consist of twelve months or less.

Section 10.03. Managing General Partner's Reports to Limited Partners. The Managing General Partner shall send at Limited Partnership expense to each Limited Partner the following:

- (1) After the end of each fiscal year of the Limited Partnership, such information as shall be necessary for the preparation by such Limited Partner of his federal income tax return which shall include a computation of the distributions of such Limited Partner and the allocation to such Limited Partner of profits or losses, as the case may be; and
- (2) A reasonable time after the end of each fiscal year of the Limited Partnership, an annual report, which shall include an income statement for and balance sheet of the Limited Partnership as of the fiscal year end.

Section 10.04. Right to Examine Records. Limited Partners shall be entitled, upon written request directed to the Managing General Partner, to (a) review the records of the Limited Partnership at all reasonable times and at the location where such records are kept by the Limited Partnership and (b) obtain a list of the names and addresses of the Limited Partners.

Section 10.05. Tax Matters Partner. The tax matters partner of the Limited Partnership shall be the Managing General Partner.

Section 10.06. Tax Returns. The Managing General Partner shall, at Limited Partnership expense, cause the Limited Partnership to prepare and file a United States Limited Partnership Return of Income and all other tax returns required to be filed by the Limited Partnership for each fiscal year of the Limited Partnership.

Section 10.07. Tax Elections and Adjustments. The Managing General Partner is authorized to cause the Limited Partnership to make, forego or revoke such elections or adjustments for federal income tax purposes as they deem necessary or advisable in their sole discretion, provided such elections or adjustments are consistent with federal income tax rules and principles, including but not limited to, in the event of a transfer of all or part of the Limited Partnership Interest of any Partner, an election pursuant to Section 754 of the Code to adjust the basis of the assets of the Limited Partnership or any similar provision enacted in lieu thereof. The Partners will, upon request, supply any information necessary to properly give effect to any such election or adjustment.

Section 10.08. Federal Income Tax Withholding. In the event any of the Partners are subject to Federal Income Tax withholding, the Managing General Partner is authorized to withhold any sums required by the Internal Revenue Code even if such withholding conflicts with any of the terms and conditions of this Agreement or otherwise affects distributions, allocations or payments to the Partners. In the event that the Managing General Partner learns of a withholding obligation subsequent to the distribution to which the withholding obligation relates, the Managing General Partner will issue an invoice to the Partner. If the invoice is not paid within sixty (60) days, the General Partner will charge the amount against the Partner's Capital Account. This Section 10.08 will survive the termination of a Partner's status as a Partner.

ARTICLE XI
TRANSFERS OF LIMITED PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF LIMITED PARTNERS

Section 11.01. General Prohibition. No Limited Partner may voluntarily, or involuntarily, directly or indirectly, sell, transfer, assign, pledge or otherwise dispose of, or mortgage, pledge, hypothecate or otherwise encumber, or permit or suffer any encumbrance of, all or any part of his Interest in the Limited Partnership, except as provided in this Article XI. Any other purported sale, transfer, assignment, pledge or encumbrance shall be null and void and of no force or effect whatsoever.

Section 11.02. No withdrawal of Limited Partner. No Limited Partner shall have the right to withdraw from the Limited Partnership except as otherwise provided in this Agreement.

Section 11.03. Transfers by Limited Partners.

(1) Subject to any restrictions on transferability required by law or contained elsewhere in this Agreement, a Limited Partner may transfer his entire Interest in the Limited Partnership upon satisfaction of the following conditions:

(a) The transfer shall (A) be by bequest or by operation of the laws of intestate succession, or (B) be approved in writing by the Managing General Partner, which approval shall be withheld only if, in the reasonable judgment of the Managing General Partner,

the proposed transfer does not comply with the requirements of this **Article XI**, would jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, or would violate, or cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law;

(b) The transferor and transferee shall have executed and acknowledged such instruments as the Managing General Partner may deem necessary or desirable to effect such transfer;

(c) The transferor and transferee shall have provided, if requested by any General Partner, an opinion of counsel indicating that, in the opinion of said counsel, such transfer would not jeopardize the status of the Limited Partnership as a Limited Partnership for federal income tax purposes, and would not violate, nor cause the Limited Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law; and

(d) The transferor has made all Capital Contributions to the Limited Partnership in accordance with **Article IV** hereof and has no further obligation to the Limited Partnership beyond his Capital Contribution as described in Section 9.02.

(2) At the time of a transfer of any Limited Partner's Interest, whether or not such transfer is made in accordance with this **Section 11.03**, all the rights possessed as a Limited Partner in connection with the transferred Interest, which rights otherwise would be held either by the transferor or transferee, shall terminate against the Limited Partnership unless the transferee is admitted to the Limited Partnership as a Limited Partner pursuant to the provisions of **Section 11.04** hereof; provided, however, that if the transfer is made in accordance with this **Section 11.03**, such transferee shall be entitled to receive distributions to which the transferor would otherwise be entitled as of the effective date of such transfer, which date shall be specified by the Managing General Partner and shall be no later than the last day of the calendar month following the first calendar month during which the Managing General Partner has received notice of the transfer and all conditions precedent to such transfer provided for in this Agreement have been satisfied. The Limited Partnership and the Managing General Partner shall be entitled to treat the transferor as the recognized owner of such Interests until such effective date and shall incur no liability for distributions made in good faith to the transferor prior to the effective date.

(3) In the event a Limited Partner transfers all of his Interest in the Limited Partnership, the transferor will cease to be a Limited Partner.

(4) If a General Partner purchases the Interest of a Limited Partner, such Interest shall be treated as a Limited Partnership Interest with respect to all allocations and distributions of the Limited Partnership.

(5) A transfer by a Limited Partner, including transfers of all or less than all rights hereunder, shall not relieve the transferor of obligations under this Agreement.

(6) Each of the Limited Partners, by executing this Agreement, hereby covenants and agrees that he will not, in any event, sell or distribute his Interest in the Limited Partnership or any portion thereof unless, in the opinion of counsel to the Limited Partner (which counsel and opinion shall be satisfactory to counsel for the Managing General Partner) such Interest in the Limited Partnership may be legally sold or distributed in compliance with applicable federal and state securities laws.

(7) Notwithstanding any other provision of this Agreement, a Limited Partner may not transfer his Interest in any case if such a transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code, unless such transfer shall be expressly approved by the Managing General Partner.

Section 11.04. Admission of Transferees as Limited Partners.

(1) No transferee of a Limited Partner shall be admitted as a Limited Partner unless all of the following conditions have been satisfied:

(a) The transfer complies with **Section 11.03** and the transferor Limited Partner gives the transferee the right to become a Limited Partner;

(b) The prospective transferee has executed an instrument, in form and substance satisfactory to the Managing General Partner, accepting and agreeing to be bound by all the terms and conditions of this Agreement, including the power of attorney set forth in **Article XIV** hereof, and has paid all expenses of the Limited Partnership in effecting the transfer;

(c) All requirements of the Act regarding the admission of a transferee limited partner have been complied with by the transferee, the transferring Limited Partner, and the Limited Partnership;

(d) Such transfer is effected in compliance with all applicable state and federal securities laws; and

(e) The transferee executes all documents reasonably required by the Managing General Partner.

(2) In the event of a transfer complying with all the requirements of **Section 11.03** hereof and the transferee being admitted as a Limited Partner pursuant to this **Section 11.04**, the Managing General Partner, for himself as a General Partner and for each Limited

Partner pursuant to the Power of Attorney granted by each Limited Partner, shall execute and file an amendment to this Agreement. Unless named in this Agreement, as amended from time to time, no person shall be considered a Partner; and the Limited Partnership, each Partner, and any other person having business with the Limited Partnership need deal only with Partners so named and shall not be required to deal with any other person by reason of a transfer by, or by reason of the death of, a Partner, except as otherwise expressly provided herein.

ARTICLE XII
TRANSFERS OF GENERAL PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF GENERAL PARTNERS

Section 12.01. **Withdrawal of General Partners.** The General Partners may withdraw from the Limited Partnership by giving the Limited Partners written notice of withdrawal at least sixty (60) days prior to the effective date of the withdrawal. A General Partner who withdraws from the Limited Partnership may sell its Interest only in accordance with the procedures and limitations of **Section 12.03** hereof. In the event there is no such sale, or until such time as there is such a sale, a General Partner who has withdrawn shall have the same rights and be subject to the same limitations as a General Partner that has been removed pursuant to the provisions of **Section 12.03** hereof, and the interest of the withdrawn General Partner may be acquired by the other General Partners or by the Limited Partners in accordance with the procedures set forth in **Section 12.03** hereof.

Section 12.02. **Removal, Bankruptcy, Dissolution, Death or Incompetency of General Partners.** A General Partner shall cease to be a General Partner of the Limited Partnership upon the removal, bankruptcy, dissolution, death or incompetency of the General Partner and any of said Partners may be removed by the vote of the Limited Partners, under **Section 9.06** above, only for cause. For purposes of this **Section 12.02**, the term "cause" shall mean acts of the General Partners which constitute larceny, fraud, or a crime involving moral turpitude or failure to pay the Secured Debt according to its terms resulting in the initiation of foreclosure proceedings pursuant to the security agreement securing the Secured Debt.

Section 12.03. **Transfer by General Partners; Admission of Additional or Successor General Partners.** A General Partner may transfer his Interest, or any part thereof, and an additional or successor General Partner, as the case may be, shall be admitted to the Limited Partnership as follows:

(1) If a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to another then existing General Partner, such General Partner must obtain the consent of all of the other General Partners before effecting such sale or transfer. If the General Partner desiring to sell, transfer or assign its interest is the Managing General Partner, then a majority of the other General Partners, if there are three or more General Partners, and, if not, then two-thirds of the Limited Partners, must agree as to who is to become the new Managing General Partner before the proposed sale, transfer or assignment can be effected.

(2) Except as provided in **Section 12.03(3)**, if a General Partner desires to sell, transfer or assign its Interest in the Limited Partnership to a person or entity who is not then a General Partner, such transfer shall be permitted if, and only if, the proposed transferee is approved as a successor General Partner as follows:

(a) The admission of the transferee as a successor General Partner shall have been consented to by the other General Partners, and if none, by a two-thirds vote of the Limited Partners;

(b) If the proposed transferee is a non-natural person, it shall have provided the Limited Partnership evidence satisfactory to counsel for the Limited Partnership of its authority to become a General Partner;

(c) In the event that one or more General Partners shall be so designated and approved, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(3) Upon action taken by the Limited Partners to remove a General Partner in accordance with **Section 9.06** and subject to **Section 12.02**, Limited Partners owning Interests constituting in the aggregate two-thirds of the Interests of all Limited Partners may, without the concurrence of the General Partners, admit to the Limited Partnership one or more additional General Partners to replace the General Partner(s) to be removed. In the event that one or more additional General Partners shall be so admitted, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(4) Notwithstanding any other provision of this Agreement, the General Partners may not transfer any Interest in any case if such transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Limited Partnership as a Limited Partnership for federal income tax purposes pursuant to Section 708 of the Code unless such transfer shall be approved by Limited Partners owning Interest constituting in the aggregate a majority of the Interests of all Limited Partners in the Limited Partnership.

Section 12.04. Continuing Liability. In the event a General Partner withdraws from the Limited Partnership or sells, transfers or assigns its entire Interest pursuant to the provisions of this Agreement, such General Partner shall be, and shall remain, liable for all obligations and liabilities incurred by the General Partner prior to the effective date of such occurrence and shall be free of any obligation or liability incurred on account of the activities of the Limited Partnership from and after such effective date.

Section 12.05. Additional Conditions to Admission of General Partners. Notwithstanding any other provision of this Agreement, no additional or successor General Partner may be admitted to the Limited Partnership and no right of the Limited Partners to consent to or approve such admission shall have any effect whatsoever or be exercisable until and unless prior to such exercise the Limited Partnership shall have received an opinion of counsel satisfactory to the

Limited Partners (as hereinafter provided) to the effect that the giving of consent of the Limited Partners to such admission will not adversely affect the classification of the Limited Partnership as a Limited Partnership for federal income tax purposes. For purposes of this **Section 12.05**, an opinion of counsel will be deemed satisfactory to the Limited Partners if approved in writing by Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners.

Section 12.06. Purchase of Interest(s) of General Partners. Upon the removal, bankruptcy, dissolution, death or incompetency of a General Partner, the Limited Partnership Interest(s) of the General Partner(s) (hereinafter, for purposes of **Sections 12.02 and 12.06**, referred to as the "Terminated General Partner(s)") shall be purchased by the Limited Partnership for a purchase price determined in accordance with **Section 12.07** hereof. The purchase price of such Interest(s) shall be paid by the Limited Partnership to the Terminated General Partner(s) or his/their representative either, at the option of the Limited Partnership, in cash or by a promissory note of the Limited Partnership payable to such Terminated General Partner(s) or his representative in a face amount equal to said purchase price and containing provisions as would be usual and customary in a commercial promissory note, including provisions for interest at a rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be payable at the time of each installment of principal, which shall be payable in five (5) annual installments or as the Terminated General Partner(s) or his representative and the Limited Partnership may otherwise agree.

Section 12.07. Purchase Price of a Terminated General Partner(s) Interest. The fair market value of the Terminated General Partner(s)' Interest(s), for any reason other than for removal for cause, to be purchased by the Limited Partnership in accordance with **Section 12.06** above shall be determined by agreement between the Terminated General Partner(s) or his representative and the Limited Partnership. If the Terminated General Partner(s) or his representative and the Limited Partnership cannot agree upon the fair market value of such Limited Partnership Interest(s) within 90 days after the date of the Terminated General Partner(s) removal, bankruptcy, dissolution, death or incompetency, then the purchase price shall be the General Partner's percentage interest of the MAI appraised value of the Limited Partnership's assets and business, valued as a going concern without a minority discount determined as soon as possible after the end of the ninety day period above. In the event of removal for cause the purchase price of the terminated General Partner(s) interest shall be based on the formula set forth in this paragraph except that the value of any distributions to Limited Partners paid to the General Partner shall be reduced to zero.

ARTICLE XIII DISSOLUTION, WINDING UP AND TERMINATION

Section 13.01. Events Causing Dissolution. The Limited Partnership shall be dissolved and its affairs shall be wound up upon the happening of the first to occur of any of the following events:

- hereof;
- (1) Expiration of the term of the Limited Partnership stated in Section 1.05
 - (2) Entry of a decree of judicial dissolution pursuant to the Act;
 - (3) The sale or other disposition of all or substantially all of the assets of the Limited Partnership;
 - (4) The removal, bankruptcy, dissolution, death or incompetency of the General Partner(s), unless:
 - (a) At the time of the occurrence of any of such events there is at least one other additional or successor General Partner, in which case the business of the Limited Partnership shall be carried on by the remaining General Partner(s); or
 - (b) Within 90 days of the occurrence of any such event, all Partners agree in writing to continue the business of the Limited Partnership and to the appointment of one or more General Partner(s) who shall succeed to all of the management rights and responsibilities of the General Partner(s) hereunder.

Section 13.02. Bankruptcy of General Partner(s). For the purposes of this Agreement, the "bankruptcy" of a General Partner shall mean any of the following:

- (1) The General Partner makes an assignment for the benefit of creditors;
- (2) The General Partner files a voluntary petition in bankruptcy;
- (3) The General Partner is adjudicated as bankrupt or insolvent;
- (4) The General Partner files a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation;
- (5) The General Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Partner in any proceedings of the nature described in (4) above;
- (6) The General Partner seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Partner or of all or any substantial part of such Partner's properties;
- (7) The expiration of 90 days after the commencement of any proceeding against the General Partner seeking reorganization, arrangement, composition, readjustment,

liquidation, dissolution, or similar relief under any statute, law, or regulation, provided the proceeding has not been dismissed within such 90 day period; or

(8) The expiration of 60 days after the appointment without such General Partner's consent or acquiescence of a trustee, receiver, or liquidator of the General Partner or all or any substantial part of such General Partner's properties, provided the appointment is not vacated or stayed within such 60 day period, or if stayed within such 60 day period, then the expiration of sixty (60) days after the expiration of any such stay, provided the appointment is not vacated within such 60 day period.

Section 13.03. Winding Up. Upon dissolution of the Limited Partnership for any reason, the Managing General Partner, or any other party (the "Liquidator") designated by vote or written consent of Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners, if required, shall commence to wind up the affairs of the Limited Partnership and to liquidate its assets. The Partners shall continue to share income, gains, expenses, losses and all other items during the period of liquidation in the same proportion as before the dissolution. The Liquidator shall have the full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Limited Partnership Property pursuant to such liquidation. Pending such sales, the Liquidator or such other party shall have the right to continue to operate and otherwise deal with the assets of the Limited Partnership. A reasonable time shall be allowed for the orderly winding up of the business of the Limited Partnership and the liquidation of its assets and the discharge of its liabilities to creditors so as to enable the Liquidator to minimize the normal losses attendant upon a liquidation, having due regard to the activity and condition of the relevant markets for the Limited Partnership Property and general financial and economic conditions. Any Partner may be a purchaser of the Property of the Limited Partnership upon liquidation, including, without limitation, any liquidation conducted pursuant to a judicial dissolution or otherwise under judicial supervision; provided, however, that the purchase price and terms of sale are fair and reasonable to the Limited Partnership.

Section 13.04. Distributions. The proceeds of liquidation and any other funds of the Limited Partnership shall be distributed in the order of priority set forth in **Article VI** above.

Section 13.05. Certificate of Cancellation; Report; Termination. Upon the dissolution and commencement of winding up of the Limited Partnership, the Managing General Partner shall execute and file a certificate of cancellation of the Limited Partnership. Within a reasonable time following the completion of the liquidation of the Limited Partnership's assets, the Managing General Partner or such other party shall prepare and furnish to each Partner, at the expense of the Limited Partnership, a statement that sets forth the assets and liabilities of the Limited Partnership as of the date of complete liquidation and the amount of each Partner's distribution pursuant to Article VI hereof. Upon completion of the liquidation and distribution of all Limited Partnership funds, the Limited Partnership shall terminate and the Managing General Partner shall have the authority to execute and file all documents required to effectuate the termination of the Limited Partnership.

**ARTICLE XIV
SPECIAL AND LIMITED POWER OF ATTORNEY**

Section 14.01. Special and Limited Power of Attorney.

(1) The Managing General Partner shall at all times during the existence of the Limited Partnership have a special and limited power of attorney as the attorney-in-fact for each Limited Partner with power and authority to act in the name and on the behalf of each Limited Partner to make, execute, swear to, verify, acknowledge, correct and file the following documents and any other documents deemed by the Managing General Partner to be necessary for the business of the Limited Partnership:

(a) This Agreement, and any amendments thereto;

(b) Any certificate of Limited Partnership for the Limited Partnership and amendments thereto required or permitted or deemed advisable by the Managing General Partner to be made or filed on behalf of the Limited Partnership, and any and all certificates or other instruments necessary to qualify the Limited Partnership as a Limited Partnership;

(c) Any other instrument or document that may be required to be filed by the Limited Partnership under the laws of any state or by a governmental agency or which the Managing General Partner deems advisable to file; and

(d) Any instrument or document which may be required to effect the continuation of the Limited Partnership and admission of an additional or substitute General or Limited Partner, or the dissolution and termination of the Limited Partnership (provided such continuation, admission or dissolution and termination are in accordance with the terms of this Agreement).

(e) Execute any and all documents necessary to enable the Managing General Partner to carry out powers of the Managing General Partner including but not limited to granting Limited Partnership Property as security for Limited Partnership obligations and sale or conveyance of Limited Partnership Property.

(2) This power of attorney is a special power of attorney coupled with an interest, is irrevocable, shall survive the death of each Limited Partner and is limited to those matters herein set forth.

**ARTICLE XV
MISCELLANEOUS**

Section 15.01. Amendments. Except as otherwise provided by law, this Agreement may be amended in any respect by the Managing General Partner without the written approval or consent of Limited Partners owning Interests in the Limited Partnership; provided however, that:

(1) Without the consent of Limited Partners to be adversely affected by the amendment, this Agreement may not be amended so as to change the Capital Contributions required, or rights and interests in profits, losses and distributions of any Partner; and

(2) In the case of any provision hereof which requires the action, approval or consent of a specified Interest of Limited Partners, such provision may not be amended without the consent of the Limited Partners owning such specified Interests.

Section 15.02. Notices. Any notice, offer, consent or other communication required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been sufficiently given or made when delivered personally to the party (or an officer of the party) to whom the same is directed, or (except in the event of a mail strike) five (5) days after being mailed by first class mail, postage prepaid, if to the Limited Partnership or to the Managing General Partner, to the office described in Section 1.03 hereof, or if to a General Partner or to a Limited Partner, to the address set forth in Schedule A attached hereto. Any Partner may change his or its address for the purpose of this Section 15.02 by giving notice of such change to the Limited Partnership, such change to become effective on the tenth (10th) day after such notice is given.

Section 15.03. Governing Law; Survival of Rights; Severability of Provisions. This Agreement shall be governed by the internal laws of the State of Washington and shall, subject to the restrictions on transfer set forth herein, bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. If any provision of this Agreement is held to be invalid, the remainder of this Agreement shall not be affected thereby.

Section 15.04. Entire Agreement. This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understandings among them, oral or written, all of which are hereby cancelled. This Agreement may not be modified or amended other than pursuant to Section 15.01 hereof.

Section 15.05. Captions; Pronouns. The paragraph titles or captions contained in this Agreement are inserted only as a matter of convenience of reference. Such titles and captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any provision hereof. All pronouns and any variation thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

Section 15.06. No Waiver. The failure of any Partner to seek redress for violation, or to insist on strict performance, of any covenant of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

Section 15.07. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one Agreement, binding on all of the parties hereto.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

MANAGING GENERAL PARTNER:

American Life Inc.

By: Henry Liebman

Its: President

The 4746 Ohio Avenue South Limited Partnership
(a Washington limited partnership)

SUBSCRIPTION AGREEMENT

The 4746 Ohio Avenue South Limited Partnership
3223 3rd Avenue South, Suite 200
Seattle, Washington 98134-1943

Prospective Investor:

This Subscription Agreement is made by and between The 4746 Ohio Avenue South Limited Partnership, a Washington limited partnership (the Partnership), and the undersigned purchaser who is subscribing for the Partnership Interests as set forth below pursuant to the terms set forth in this Subscription Agreement.

I.
AGREEMENT TO PURCHASE
AND ADMISSION AS A LIMITED PARTNER

A. **Purchase.** Subject to the terms and conditions hereof, the undersigned hereby irrevocably agrees to purchase the partnership interest set forth in Subsection A (3) herein. The minimum Capital Contribution shall be [REDACTED]
(b)(4) [REDACTED] Payment in full for the Partnership Interests purchased accompanies the delivery of this Subscription Agreement (A Capital Contribution).

1. Partnership Acceptance of Subscription Agreement. The undersigned agrees that the Partnership may reject any subscription in its sole and absolute discretion within 15 days of receipt, and in particular, from any proposed subscriber who is not an accredited investor or who either alone or with his purchaser representative fails to meet the sophistication requirements set forth in Section II(A).

The Partnership shall notify the undersigned that it has accepted the subscription herein by delivering to the undersigned a signed copy of this Subscription Agreement.

2. Capital Contributions. Capital Contributions shall be made payable to The 4746 Ohio Avenue South Limited Partnership, delivered with this fully executed Subscription Agreement to the offices of the Partnership, at the address listed above. In the event the subscription is not accepted in whole or in part by the Partnership, the full or ratable amount, as the case may be, of any Capital Contribution received will be promptly refunded to the subscriber without deduction from or interest on the Capital Contribution.

3. Purchase Terms:

AMOUNT OF SUBSCRIPTION
INCLUDING SYNDICATION FEE: USD\$ _____

PROPERTY VALUE TO
CALCULATE PERCENTAGE: Your capital contribution including the
syndication fee.

(b)(4)

PROPERTY VALUATION:

NAME(S) UNDER WHICH
TITLE SHALL BE HELD: _____

ADDRESS _____

TELEPHONE/FAX _____

EMAIL _____

U.S. SOCIAL SECURITY NUMBER
OR U.S. TAXPAYER ID NUMBER _____

YOU MAY WIRE YOUR CAPITAL CONTRIBUTION TO:

Credit Bank: Citibank, NA
111 Wall Street
New York, NY 10005

(b)(4)

ABA Number:
Credit Account:
Credit Account Name:
For Further Credit to:

For Benefit of: 4746 Ohio Avenue South Limited Partnership
[investor's name], OR

You may mail your check payable to 4746 Ohio Avenue South Limited Partnership, and deliver the check and completed Subscription Agreement to:

The 4746 Ohio Avenue South Limited Partnership
Attn: Henry Liebman
3223 3rd Avenue South, Suite 200
Seattle, Washington 98134-1943

B. **Admittance as Limited Partner.** Upon the Partnership's acceptance of this Subscription Agreement and receipt of your Capital Contribution, the undersigned shall be admitted as a Limited Partner of the Partnership. The undersigned acknowledges the receipt of a true and correct copy of the Partnership Agreement and agrees to be bound by its terms. Your Capital Contribution shall be used to further the business purposes of the Partnership as set forth in the Partnership Agreement.

C. **Investment Terms.** FOR A COMPLETE DESCRIPTION OF THE INVESTMENT TERMS AND HOW CASH WILL BE DISTRIBUTED PLEASE REFER TO THE PARTNERSHIP AGREEMENT.

(b)(4) You will receive each month a distribution equal to [REDACTED] of your pro-rata share of the Total Distribution for Limited Partners with respect to income distributions. You will receive [REDACTED] of your pro-rata share of the Capital Gain with respect to the Project when sold.

This is a long-term investment with no redemption option.

(b)(4) The Capital Appreciation Percentage as referenced in Article 6.02(2) of the Limited Partnership Agreement is [REDACTED] for purposes of capital gain distributions and [REDACTED] for purposes of income distributions described in 6.02(1)(c).

D. **Eb5 Investors**

1. Independent Counsel. Investor shall hire an Independent Counsel for immigration processing and other legal matters. Investor shall be responsible for payment of legal fees and costs.

2. Filing the Immigration Petition. American Life Inc. shall use its best efforts to assist Investor's Counsel for the filing of Investors I-526 and I-829 petitions, and verifying required direct and indirect employment until the removal of Investor's conditional permanent residency. The General Partners shall not charge additional fees to assist the Investors permanent residence application.

3. Visa Denial. If the Investor's I-526 or I-829 petition is denied, American Life, Inc. shall pay back Investor's original capital investment in cash within ninety days of Investor's written request. In the event any visa petition is denied, the Investor's rights are limited to return of the principal sum of invested capital only.

(b)(4) The returned [REDACTED] capital investment is separate from any previously paid or currently due limited partnership distribution.

4. American Life, Inc. agrees that it will not sell the property Investor relies upon for Eb5 visa approval until removal of Investor's conditional permanent residence status.

(b)(4)

Partnership interests are available on a first-come first-serve basis. Those who need additional time to gather investment capital may make a non-refundable deposit of [REDACTED] for a 90 days period to raise capital. The deposit will be forfeited if subscription amount due is not received by the Partnership within the 90-day period. We recommend assessing availability before engaging professional assistance.

- E. **General Partner's Warranties.** The General Partner hereby represents and warrants that the Limited Partnership is duly organized, registered and in good standing in the State of Washington and that the Partnership shall comply with all applicable laws and regulations with respect to the Partnership.

II. REPRESENTATIONS AND WARRANTIES

The undersigned hereby represents and warrants to the Partnership as follows:

- A. That the offer to sell the Partnership Interests was directly communicated to the undersigned by the Partnership through the Memorandum and meetings with the General Partner of the Partnership in such a manner that the undersigned was able to ask questions of and receive answers from the Partnership or a person acting on its behalf concerning the terms and conditions of this investment. At no time was the undersigned presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.
- B. That the undersigned is the sole and true party in interest and is not subscribing for the benefit of any other person. If the undersigned is a corporation, partnership or other entity, the undersigned was not organized for the purpose of acquiring the Partnership Interests. If the undersigned is an individual, he or she is twenty-one (21) years of age or over.
- C. That the Partnership Interests are being purchased for the undersigned's own account solely for investment, and with no present intention to distribute any of the Partnership Interests to any other person.
- D. That the undersigned understands that the Partnership Interests are not being registered under the Securities Act of 1933, as amended (Securities Act) in reliance upon the so-called "private offering" exemption provided by Section 4(2) the Securities Act and/or Regulation D promulgated pursuant to the Securities Act, and that the Partnership is basing its exemption in part on the representations, warranties, statements and agreements contained herein and those of other subscribers contained in similar subscription agreements.
- E. That the undersigned is an Accredited Investor within the meaning of Rule 501 of Regulation D promulgated pursuant to the Securities Act; or, if not an Accredited Investor, the undersigned is sophisticated and has, either alone or together with a

Purchaser Representative, such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of a prospective investment in the Partnership Interests.

The undersigned understands that if a Purchaser Representative is used, the Purchaser Representative must complete, and the undersigned must review and acknowledge, a separate Purchaser Representative Questionnaire and Purchaser Acknowledgment, which must be returned to the Partnership prior to acceptance of this Subscription Agreement.

- F. That the undersigned understands that the Partnership Interests have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed or reviewed the accuracy or determined the adequacy of the information set forth in the Memorandum.
- G. That the undersigned understands that the Partnership Interests are characterized as a restricted securities under the Act and applicable state securities laws inasmuch as they are being acquired from the Partnership in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be transferred or resold without registration under the Securities Act and applicable state securities laws only in certain limited circumstances.
- H. That prior to executing this Subscription Agreement, The undersigned confirms that all documents requested by the undersigned have been made available, and that the undersigned has been supplied with all of the additional information concerning this investment that has been requested.
- I. That the undersigned has carefully considered and has, to the extent the undersigned considers necessary, discussed with the undersigned's professional legal, tax and financial advisers the suitability of an investment in the Partnership for the undersigned's particular tax and financial situation.
- J. That the undersigned has adequate means of providing for current needs and personal contingencies, and is aware that an investment in the Partnership Interests is highly speculative and subject to substantial risks. The undersigned is capable of bearing the high degree of economic risk and burden of this investment, including but not limited to, the possibility of the complete loss of all contributed capital and the limited transferability of the Partnership Interests.
- K. That the undersigned understands that the Partnership prepared pro formas and estimates of possible revenues and expenses and the possible consequent financial returns the Partnership could experience if such revenues and expenses were achieved. The undersigned understands that the Partnership is still in an early stage of development and has no history of achieving such revenues. The Partnership estimates are based on a good faith belief of what the Partnership can accomplish if it is able to obtain adequate financing and is able to commence and maintain operations in accordance with its current business plan. The *pro formas* were not prepared by any independent accountant and were not prepared with a view toward compliance with the

Association of Independent Certified Accountants' guidelines for projections. The assumptions and estimates are uncertain and the actual results of the Partnership will vary from the projected results and could vary in a materially adverse manner.

- L. That the undersigned, in making the decision to purchase the Partnership Interests subscribed for, relied upon independent investigations made by the undersigned and his or her Purchaser Representatives (if any), and the undersigned and such representatives (if any) have, prior to any sale to the investor, been given access and the opportunity to examine all material books and records of the Partnership, all material contracts and documents relating to this offering, and an opportunity to ask questions and receive answers from the Partnership or any person acting on its behalf concerning the terms and conditions of this offering, and an opportunity obtain any additional information, to the extent the Partnership possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any information provided.
- M. THAT THE UNDERSIGNED EITHER READS AND UNDERSTANDS ENGLISH OR HAD THIS SUBSCRIPTION AGREEMENT TRANSLATED BY A TRUSTED ADVISOR INTO A LANGUAGE THAT THE UNDERSIGNED DOES UNDERSTAND.
- N. That each representation and warranty of the undersigned contained herein and all information furnished by the undersigned to the Partnership, is true, correct and complete in all respects.

III. RISK FACTORS

AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES AN INVESTMENT IN THE PARTNERSHIP SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP.

- A. **Lack of Significant Operating History.** This Partnership is being formed for the specific purpose of acquiring this Project. Accordingly, neither the Partnership nor the General Partner has any operating history with respect to the Project. The General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.
- B. **Financial Projection.** Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections which are

attached to the Memorandum are based upon what the General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership and the representations of seller as to past operations of the Project. No assurances can be made that these forecasts will prove to be accurate, and investors are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Partners percentage interest in the Partnership.

- C. **General Risks of Real Estate Ownership.** The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks; condemnation of the Project and other factors which are beyond the control of the Partnership and the General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.
- D. **Leverage and Other Factors Relating to Financing.** Although the Partnership has no plans to borrow, emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.
- E. **Future Market Value of the Project.** The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes in tax laws and

numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.

F. **Distributions From Operations.** The General Partner has made qualified projections as to distributions to the Investors from operations. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be cash from operations available for distribution to the Investors. **Investors who borrowed all or part of their capital contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.**

G. **General Tax Risks.**

Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since the investors generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

1. Changes in federal income tax laws;
2. Partnership status;
3. Taxable income in excess of distributions;
4. Allocation of tax items among Partners;
5. Allocation of purchase price;
6. Partnership termination;
7. At risk limitations;
8. Risk of audit;
9. Profit objective; and
10. Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the undersigned. Each prospective subscriber is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

H. **Limited Transferability of Partnership Interests.**

Except upon death, a Limited Partner may not assign, sell or transfer his Partnership Interests to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Partnership Interests and it is not anticipated that

a market will develop for the purchase or sale of the Partnership Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

- I. **Illiquidity.** Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.
- J. **Limitation of General Partner's Liability.** Under the Washington Uniform Limited Partnership Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.
- K. **Limited Right to Participate in Management.** The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the General Partner, except as expressly provided in the Partnership Agreement.
- L. **No Independent Counsel.** No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each investor is therefore urged to consult with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.
- M. **Uninsured Losses; Casualty Insurance.** Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.
- N. **Environmental Risks.** The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such as adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project. The SODO area is an older industrial area generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government.

O. **Potential Conflict of Interest.** The obligations of the General Partner to the Partnership is not exclusive, and the General Partner need only devote so much time to the Partnership's affairs as the General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The General Partner will from time it will be involved in approximately twenty (20) other properties that may compete with the Project. Commitments undertaken by the General Partner in connection with such other properties could adversely affect its ability to manage the Project.

P. **Immigration Risks**

- 1) Congress and or USCIS may change the law, regulations, or interpretations of the law without notice and in a manner that may be detrimental to an Investor or the Partnership.
- 2) It is impossible to predict visa-processing times. Investors should not physically move to the United States until their visa has been issued.
- 3) Investors who obtain permanent residence status must intend to make the United States their primary residence. Permanent residents who continue to live abroad risk revocation of their permanent residence status.

Q. **Construction Risks.**

The project involves significant construction activity. Remodeling older buildings often involves surprises and unexpected problems. These problems may delay in construction which in turn delays the ability to generate cash flow and increase costs which can significantly increase management's projected construction costs and reduce projected rates of return. The City of Seattle can be very slow in issuing building permits. In any event, it may be virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs.

IV. POWER OF ATTORNEY

The undersigned hereby irrevocably makes, constitutes and appoints American Life Inc., and each general partner of the Partnership, with full power of substitution its true and lawful attorney-in-fact in its name to execute and acknowledge (i) the Partnership Agreement in substantially the form enclosed herewith and to attach the limited partner execution page delivered herewith to such Partnership Agreement and thereby cause the undersigned to become a limited partner in the Partnership; and (ii) any document required to effect the formation or continuation of the Partnership or which counsel to the Partnership deems necessary or desirable to comply with any state or federal law. The power of attorney hereby granted is irrevocable and coupled with an interest and may be exercised by the attorney-in-fact for the undersigned as well as other limited partners of the Partnership by executing any instrument by use of the single signature of such attorney-in-fact acting for all the limited partners.

V. MISCELLANEOUS

- A. **Indemnification.** The undersigned hereby agrees to indemnify the Partnership and hold the Partnership harmless from and against any and all liability, damages, costs or expenses incurred on account of or arising out of:
1. Any inaccuracy in the declarations, representations, and warranties hereinabove set forth;
 2. The disposition of any of the Partnership Interests by the undersigned, contrary to the foregoing declarations, representations and warranties; and
 3. Any action, suit or proceeding based upon (i) a claim that the herein declarations, representations or warranties were inaccurate or misleading or otherwise a cause for obtaining damages or redress from the Partnership; or (ii) the disposition of any of the Partnership Interests or any part thereof, contrary to the foregoing, declarations, representations and warranties.
- B. **Confidentiality.** The undersigned acknowledges that the information contained in this Subscription Agreement and in the Memorandum, and which the undersigned receives orally or in writing from the Partnership is confidential and non-public and agrees that all such information shall be kept in confidence by the undersigned unless disclosure is otherwise required by law or court order.
- C. **Binding Agreement.** The undersigned agrees that the undersigned may not cancel, terminate or revoke this Subscription Agreement or any agreement of the undersigned made hereunder, and that this Subscription Agreement shall survive the death or disability of the undersigned and shall be binding upon the heirs, successors, assigns, executors, administrators, guardians, conservators or personal representatives of the undersigned.
- D. **Defined Terms.** Capitalized terms not defined herein shall have the meaning as in the Partnership Agreement.
- E. **Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which shall be considered an original but all of which together shall constitute one and the same instrument.
- F. **Severability.** Every provision of this Subscription Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Subscription Agreement.
- G. **Non-waiver.** No provision of this Subscription Agreement shall be deemed waived except if such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

- H. **Applicable Law.** This Subscription Agreement shall be interpreted and enforced in accordance with the federal laws of the United States of America and the state laws of the State of Washington, without giving effect to principles and provisions relating to choice of law.
- I. **Entirety of Agreement.** This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof.
- J. **Additional Information.** The undersigned shall supply the Partnership with such additional information and documentation as may be required in order to ensure compliance with applicable law, including, without limitation, the Securities Act and regulations promulgated thereunder.
- K. **Company Privacy Policy.** It is the Company policy of American Life, Inc. to protect the privacy of its investors. Therefore, the Company will not disclose the names of investors to those outside of that limited partnership that each investor is invested in, unless required to do so by law. However, each investor has the legal right of access to names, contact information, and percentage ownership of the other investors within his/her Limited Partnership.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on the date set forth on the signature page, and desires to take title in the Partnership Interests (check one):

- ___ a. Individual (one signature required on the Signature Page);
- ___ b. Husband and Wife, as community property (one [1] signature required on the Signature Page if interest held in one [1] name, *i.e.*, managing spouse; two [2] signatures required on the signature Page if interest held in both names);
- ___ c. Joint Tenants with right of survivorship (both parties must sign Signature Page);
- ___ d. Tenants in Common (both parties must sign Signature Page);
- ___ e. Trust (trustee(s) must sign the Signature Page);
- ___ f. Partnership (general partner(s) must sign the Signature Page);
- ___ g. Corporation (authorized officer must sign on the Signature Page);
- ___ h. Limited Liability Partnership (authorized managing member must sign on Signature Page; in the event the Partnership is member managed, then all members must sign the Signature Page).

If subscriber is an individual or husband and wife:

Signature: _____

Signature of Spouse: _____

If subscriber is a Trust:

a. Name of Trust: _____

b. Name of Trustee: _____

c. Date Trust was formed: _____

d. Signature of Trustee: _____

If subscriber is a Partnership:

a. _____
Name of Partnership

b. By: _____
Signature of General Partner

c. By: _____
Signature of Additional General Partner if required by Partnership Agreement

If subscriber is a Corporation:

a. _____
Name of Corporation

b. By: _____
Signature of Authorized Agent

c. _____
Title of Signer

If subscriber is a Limited Liability Company:

a. _____
Name of Limited Liability Company

b. By: _____
Signature of Authorized Agent

c. _____
Title of Signer

Additional Members' Signatures (if needed):

Signature of Member _____
Print Name

Signature of Member _____
Print Name

Signature of Member _____
Print Name

Signature of Member _____
Print Name

SUBSCRIPTION ACCEPTED this _____ day of _____, 200__.

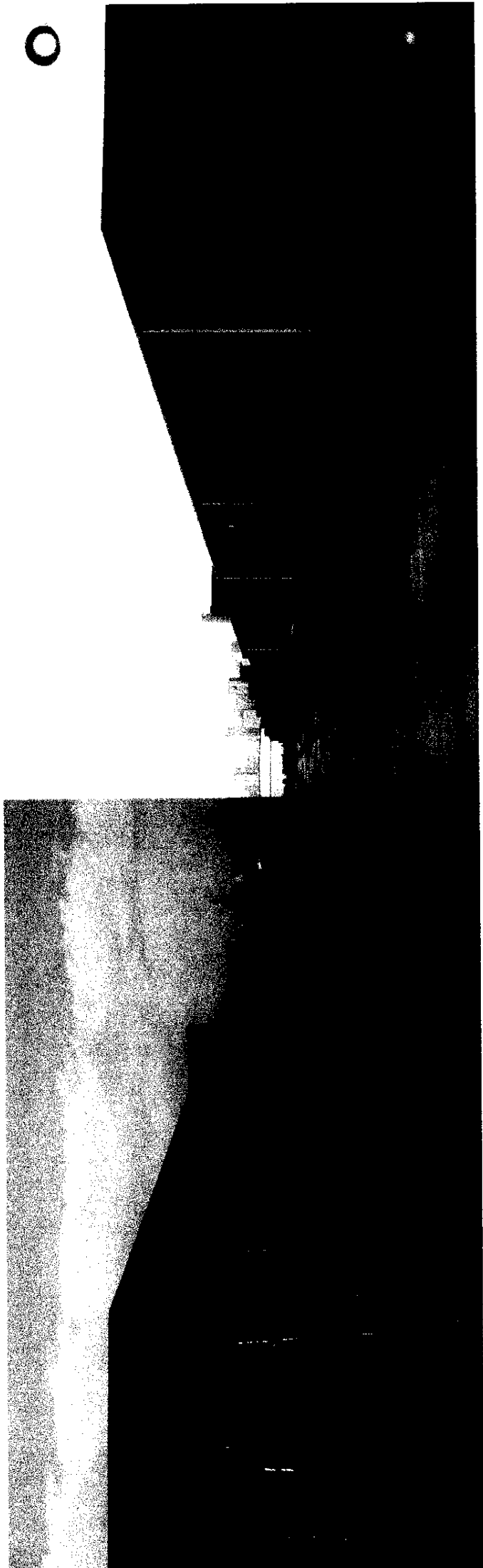
The 4746 Ohio Avenue South Limited Partnership,
a Washington limited partnership

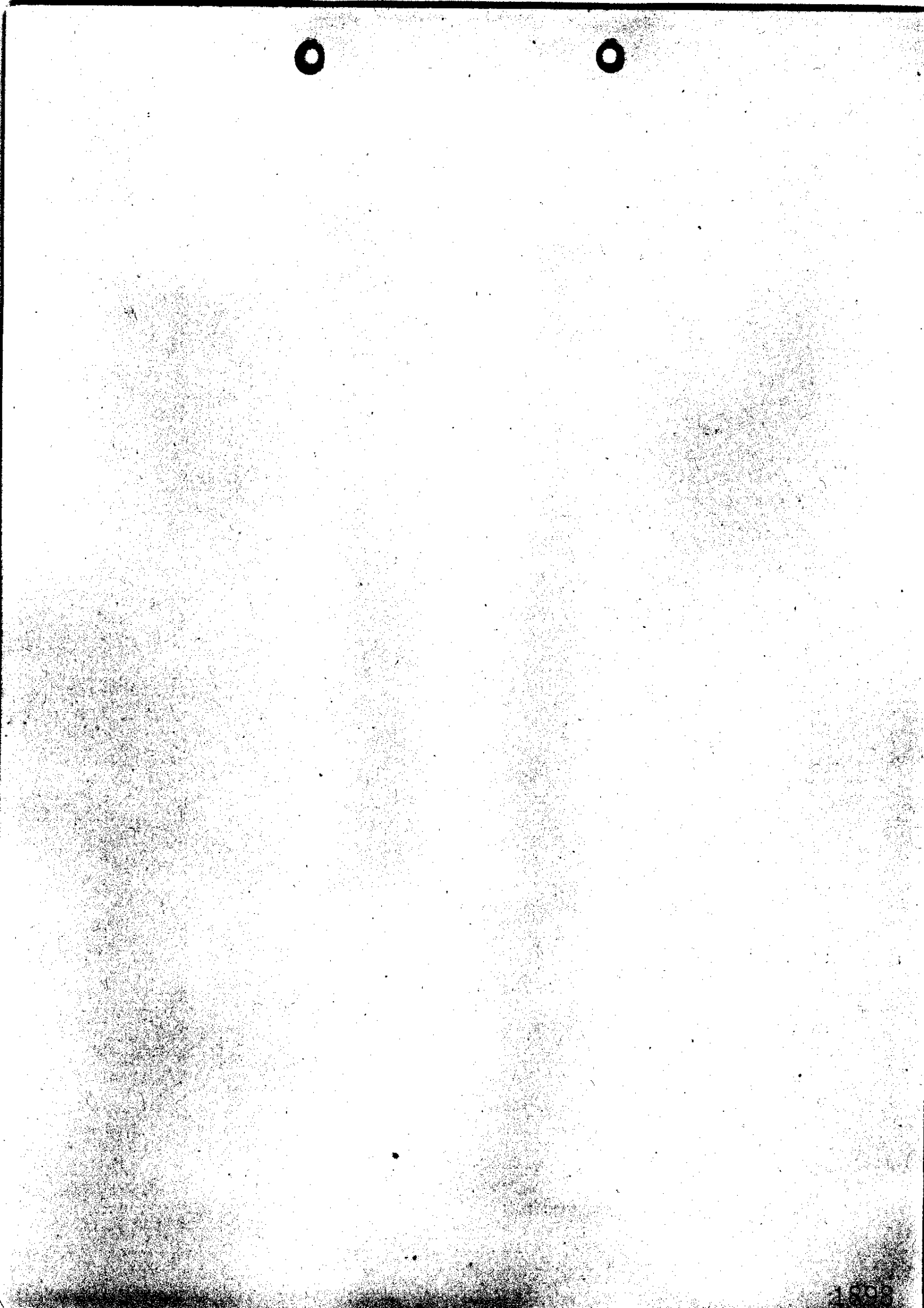
By: American Life, Inc., a Washington Corporation
Managing General Partner

By: _____
Henry Liebman, President

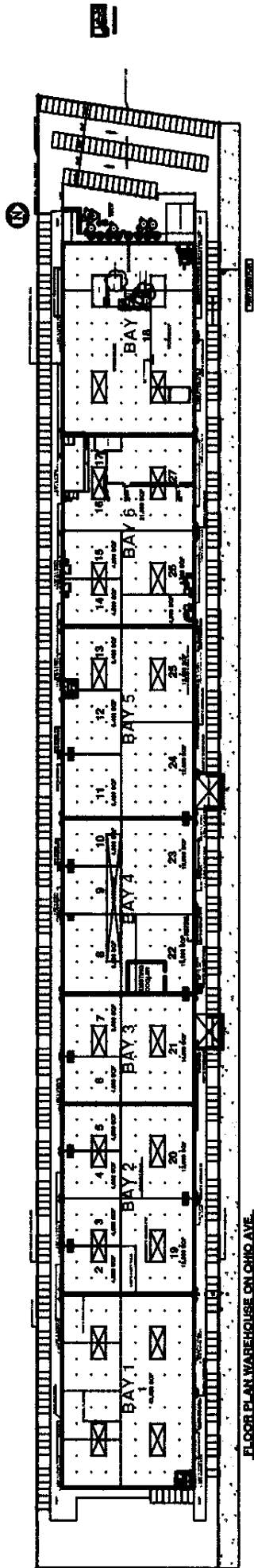
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PORT-106 WAREHOUSE
4746 OHIO AVE. S. SEATTLE

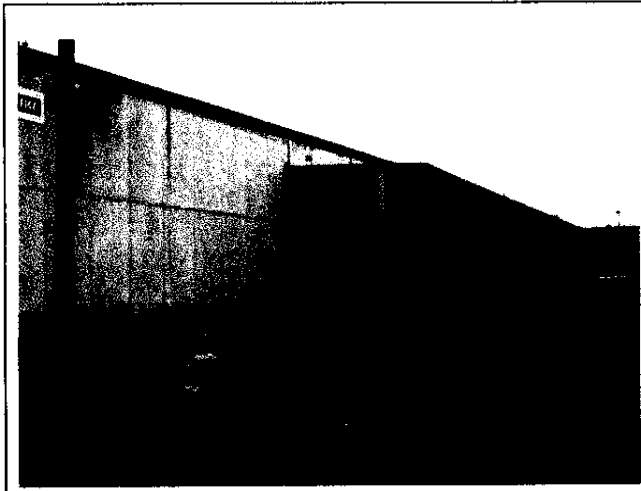


FLOOR PLAN WAREHOUSE ON OHIO AVE.
DATE 1-1-52





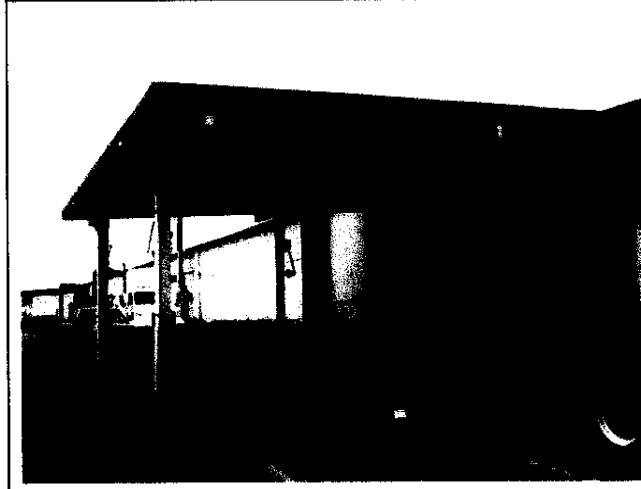
Subject Photos



North side of building looking southwest



East side of building looking southwest



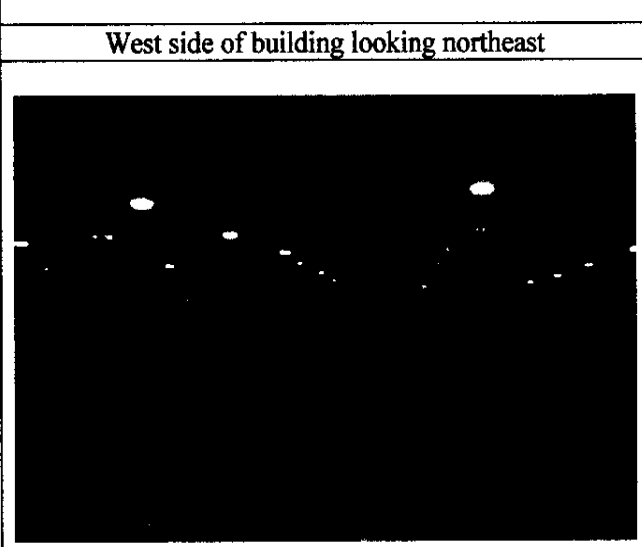
Extended loading platform east side of building



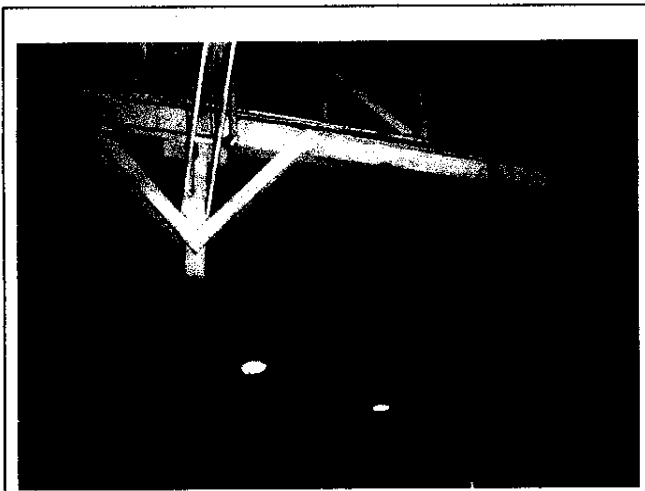
West side of building looking northeast



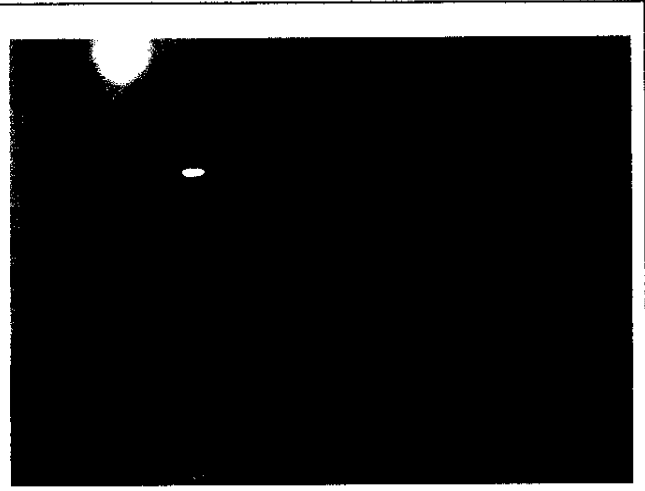
South side of building looking east



Building interior with firewall in background



Ceiling and suspended heating unit

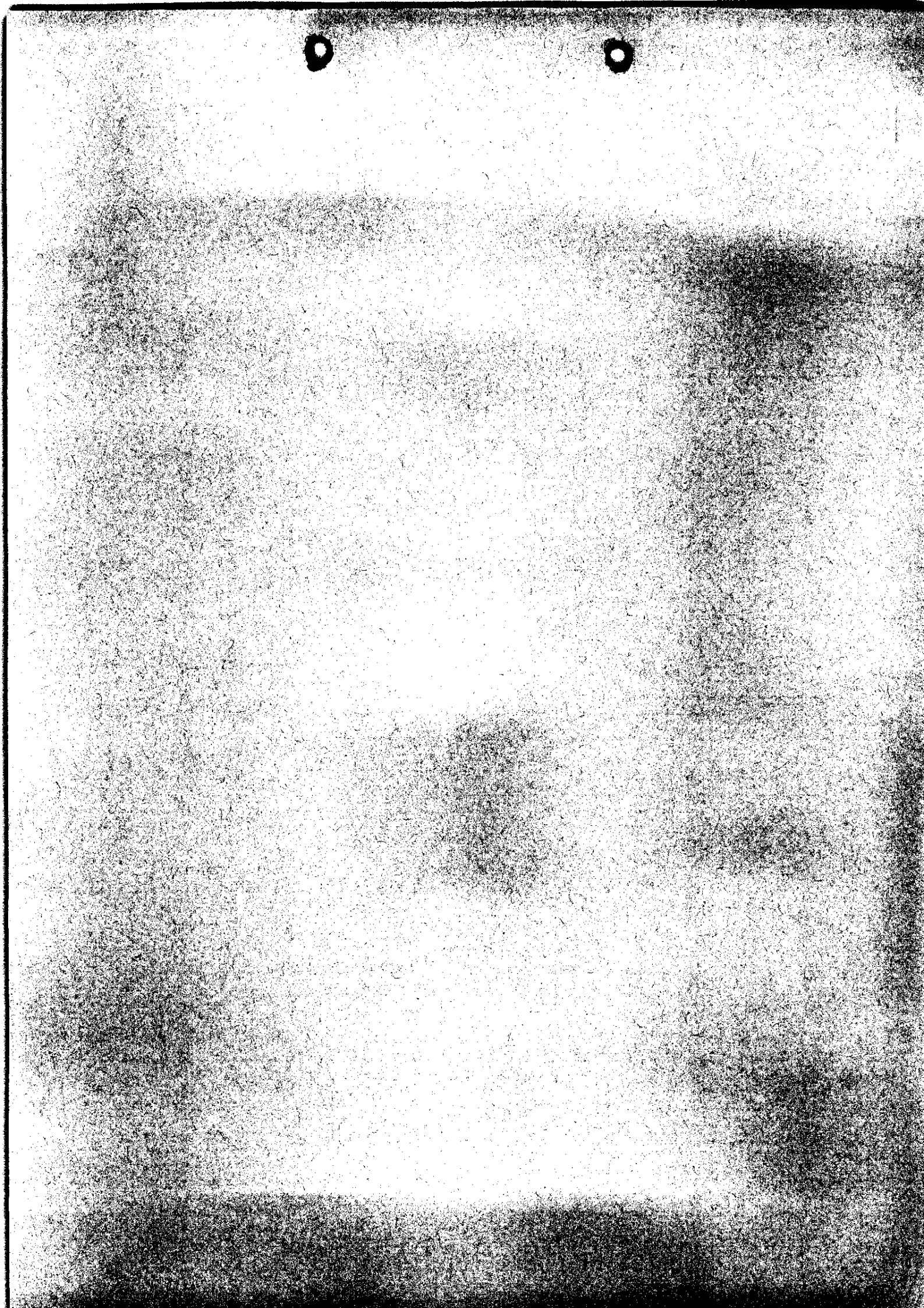


Interior of loading door on west side of building





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No. 68191

RISK WARNING The content of this promotion has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. Reliance on this promotion for the purpose of engaging in any investment activity may expose an individual to significant risk of losing all of the property or other assets invested.



Real Estate Development Company

Pacific Industrial Center Limited Partnership

3223 3rd AVENUE SOUTH, SUITE 200

SEATTLE, WA 98134 USA

The property owned by the Pacific Industrial Center Limited Partnership is within a Regional Center, designated by the U.S. Government and qualifying investors for Permanent Residency in the United States of America

The Pacific Industrial Center Limited Partnership is an US incorporated body and as such does not fall within the definition of a "collective investment scheme" for the purposes of the UK Financial Services and Markets Act 2000. Interests in the limited partnership are an interest in Shares for the purposes of the UK Financial Promotion Order 2005.

Because this prospectus has been prepared in compliance with the UK financial promotion restriction in section 21 Financial Services and Markets Act 2000 it differs from the prospectus for the same investment outside the United Kingdom.

Details of the property and the terms of the investment of \$525,000, into the Pacific Industrial Center Limited Partnership, are identical worldwide. Information about American Life, the PNW/Seattle economy and the SODO real estate market, which appear in prospectus documents outside the UK, are excluded as they have been provided by way of separate literature which is issued to all UK investors.

This document contains a Risk Warning, printed on the front cover in accordance with FSA regulations, and UK investors pay a fee of \$10,000 to American Life Inc. In other countries, where the Company relies on agents, a similar fee is payable directly to the local agent.



Real Estate Development Company

Pacific Industrial Center Limited Partnership

3223 3rd AVENUE SOUTH, SUITE 200

SEATTLE, WA 98134 USA

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USA
3223 3rd Avenue South
Suite 200
Seattle
WA 98134
Tel: 001 206 381 1690
Fax: 001 206 381 3927

American Life Inc.
UK
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London
W1S 1HX
Tel: +203 008 2490
Fax: +203 008 8601
e-mail: richard@americanlifeinc.com

For information regarding American Life, Inc. and the investment area, please visit our website: www.eb5-visa.co.uk

(b)(4) Comprehensive Business Plan**Pacific Industrial Center Limited Partnership****OVERVIEW**

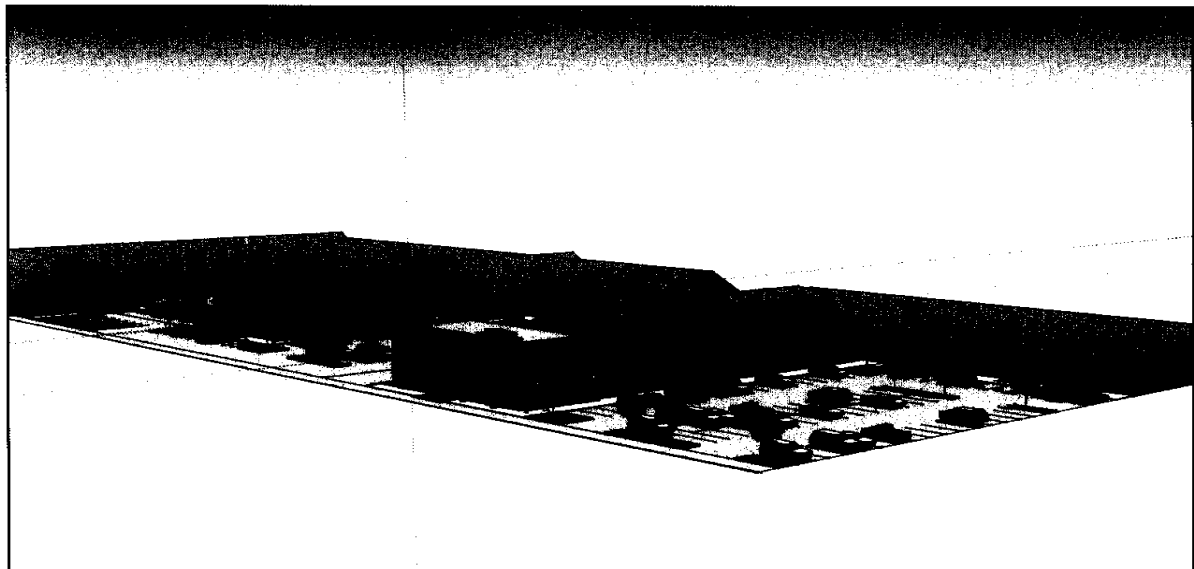
The Pacific Industrial Center Limited Partnership ("Pacific Industrial Center LP" or "LP"), a State of Washington limited partnership will acquire 176,580 square feet of land with 81,000 square feet of vacant buildings which are in various states of disrepair ("Property"). The site lies on the east side of the 2900 block of 4th Avenue South between South Lander and Spokane Street. 4th Avenue South is one of the major arterials connecting the central business district to the SODO industrial area. The Property's prime feature is 654 frontage feet on 4th Avenue South. There are very few sites of this size and street frontage in SODO. The LP has until April 10, 2007 to complete the purchase of the Property. The Pacific Industrial Center LP will remodel the existing buildings which includes demolishing 6,000 square feet of building and adding 18,000 square feet of new buildings to create 87,000 square feet of new showroom and light-industrial space. The Pacific Industrial Center LP will expend approximately [REDACTED] on renovations and improvements to the property, and it intends to manage the project for current cash flow and long-term appreciation.

BUILDING HISTORY AND CONDITION

The Property consists of 176,600 square feet of land and 81,000 square feet of low quality warehouse dating from 1929. The 19,000 square foot north building, built in 1929, is a two-story structure made of clay brick and steel. The remaining buildings date from 1962 and are primarily constructed of cement block. The property was part of the Duwamish River tidelands that covered most of the area. The center of the lot was filled with industrial scrap including battery casings. The lot is now completely paved with asphalt and cement in some areas. The Property was always used as an industrial salvage yard selling to wholesale and retail customers. The most recent tenant, Pacific Industrial Supply moved to a newer facility further south of the property.

RENOVATIONS

Pacific Industrial Center LP plans to commence renovations upon completing the purchase of the Property in April 2007. The Pacific Industrial Center LP plans to convert the existing structures to flex space or light industrial/showroom, which integrates office, light industrial, showroom and retail uses in one building allowing tenants to continually rebalance uses and hence maximize efficiency. The existing structures lay



out as a light industrial business park also suitable for retail uses. The Property requires a new roof, new windows, insulation, restoration of the front brick on the 1929 building, new bathrooms, new heating ventilation and air conditioning systems, new power distribution, reconfiguration of stairways and emergency exits, reconfiguration of upper floors, paving and parking. Superior 4th South frontage and generous parking will attract a variety of light industrial, showroom, retail uses. Work is underway to draw detailed plans and to obtain permits.

(b)(4) Pacific Industrial Center LP expects renovations to begin April of 2007 and be completed by February, 2008. We project a lease up time of an additional six months. Full rental income recovery may be further delayed by tenant improvements particular to a tenant, market conditions, or by the possibility of having to offer some period of free rent. We estimate the total renovation package to cost approximately [REDACTED] including tenant improvements soft costs, real estate broker commissions, contingencies, reserve, and related costs.

ESTIMATED PROJECT TIME LINE

Prior to April 2007 Closing – Draw plans and apply for building permits
 April 2007 – Closing
 April 2007 – February 2008 construct tenant improvements.
 March 2008 – August 2008 lease-up period.

LOCATION

The Property fronts along the east side of 4th Avenue South between S. Lander and Spokane St. The neighboring properties are generally warehouses or retail uses in similar states of disrepair and of similar vintages. There are other remodel projects in the area. The Interstate 5 and Interstate 90 Freeway ramp lies _ mile to the North of the subject property. 4th Avenue South has among the higher traffic counts in the area and is the primary arterial connecting downtown Seattle to the industrial areas to the South. This Project's superior frontage and parking must be considered a positive factor. The property may be viewed from local.live.com or from Google earth. Type in address 2960 4th Avenue South, Seattle, WA 98134.

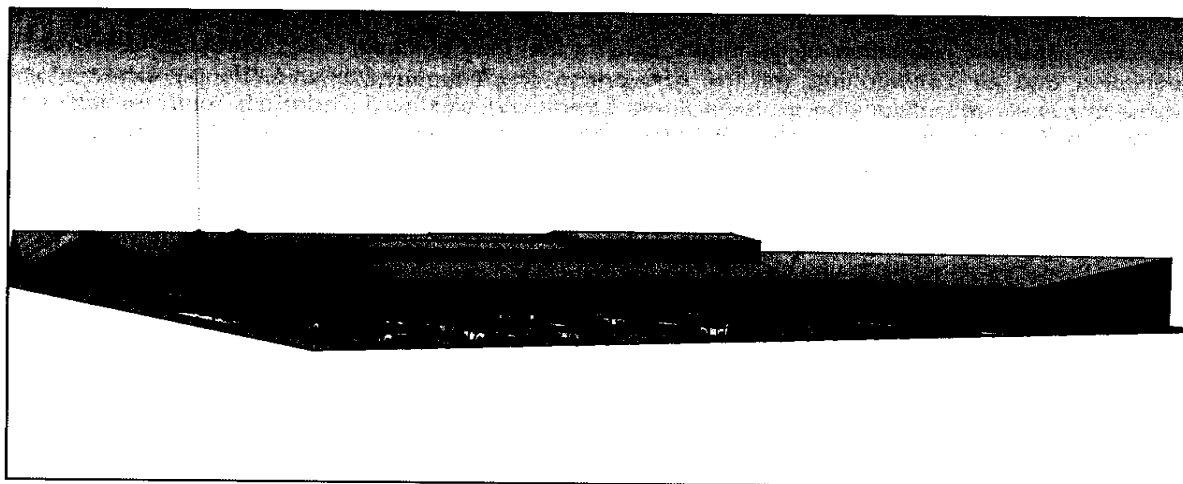
The Property is located within a Regional Center under the Immigrant Investor Pilot Program. The property is also located in a Targeted Employment Area (TEA) which allows a minimum investment of \$500,000. A qualifying investment within a Regional Center may qualify for permanent residence status without directly employing ten persons. The Port of Seattle and the City of Seattle sponsored the Regional Center designation. Federal and state governments designated the SODO area as an enterprise community and empowerment zone ("EC/EZ") eligible for a variety of grants and tax benefits. The primary objective of this Regional Center is to channel immigrant investor capital to rehabilitate abandoned or dilapidated industrial warehouses in the SODO. The Pacific Industrial Center LP purchase and renovation activity is consistent with the goals of the Regional Center.

MARKET ANALYSIS

SODO offers proximity to downtown Seattle, superior access to freeways, Port of Seattle, and the regional transportation network, and access to centrally located customers. The Pacific Industrial Center LP targets this market niche by improving functionally useless buildings into a modern, multi-tenant facility.

For at least the past twenty years, many businesses with large warehousing and manufacturing needs relocated away from Seattle to suburban Kent Valley located 20 miles to the south. Kent Valley offered larger, newer, affordable parcels for development, which drew jobs away from Seattle's industrial core. Warehouse rents in Kent Valley range from \$.35 to \$.45 per square foot per month for warehouse shell compared to average warehouse rents in SODO at \$.55 per square foot per month for a warehouse shell.

Over the past ten years, many metropolitan areas, including Seattle, adapted growth management rules to restrict suburban development and prevent urban sprawl. Growth management coupled with increasing traffic burdens on a freeway system built in the 1970s and the recent doubling of gasoline prices drives many companies to close-in industrial areas such as SODO. Close-in locations compensate for premium



rents with proximity to the ultimate customer, less driving time and lower fuel expenses. This nationwide market dynamic drives renovation of outdated industrial properties in close-in industrial areas in cities such as Seattle, Minneapolis, Indianapolis, Denver, Portland, and San Francisco. According to Lamb Hanson & Lamb Appraisers, SODO rents increased on average 7% per annum over the past twenty years.

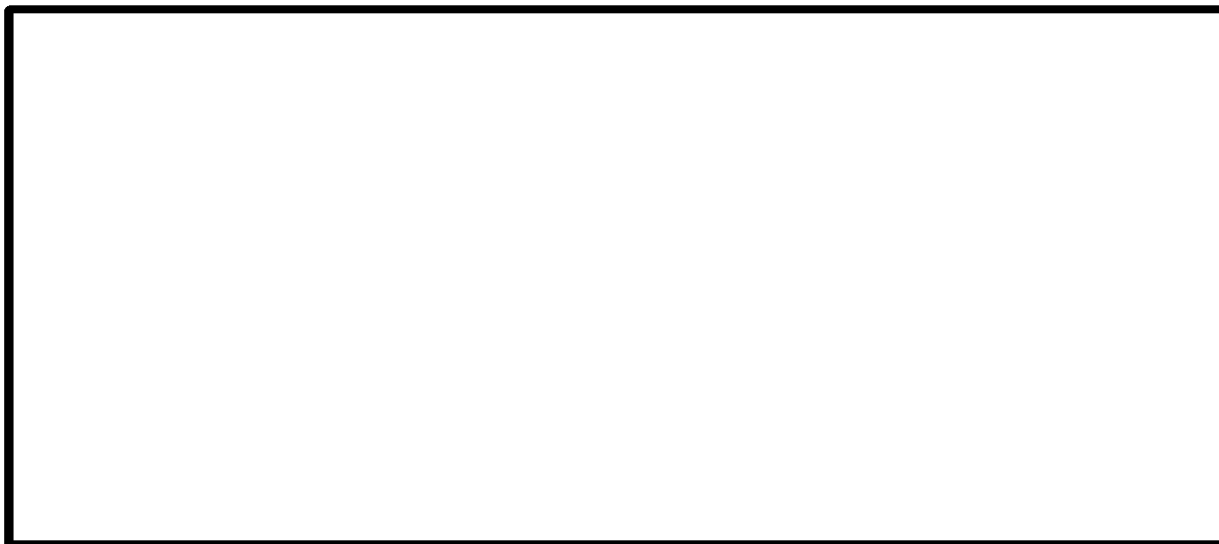
MANAGEMENT

Pacific Industrial Center LP is one of 25 investment entities managed by American Life Inc. American Life Inc. acquires, rehabilitates and manages older industrial warehouses located in the Duwamish industrial sector south of downtown ("SODO") Seattle. The Principals of American Life Inc. began investing in the Seattle area in the early 1980s and made their first SODO investments in 1995. Considering the affiliated investment entities as a group, American Life Inc. is one of the larger landlords in the SODO, with approximately 1,350,000 square feet of buildings under management.

American Life Inc. and its development partner H & S Investments located this investment opportunity, conducted due diligence, negotiated the purchase terms and raised the capital required for the land purchases and developed the initial project concept.

BUSINESS MODEL

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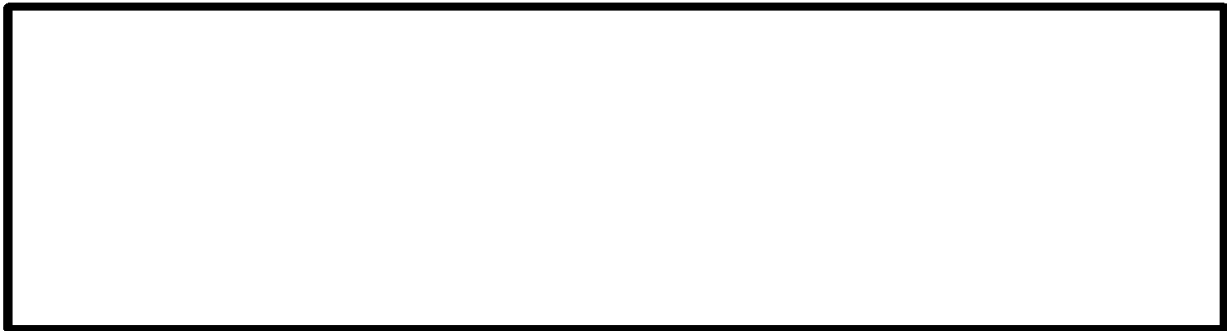


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PURCHASE TERMS

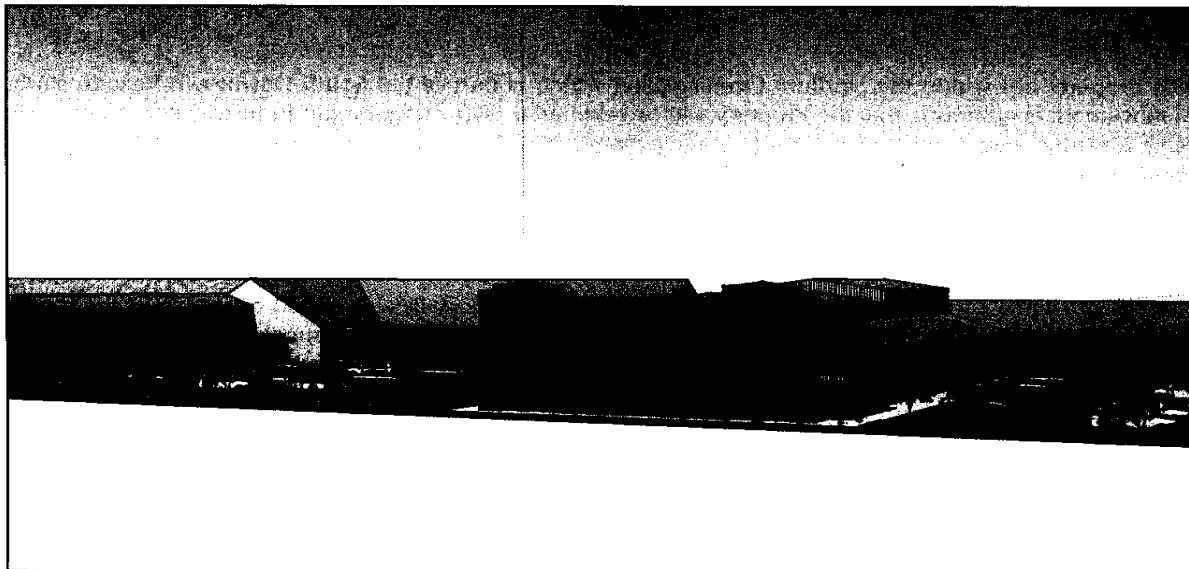
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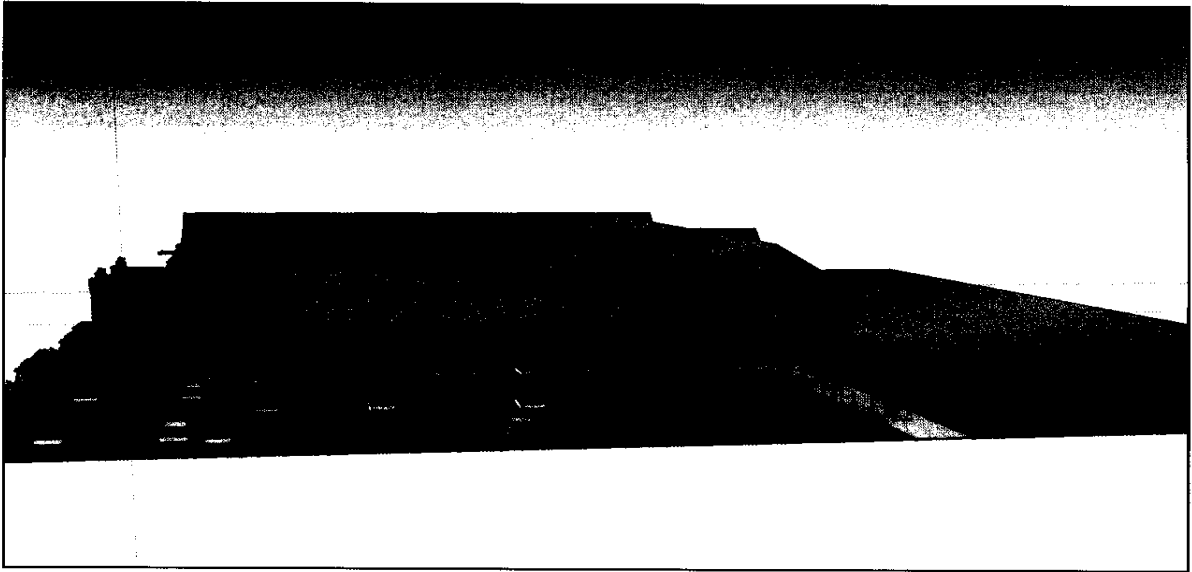


PROPERTY ANALYSIS AND VALUATION

COMPARABLE SALES AND RENTS:

The Romac Building, 64,000 square foot lot with 78,540 square feet of buildings, located on 4th Avenue South _ mile north of the Property recently sold for \$107 per square foot. This is the best comparable sale to the Property. Romac is a smaller property in a more visible location with superior buildings. The Seattle Monorail paid over \$100 per foot for 32,000 feet of land on the corner of 1st Avenue South and Lander Street. This location is about 1/4 mile west of the Property in a busier location but a much smaller parcel of land. The Monorail Authority sold the same site for \$165 per foot in July of 2006. Further north on 1st Avenue South, the 1701 property an old multi story warehouse situate on 27,690 square feet of land sold for \$158 per square





foot. This is an inferior building on a small lot in a more visible situation. There are no comparable sales in the immediate area for properties of similar size visibility and building quality. The mean price for virtually any property in the area on a per square foot of land basis is approximately \$100 per square foot of land assuming the building has no residual value. American Life Inc. maintains a library of appraisals and comparable sales that investors may obtain upon request.

OTHER DUE DILIGENCE

(b)(4)

The Seller commissioned a Phase 1 environmental assessment of the property, conducted by Windward Environmental LLC and a Limited Subsurface Investigation Report prepared by Vernon Environmental Inc. Both reports disclose hydrocarbon contamination above the industrial clean up limits cause by leaking underground storage tanks as well as residual effects of lead and other heavy metals leeching from the industrial wastes used as land fill. The Partnership budgeted [REDACTED] for clean up costs. Both reports are available upon request.

REZONE

The Property lies within the Stadium Overlay Zone which is part of the South Downtown Rezone study. Management is optimistic that the Property will be rezoned to allow larger retail, industrial and office uses. Such a rezone would increase the utility of the property by allowing a greater variety of uses. A rezone for residential uses is not likely in the near future. While no specific rezone proposals are before the City Council there have been several studies and public hearings on the topic.

EXIT STRATEGY

Predicting capital gains requires an accurate crystal ball. Occasionally, a so-called expert picks the top or bottom of a market and becomes a hero until his next wrong guess. In a simple world if one buys a warehouse and sells the same warehouse in the future most of the capital gain is inflation. In this extreme example the seller not only pays capital gain tax on inflation but also bears the transaction costs of the sale and the risk of placing the sale proceeds elsewhere. The real benefit is the rental income.

If one buys the same warehouse and changes its use to one commanding higher rents the reward is a premium for the change of use as well as the increased income stream. The Pacific Industrial Center LP, due to its unique source of financing, changes the Property's use with a structure that has a 25-year or so useful life. Due to the extensive up-front capital costs near term returns may seem low. As the leases renew, the Pacific Industrial Center LP should enjoy steadily increasing rents as compensation for upgrading the Property's use.

The SODO transportation infrastructure should be completed and integrated into the fabric of daily life in approximately 10 years. At that point, transportation and trading patterns will be solidified, thus paving the way for the next round of development taking advantage of the convenience afforded by the new transportation systems. The transportation infrastructure includes light rail, grade separation from rail lines, Highway 99 tunnel, and West Seattle Freeway expansion. These events culminating 10 to 15 years from present time, coincide with the mid-point of the useful life of the Pacific Industrial Center LP's investment, would likely be the optimum time to begin testing the market to sell.

Pacific Industrial Center Limited Partnership,
a State of Washington Limited Partnership

**By: American Life Inc., a Washington
Corporation, Managing General Partner**

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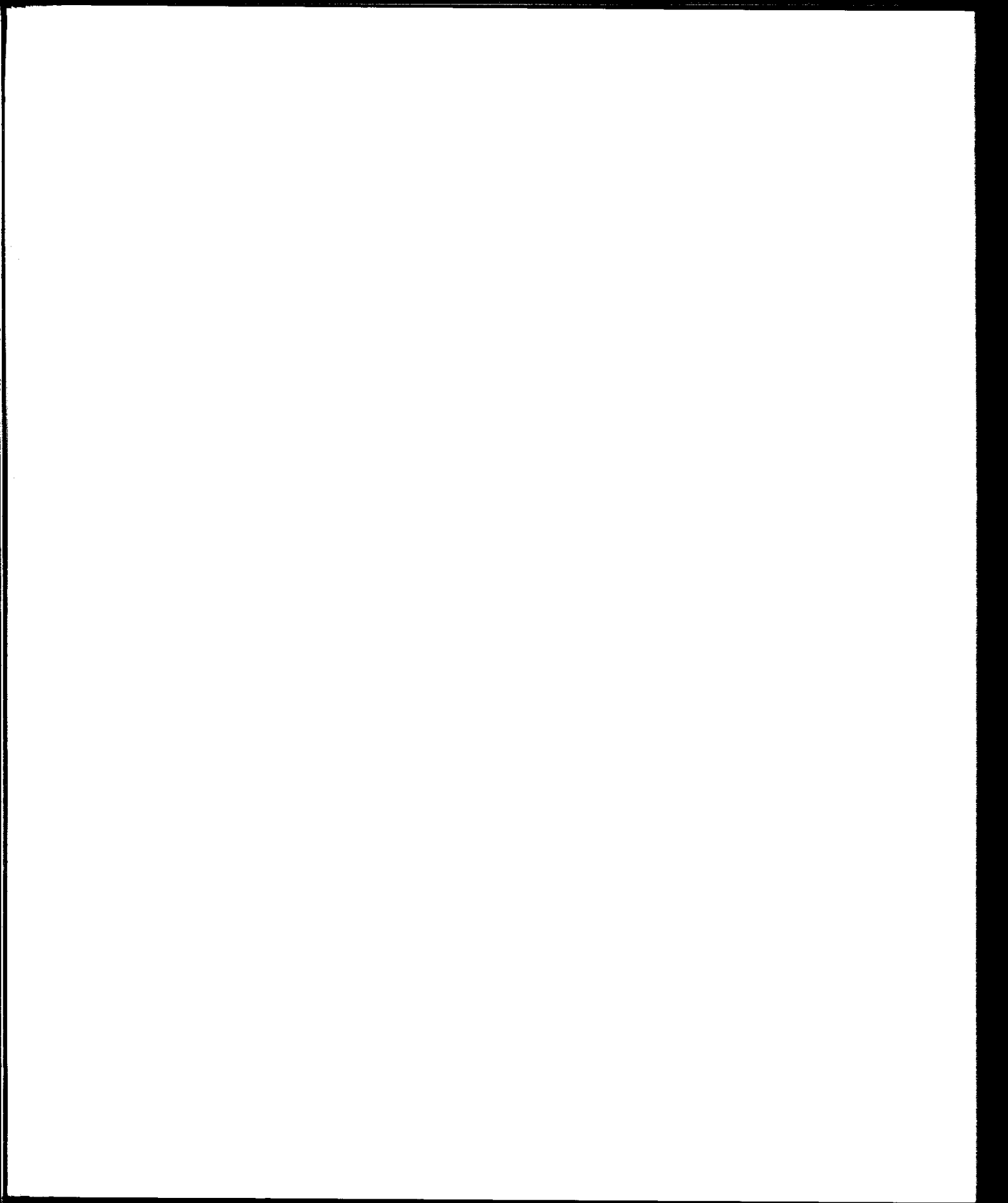
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Pacific Industrial Center Limited Partnership
(a Washington limited partnership)

Subscription Agreement

Pacific Industrial Center Limited Partnership
3223 3rd Avenue South, Suite 200
Seattle, Washington 98134-1943

Prospective Investor:

This Subscription Agreement is made by and between Pacific Industrial Center Limited Partnership, a Washington limited partnership (the Partnership), and the undersigned purchaser who is subscribing for the Partnership Interests as set forth below pursuant to the terms set forth in this Subscription Agreement.

I. AGREEMENT TO PURCHASE AND ADMISSION AS A LIMITED PARTNER

A. **PURCHASE.** Subject to the terms and conditions hereof, the undersigned hereby irrevocably agrees to purchase the partnership interest set forth in Subsection A (3) herein. The minimum Capital Contribution shall be

(b)(4)

[Redacted]

Payment in full for the Partnership Interests purchased accompanies the delivery of this Subscription Agreement (A Capital Contribution).

1. **Partnership Acceptance of Subscription Agreement.** The undersigned agrees that the Partnership may reject any subscription in its sole and absolute discretion within 15 days of receipt, and in particular, from any proposed subscriber who is not an accredited investor or who either alone or with his purchaser representative fails to meet the sophistication requirements set forth in Section II(A).

The Partnership shall notify the undersigned that it has accepted the subscription herein by delivering to the undersigned a signed copy of this Subscription Agreement.

2. **Capital Contributions.** Capital Contributions shall be made payable to Pacific Industrial Center Limited Partnership, delivered with this fully executed Subscription Agreement to the offices of the Partnership, at the address listed above. In the event the subscription is not accepted in whole or in part by the Partnership, the full or ratable amount, as the case may be, of any Capital Contribution received will be promptly refunded to the subscriber without deduction from or interest on the Capital Contribution.

3. **Purchase Terms:**

AMOUNT OF SUBSCRIPTION INCLUDING SYNDICATION FEE: USD\$ _____

PROPERTY VALUE TO CALCULATE PERCENTAGE: Your capital contribution including the syndication fee.

(b)(4)

PROPERTY VALUATION: [Redacted]

NAME(S) UNDER WHICH TITLE SHALL BE HELD: _____

ADDRESS _____

TELEPHONE/FAX _____
 EMAIL _____
 DATE OF BIRTH _____
 U.S. ALIEN NUMBER (IF APPLICABLE) _____
 U.S. SOCIAL SECURITY NUMBER _____
 OR U.S. TAXPAYER ID NUMBER (IF APPLICABLE) _____

YOU MAY WIRE YOUR CAPITAL CONTRIBUTION TO:

Credit Bank: Citibank, NA
 111 Wall Street
 New York, NY 10005

ABA Number: [Redacted]

Credit Account: [Redacted]

Credit Account Name: [Redacted]

For Further Credit to: Pacific Industrial Center Limited Partnership

For Benefit of: [investor's name], OR

(b)(4)

You may mail your check payable to Pacific Industrial Center Limited Partnership, and deliver the check and completed Subscription Agreement to:

American Life, Inc
 Attn: Henry Liebman
 C/o Pacific Industrial Center Limited Partnership
 3223 3rd Avenue South, Suite 200
 Seattle, Washington 98134-1943

- B. **ADMITTANCE AS LIMITED PARTNER.** Upon the Partnership's acceptance of this Subscription Agreement and receipt of your Capital Contribution, the undersigned shall be admitted as a Limited Partner of the Partnership. The undersigned acknowledges the receipt of a true and correct copy of the Partnership Agreement and agrees to be bound by its terms. Your Capital Contribution shall be used to further the business purposes of the Partnership as set forth in the Partnership Agreement.
- C. **INVESTMENT TERMS.** FOR A COMPLETE DESCRIPTION OF THE INVESTMENT TERMS AND HOW CASH WILL BE DISTRIBUTED PLEASE REFER TO THE PARTNERSHIP AGREEMENT.

You will receive each month a distribution of Available Cash Flow equal to your pro rata share of the Total Distribution for Limited Partners multiplied by [Redacted]

(b)(4)

You will receive upon the occurrence of a Capital Event your pro rata share of the Net Proceeds from a Capital Event multiplied by [Redacted]

This is a long-term investment with no redemption option.

(b)(4)

The Capital Appreciation Percentage referenced in Article 6.02(2) of the Limited Partnership Agreement is [Redacted] for purposes of distributing Net Proceeds from a Capital Event and [Redacted] for purposes of distributing Available Cash Flow as set forth in 6.02(1)(c).

D. EB5 INVESTORS

- 1. **Independent Counsel.** Investor shall hire an Independent Counsel for immigration processing and other legal matters. Investor shall be responsible for payment of legal fees and costs.
- 2. **Filing the Immigration Petition.** American Life Inc. shall use its best efforts to assist Investor's Counsel for the filing of Investors I-526 and I-829 petitions, and verifying required direct and indirect employment until the removal of Investor's conditional permanent residency. The General Partners shall not charge additional fees to assist the Investors permanent residence application.

- (b)(4) 3. **Visa Denial.** If the Investor's I-526 or I-829 petition is denied, American Life, Inc. shall pay back Investor's original capital investment of [REDACTED] in cash within ninety days of Investor's written request. In the event any visa petition is denied, the Investor's rights are limited to return of the [REDACTED] principal sum of invested capital only.

The returned \$500,000 capital investment is separate from any previously paid or currently due limited partnership distribution.

4. American Life, Inc. agrees that it will not sell the property Investor relies upon for Eb5 visa approval until removal of Investor's conditional permanent residence status.

(b)(4) **Partnership interests are available on a first-come first-serve basis. Those who need additional time to gather investment capital may make a non-refundable deposit of [REDACTED] by the Partnership within the 90-day period. We recommend assessing availability before engaging professional assistance.**

- E. **GENERAL PARTNER'S WARRANTIES.** The General Partner hereby represents and warrants that the Limited Partnership is duly organized, registered and in good standing in the State of Washington and that the Partnership shall comply with all applicable laws and regulations with respect to the Partnership.

II. REPRESENTATIONS AND WARRANTIES

The undersigned hereby represents and warrants to the Partnership as follows:

- A. That the offer to sell the Partnership Interests was directly communicated to the undersigned by the Partnership through the Memorandum and meetings with the General Partner of the Partnership in such a manner that the undersigned was able to ask questions of and receive answers from the Partnership or a person acting on its behalf concerning the terms and conditions of this investment. At no time was the undersigned presented with or solicited by or through any leaflet, public promotional meeting, television advertisement or any other form of general solicitation or advertising.
- B. That the undersigned is the sole and true party in interest and is not subscribing for the benefit of any other person. If the undersigned is a corporation, partnership or other entity, the undersigned was not organized for the purpose of acquiring the Partnership Interests. If the undersigned is an individual, he or she is twenty-one (21) years of age or over.
- C. That the Partnership Interests are being purchased for the undersigned's own account solely for investment, and with no present intention to distribute any of the Partnership Interests to any other person.
- D. That the undersigned understands that the Partnership Interests are not being registered under the Securities Act of 1933, as amended (Securities Act) in reliance upon the so-called "private offering" exemption provided by Section 4(2) the Securities Act and/or Regulation D promulgated pursuant to the Securities Act, and that the Partnership is basing its exemption in part on the representations, warranties, statements and agreements contained herein and those of other subscribers contained in similar subscription agreements.
- E. That the undersigned is an Accredited Investor within the meaning of Rule 501 of Regulation D promulgated pursuant to the Securities Act; or, if not an Accredited Investor, the undersigned is sophisticated and has, either alone or together with a Purchaser Representative, such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of a prospective investment in the Partnership Interests.

The undersigned understands that if a Purchaser Representative is used, the Purchaser Representative must complete, and the undersigned must review and acknowledge, a separate Purchaser Representative Questionnaire and Purchaser Acknowledgment, which must be returned to the Partnership prior to acceptance of this Subscription Agreement.

- F. That the undersigned understands that the Partnership Interests have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed or reviewed the accuracy or determined the adequacy of the information set forth in the Memorandum.

- G. That the undersigned understands that the Partnership Interests are characterized as a restricted securities under the Act and applicable state securities laws inasmuch as they are being acquired from the Partnership in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be transferred or resold without registration under the Securities Act and applicable state securities laws only in certain limited circumstances.
- H. That prior to executing this Subscription Agreement, The undersigned confirms that all documents requested by the undersigned have been made available, and that the undersigned has been supplied with all of the additional information concerning this investment that has been requested.
- I. That the undersigned has carefully considered and has, to the extent the undersigned considers necessary, discussed with the undersigned's professional legal, tax and financial advisers the suitability of an investment in the Partnership for the undersigned's particular tax and financial situation.
- J. That the undersigned has adequate means of providing for current needs and personal contingencies, and is aware that an investment in the Partnership Interests is highly speculative and subject to substantial risks. The undersigned is capable of bearing the high degree of economic risk and burden of this investment, including but not limited to, the possibility of the complete loss of all contributed capital and the limited transferability of the Partnership Interests.
- K. That the undersigned understands that the Partnership prepared pro formas and estimates of possible revenues and expenses and the possible consequent financial returns the Partnership could experience if such revenues and expenses were achieved. The undersigned understands that the Partnership is still in an early stage of development and has no history of achieving such revenues. The Partnership estimates are based on a good faith belief of what the Partnership can accomplish if it is able to obtain adequate financing and is able to commence and maintain operations in accordance with its current business plan. The pro formas were not prepared by any independent accountant and were not prepared with a view toward compliance with the Association of Independent Certified Accountants' guidelines for projections. The assumptions and estimates are uncertain and the actual results of the Partnership will vary from the projected results and could vary in a materially adverse manner.
- L. That the undersigned, in making the decision to purchase the Partnership Interests subscribed for, relied upon independent investigations made by the undersigned and his or her Purchaser Representatives (if any), and the undersigned and such representatives (if any) have, prior to any sale to the investor, been given access and the opportunity to examine all material books and records of the Partnership, all material contracts and documents relating to this offering, and an opportunity to ask questions and receive answers from the Partnership or any person acting on its behalf concerning the terms and conditions of this offering, and an opportunity obtain any additional information, to the extent the Partnership possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of any information provided.
- M. THAT THE UNDERSIGNED EITHER READS AND UNDERSTANDS ENGLISH OR HAD THIS SUBSCRIPTION AGREEMENT TRANSLATED BY A TRUSTED ADVISOR INTO A LANGUAGE THAT THE UNDERSIGNED DOES UNDERSTAND.
- N. That each representation and warranty of the undersigned contained herein and all information furnished by the undersigned to the Partnership, is true, correct and complete in all respects.

III. RISK FACTORS

THE AMERICAN LIFE INC FUNDS ARE US-BASED LIMITED PARTNERSHIPS THAT FALL WITHIN THE REGULATORY REMIT OF THE US SECURITIES AND EXCHANGE COMMISSION (SEC) AND ARE NOT REQUIRED TO BE AUTHORISED OR RECOGNISED BY THE UK FINANCIAL SERVICES AUTHORITY (FSA). ANY COMMUNICATIONS THAT ARE, OR MAY BE, DIRECTED AT UK INDIVIDUALS ARE PREPARED IN COMPLIANCE WITH THE UK FINANCIAL PROMOTION RESTRICTION IN SECTION 21 FINANCIAL SERVICES AND MARKETS ACT 2000.

AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES

AN INVESTMENT IN THE PARTNERSHIP SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP

- A. **LACK OF SIGNIFICANT OPERATING HISTORY.** This Partnership is being formed for the specific purpose of acquiring this Project. Accordingly, neither the Partnership nor the General Partner has any operating history with respect to the Project. The General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.
- B. **FINANCIAL PROJECTION.** Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections which are attached to the Memorandum are based upon what the General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership and the representations of seller as to past operations of the Project. No assurances can be made that these forecasts will prove to be accurate, and investors are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Partners percentage interest in the Partnership.
- C. **GENERAL RISKS OF REAL ESTATE OWNERSHIP.** The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks; condemnation of the Project and other factors which are beyond the control of the Partnership and the General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.
- D. **LEVERAGE AND OTHER FACTORS RELATING TO FINANCING.** Although the Partnership has no plans to borrow, emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.

- E. **FUTURE MARKET VALUE OF THE PROJECT.** The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes in tax laws and numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.
- F. **DISTRIBUTIONS FROM OPERATIONS.** The General Partner has made qualified projections as to distributions to the Investors from operations. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be cash from operations available for distribution to the Investors. Investors who borrowed all or part of their capital contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.
- G. **GENERAL TAX RISKS.**

Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since the investors generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

1. Changes in federal income tax laws;
2. Partnership status;
3. Taxable income in excess of distributions;
4. Allocation of tax items among Partners;
5. Allocation of purchase price;
6. Partnership termination;
7. At risk limitations;
8. Risk of audit;
9. Profit objective; and
10. Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the undersigned. Each prospective subscriber is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

H. **LIMITED TRANSFERABILITY OF PARTNERSHIP INTERESTS.**

Except upon death, a Limited Partner may not assign, sell or transfer his Partnership Interests to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Partnership Interests and it is not anticipated that a market will develop for the purchase or sale of the Partnership Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

- I. **ILLIQUIDITY.** Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.
- J. **LIMITATION OF GENERAL PARTNER'S LIABILITY.** Under the Washington Uniform Limited Partnership Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.

- K. **LIMITED RIGHT TO PARTICIPATE IN MANAGEMENT.** The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the General Partner, except as expressly provided in the Partnership Agreement.
- L. **NO INDEPENDENT COUNSEL.** No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each investor is therefore urged to consult with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.
- M. **UNINSURED LOSSES; CASUALTY INSURANCE.** Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.
- N. **ENVIRONMENTAL RISKS.** The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such as adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project. The SODO area is an older industrial area generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government.
- O. **POTENTIAL CONFLICT OF INTEREST.** The obligations of the General Partner to the Partnership is not exclusive, and the General Partner need only devote so much time to the Partnership's affairs as the General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The General Partner will from time to time be involved in approximately twenty-five (25) other properties that may compete with the Project. Commitments undertaken by the General Partner in connection with such other properties could adversely affect its ability to manage the Project.
- P. **IMMIGRATION RISKS**
- 1) Congress and or USCIS may change the law, regulations, or interpretations of the law without notice and in a manner that may be detrimental to an Investor or the Partnership.
 - 2) It is impossible to predict visa-processing times. Investors should not physically move to the United States until their visa has been issued.
 - 3) Investors who obtain permanent residence status must intend to make the United States their primary residence. Permanent residents who continue to live abroad risk revocation of their permanent residence status.
- Q. **CONSTRUCTION RISKS.**
- The project involves significant construction activity. Remodeling older buildings often involves surprises and unexpected problems. These problems may delay in construction which in turn delays the ability to generate cash flow and increase costs which can significantly increase management's projected construction costs and reduce projected rates of return. The City of Seattle can be very slow in issuing building permits. In any event, it may be virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs.

IV. POWER OF ATTORNEY

The undersigned hereby irrevocably makes, constitutes and appoints American Life Inc., and each general partner of the Partnership, with full power of substitution its true and lawful attorney-in-fact in its name to execute and acknowledge (i) the Partnership Agreement in substantially the form enclosed herewith and to attach the limited partner execution page delivered herewith to such Partnership Agreement and thereby cause the undersigned to

become a limited partner in the Partnership; and (ii) any document required to effect the formation or continuation of the Partnership or which counsel to the Partnership deems necessary or desirable to comply with any state or federal law. The power of attorney hereby granted is irrevocable and coupled with an interest and may be exercised by the attorney-in-fact for the undersigned as well as other limited partners of the Partnership by executing any instrument by use of the single signature of such attorney-in-fact acting for all the limited partners.

V. MISCELLANEOUS

- A. **INDEMNIFICATION.** The undersigned hereby agrees to indemnify the Partnership and hold the Partnership harmless from and against any and all liability, damages, costs or expenses incurred on account of or arising out of:
1. Any inaccuracy in the declarations, representations, and warranties hereinabove set forth;
 2. The disposition of any of the Partnership Interests by the undersigned, contrary to the foregoing declarations, representations and warranties; and
 3. Any action, suit or proceeding based upon (i) a claim that the herein declarations, representations or warranties were inaccurate or misleading or otherwise a cause for obtaining damages or redress from the Partnership; or (ii) the disposition of any of the Partnership Interests or any part thereof, contrary to the foregoing, declarations, representations and warranties.
- B. **CONFIDENTIALITY.** The undersigned acknowledges that the information contained in this Subscription Agreement and in the Memorandum, and which the undersigned receives orally or in writing from the Partnership is confidential and non-public and agrees that all such information shall be kept in confidence by the undersigned unless disclosure is otherwise required by law or court order.
- C. **BINDING AGREEMENT.** The undersigned agrees that the undersigned may not cancel, terminate or revoke this Subscription Agreement or any agreement of the undersigned made hereunder, and that this Subscription Agreement shall survive the death or disability of the undersigned and shall be binding upon the heirs, successors, assigns, executors, administrators, guardians, conservators or personal representatives of the undersigned.
- D. **DEFINED TERMS.** Capitalized terms not defined herein shall have the meaning as in the Partnership Agreement.
- E. **COUNTERPARTS.** This Subscription Agreement may be executed in any number of counterparts, each of which shall be considered an original but all of which together shall constitute one and the same instrument.
- F. **SEVERABILITY.** Every provision of this Subscription Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Subscription Agreement.
- G. **NON-WAIVER.** No provision of this Subscription Agreement shall be deemed waived except if such waiver is contained in a written notice given to the party claiming such waiver has occurred, and no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.
- H. **APPLICABLE LAW.** This Subscription Agreement shall be interpreted and enforced in accordance with the federal laws of the United States of America and the state laws of the State of Washington, without giving effect to principles and provisions relating to choice of law.
- I. **ENTIRETY OF AGREEMENT.** This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof.
- J. **ADDITIONAL INFORMATION.** The undersigned shall supply the Partnership with such additional information and documentation as may be required in order to ensure compliance with applicable law, including, without limitation, the Securities Act and regulations promulgated thereunder.

K. **COMPANY PRIVACY POLICY.** It is the Company policy of American Life, Inc. to protect the privacy of its investors. Therefore, the Company will not disclose the names of investors to those outside of that limited partnership that each investor is invested in, unless required to do so by law. However, each investor has the legal right of access to names, contact information, and percentage ownership of the other investors within his/her Limited Partnership.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement on the date set forth on the signature page, and desires to take title in the Partnership Interests (check one):

- _____ a. Individual (one signature required on the Signature Page);
- _____ b. Husband and Wife, as community property (one [1] signature required on the Signature Page if interest held in one [1] name, i.e., managing spouse; two [2] signatures required on the signature Page if interest held in both names);
- _____ c. Joint Tenants with right of survivorship (both parties must sign Signature Page);
- _____ d. Tenants in Common (both parties must sign Signature Page);
- _____ e. Trust /Custodian must sign the Signature Page);
- _____ f. Partnership (general partner(s) must sign the Signature Page);
- _____ g. Corporation (authorized officer must sign on the Signature Page);
- _____ h. Limited Liability Partnership (authorized managing member must sign on Signature Page; in the event the Partnership is member managed, then all members must sign the Signature Page).

If subscriber is an individual or husband and wife:

Signature: _____

Signature of Spouse: _____

If subscriber is a Trust/Custodian:

- a. Name: _____
- b. Name: _____
- c. Date formed: _____
- d. Signature: _____

If subscriber is a Partnership:

- a. _____
Name of Partnership
- b. By: _____
Signature of General Partner
- c. By: _____
Signature of Additional General Partner if required by Partnership Agreement

If subscriber is a Corporation:

- a. _____
Name of Corporation
- b. By: _____
Signature of Authorized Agent
- c. _____
Title of Signer

If subscriber is a Limited Liability Company:

- a. _____
Name of Limited Liability Company
- b. By: _____
Signature of Authorized Agent
- c. _____
Title of Signer

Additional Members' Signatures (if needed):

Signature of Member	_____	Print Name
Signature of Member	_____	Print Name
Signature of Member	_____	Print Name
Signature of Member	_____	Print Name

SUBSCRIPTION ACCEPTED this ____ day of _____, 2006.

The Pacific Industrial Center Limited Partnership, a Washington limited partnership

By: American Life, Inc., a Washington Corporation
Managing General Partner

By: _____
Henry Liebman, President

(b)(4)

(b)(4)

(b)(4)

(b)(4)

(b)(4)

(b)(4)

**CERTIFICATE OF FORMATION
OF
PACIFIC INDUSTRIAL CENTER LIMITED PARTNERSHIP**

THE UNDERSIGNED hereby executes the following Certificate of Formation for the purpose of forming a limited partnership under the Washington Limited Partnership Act pursuant to the Revised Code of Washington, Ch. 25.10.

ARTICLE I

The name of this limited partnership is **Pacific Industrial Center Limited Partnership**, a Washington State limited partnership.

ARTICLE II

The records required by RCW 25.10.050 to be maintained by the limited partnership shall be kept at an office located at 3223 3rd Ave. S., #200, Seattle, Washington 98134.

ARTICLE III

The name of the limited partnership's initial registered agent is Robert Mimbu. The address of the limited partnership's initial registered office is Liebman-Mimbu, PLLC, 3223 3rd Ave. S., Ste. 200, Seattle, Washington 98134.

ARTICLE IV

The names and geographical and mailing addresses of general partners are:

American Life, Inc.
3223 3rd Ave. So., Ste. 200
Seattle, WA 98134

H & S Investments, LLC
3100 Airport Way So.
Seattle, WA 98134

Articles-1

ARTICLE V

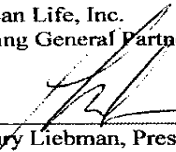
The latest date upon which the limited partnership shall be dissolved is the date that is thirty five (35) years after the date of filing of this Certificate of Limited Partnership with the Washington Secretary of State.

ARTICLE VI

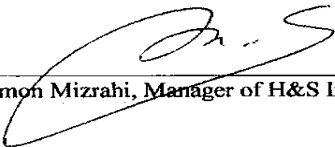
The effective date of this Certificate of Limited Partnership shall be the date on which it is actually file with the Secretary of State.

DATED this 8th day of November 2006.

American Life, Inc.
Managing General Partner

By: 
Henry Liebman, President of American Life, Inc.

H & S Investments, LLC
General Partner

By: 
Shimon Mizrahi, Manager of H&S Investment, LLC

Articles-2

CONSENT TO APPOINTMENT AS REGISTERED AGENT

I, Robert Mumbu, hereby consent to serve as registered agent in the state of Washington for the following limited partnership: **Pacific Industrial Center Limited Partnership**. I understand that as agent for the limited partnership, it will be my responsibility to accept service of process in the name of the limited partnership; to forward all mail license renewals to the appropriate members of the limited partnership; and to immediately notify the Office of the Secretary of State of my resignation or of any change in the address of the registered office of the limited partnership for which I am agent.

DATED this 8th day of November 2006,


Robert Mumbu
3223 3rd Avenue South #200
Seattle, WA 98134

Articles-3



Real Estate Development Company

Appendix III. American Life Properties Data

Land area north of Spokane Street to the Stadiums at Royal Brougham

Total area +/-550 acres.
 Government owned land +/-approximately 230 acres

1. LONE STAR CEMENT WAREHOUSE

Address 6335 1st Avenue South, Seattle, WA 98108
 Land Area 112,000 sq ft
 Built out Area 57,960 sq ft
 Number of tenants 5
 Usage Warehouse/showroom/office

2. ST. VINCENT BUILDING

Address 2963 Utah Ave South, Seattle, WA 98134
 Land Area 10,000 sq ft
 Built out Area 10,000 sq ft
 Number of tenants 1
 Usage Warehouse/showroom/office or parking

2959 UTAH AVE.

Address 2959 Utah Avenue South, Seattle, WA 98134
 Land Area 19,800 sq ft
 Built out Area 7,400 sq ft
 Number of tenants 0
 Usage: Industrial/showroom/flex

3. MENDELSON LAND

Address 2nd and Hinds St., Seattle, WA 98134
 Land Area 22,000 sq ft
 Number of tenants 1
 Usage Yard Space

4. CLOSE ELECTRIC BUILDING

Address 3317 3rd Ave South, Seattle, WA 98134
 Land Area 30,000 sq ft
 Built out Area 37,000 sq ft
 Number of tenants; 4
 Usage: Warehouse/showroom/office

5. PIPE BUILDING

Address 3223 3rd Avenue South, Seattle, WA 98134
 Land Area 70,000 sq ft
 Built out Area 48,057 sq ft
 Number of tenants; 6
 Usage: Office/warehouse

- 6. 2962 1ST AVENUE SOUTH**
 Address 2962 1st Avenue South, Seattle, WA 98134
 Land Area 9,000 sq ft
 Built out Area 8,000 sq ft – Under Renovation
 Number of tenants 2
 Usage Office/retail
- 7. HULLIN TRANSFER BUILDING**
 Address 270 South Hanford, Seattle, WA 98134
 Land Area 128,500 sq ft
 Built out Area 100,913 sq ft
 Number of tenants 19
 Usage Warehouse/office/industrial
- 8. ESQUIN BUILDING**
 Address 2700 4th Avenue S., Seattle, WA 98134
 Land Area 67,315 sq ft
 Built out Area 60,315 sq ft
 Number of tenants 5
 Usage Retail/showroom
- 9. INDUSTRIAL TRANSFER BUILDING**
 Address 624 South Lander Street, Seattle, WA 98134
 Land Area 160,000 sq ft
 Built out Area 113,000 sq ft; divided into 1500-5000 square foot industrial suites
 Number of tenants 1
 Usage: Office/warehouse
- 10. 2440 1ST AVENUE SOUTH**
 Address 2440 1st Avenue South Seattle, WA 98134
 Land Area 22,662 sq ft
 Built out Area 22,662 sq ft
 Number of tenants 1
 Usage Retail/showroom
- 11. 2430 1ST AVENUE SOUTH**
 Address 2430 1st Avenue South Seattle, WA 98134
 Land area 9,000 sq ft
 Number of tenants 0
 Usage Parking Lot
- 12. 2418-20 1ST AVENUE SOUTH**
 Address 2400 Block 1st Avenue South Seattle, WA 98134
 Land Area 27,000 sq ft
 Built out Area 27,000 sq ft
 Number of tenants 5
 Usage: Retail/warehouse strip
- 13. COAST CRANES BUILDING**
 Address 1500 block South Utah Street, Seattle, WA 98134
 Land Area 70,000 sq ft
 Built out Area 23,500 sq ft
 Number of tenants 1
 Usage: Office/warehouse with event parking

- 14. OWL TRANSFER BUILDING**
 Address 3623 6th Ave South, Seattle, WA 98134
 Land Area 140,000 sq ft
 Built out Area 73,335 sq ft
 Number of Tenants 7
 Usage Industrial/showroom/distribution/flex
- 15. GORLICK SUPPLY**
 Address 2944 1st Ave S, Seattle, WA 98134
 Land Area 36,000 sq ft
 Built out Area 28,000 sq ft, including mezzanine
 Number of Tenants 3
 Usage Retail/showroom/office
- 16. RIVERS WEST BUILDING**
 Address 2900 4th Ave South, Seattle, WA 98134
 Land Area 60,000 sq ft
 Built out Area 48,000 sq ft
 Number of tenants 3
 Usage: Industrial/showroom/distribution
- 17. EDERER CRANES BUILDING**
 Address 2925, 2931 1st Avenue South and 2936 Utah Avenue South,
 Seattle, WA 98134
 Land Area 64,380 sq ft
 Built out Area 74,680 sq ft
 Number of tenants 1
 Usage: Industrial
- 18. EDERER ANNEX BUILDING**
 Address 66 South Horton Street, Seattle, WA 98134
 Land Area 30,000 sq ft
 Built out Area 29,700 sq ft
 Number of tenants 0
 Usage: Warehouse/office/industrial
- 19. 2945 1ST AVENUE SOUTH**
 Address 2945 1st Avenue South, Seattle, WA 98134
 Land Area 9,000 sq ft
 Built out Area 9,000 sq ft
 Number of tenants 0
- 20. 3601 W. MARGINAL WAY S.W.**
 Address 3601 W. Marginal Way S.W., Seattle, WA 98106
 Land Area 20,000 sq ft
 Built out Area 17,000 sq ft
 Number of tenants 1
 Usage: Light industrial/showroom
- 21. 3100 AIRPORT WAY SOUTH**
 Address 3100 Airport Way South, Seattle, WA 98134
 Land Area 18,000 sq ft
 Built out Area 150,000 sq ft
 Number of tenants 1
 Usage: Storage facility/office/parking

22. 1016 1ST AVENUE SOUTH	
Address	1016 1st Avenue South, Seattle, WA 98134
Land Area	10,000 sq ft
Built out Area	51,250 sq ft
Number of tenants	9
Usage:	Retail/office/parking
23. 4746 OHIO AVENUE SOUTH	
Address	4746 Ohio Avenue South, Seattle, WA 98134
Land Area	455,037 sq ft (10.22 acres)
Built out Area	283,000 sq ft
Number of tenants	4
Usage:	Warehouse/showroom/industrial
24. 2960 4TH AVENUE SOUTH	
Address	2930 4th Avenue South, Seattle, WA 98134
Land Area	163,000 sq ft
Built out Area	85,000 sq ft
Number of tenants	1
Usage:	Industrial
25. 2444 1ST AVENUE SOUTH	
Address	2444, 2450, 2456 & 2462 1st Avenue South, Seattle, WA 98134
Land Area	19,500 sq ft
Built out Area	31,500 sq ft
Number of tenants	2
Usage:	Retail/showroom/office
26. 1000 1ST AVENUE SOUTH	
Address	1000 1st Avenue South, Seattle, WA 98134
Land Area	22,338 sq ft
Built out Area	76,000 sq ft
Number of tenants	0
Usage:	Retail/showroom/office
27. 2764 1ST AVENUE SOUTH	
Address	2764 1st Avenue South, Seattle, WA 98134
Land Area	27,000 sq ft
Built out Area	6,00 sq ft
Number of tenants	1
Usage:	Retail/showroom/office

Appendix IV. Map

MAP COLOR KEY

Green, Light Pink, Rose, and Orange

Blue Line:

Purple Lines:

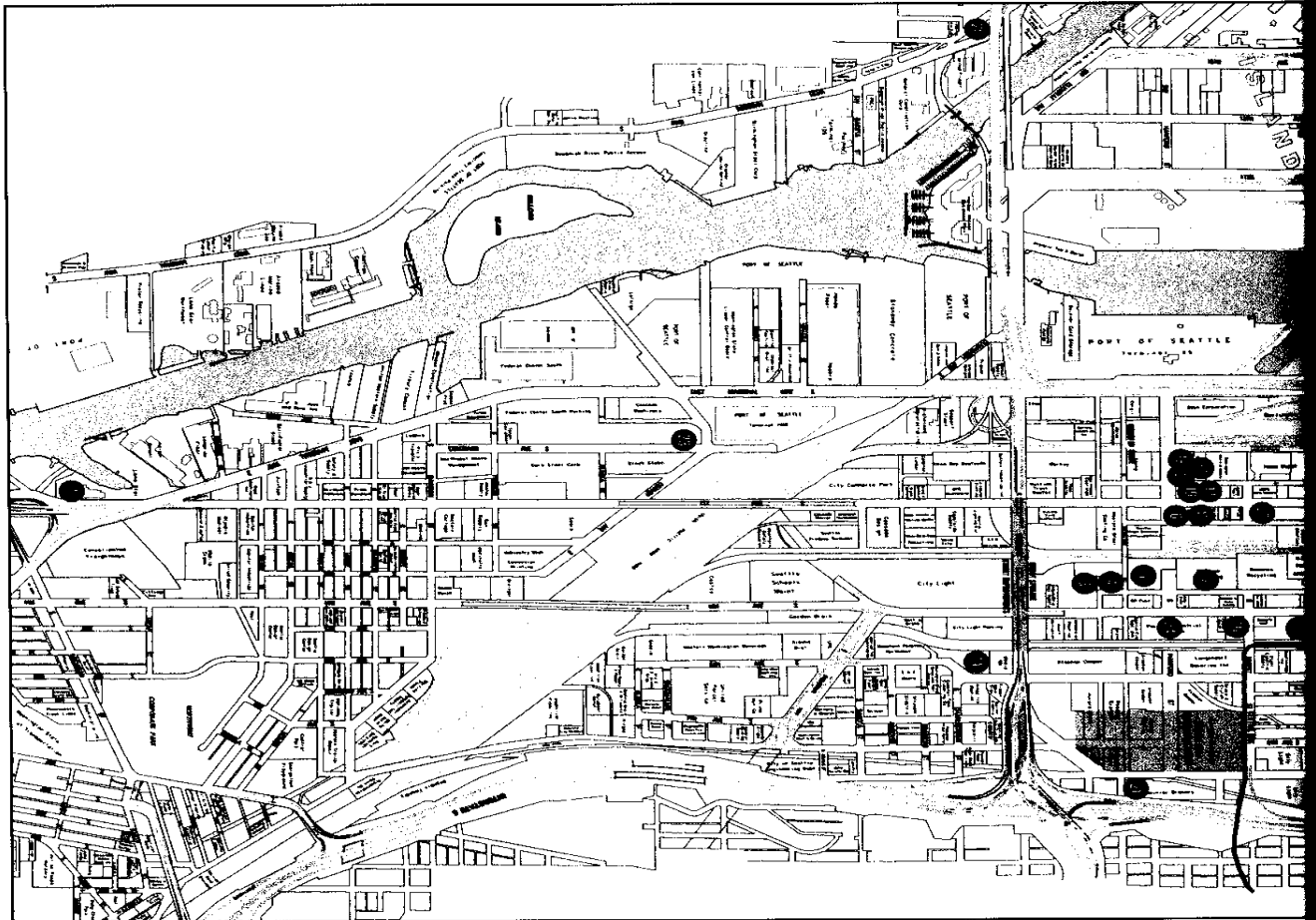
Gray Lines:

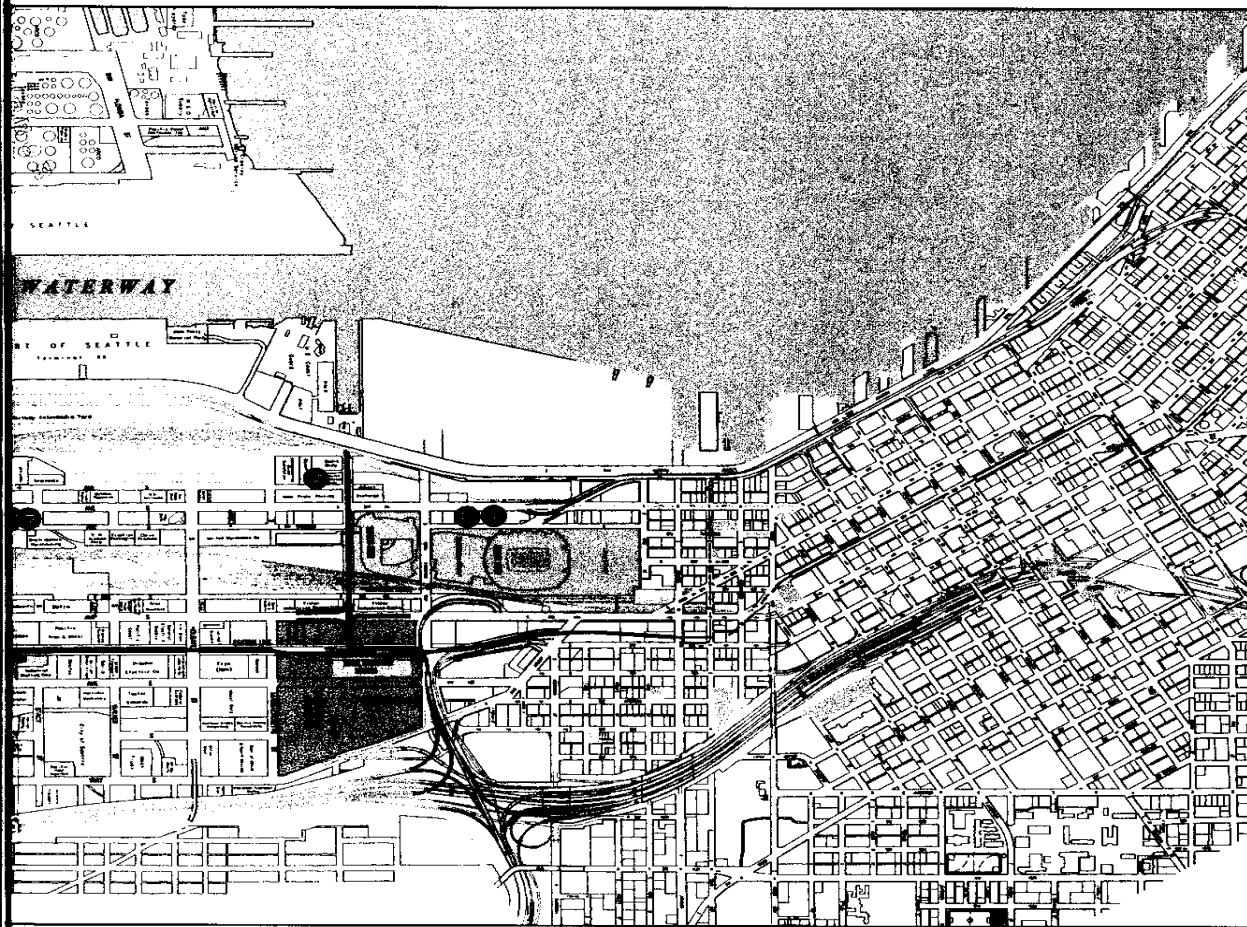
Government owned properties and land

Central Link (Commuter rail)

Interstate 5/Interstate 90 Expansions

Spokane Street Viaduct Expansion





~~_____~~
Seattle

Mariott

Offering

Memo

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SECURITIES DISCLOSURE NOTICES

FORWARD LOOKING STATEMENTS. THIS OFFERING CIRCULAR CONTAINS FORWARD-LOOKING STATEMENTS BASED ON THE MANAGING GENERAL PARTNER'S EXPERIENCE AND EXPECTATIONS ABOUT THE MARKETS IN WHICH THE PARTNERSHIP INVESTS. THOSE STATEMENTS ARE SOMETIMES INDICATED BY WORDS SUCH AS "EXPECTS," "BELIEVES," "SEEKS," "MAY," "INTENDS," "ATTEMPTS," "WILL" AND SIMILAR EXPRESSIONS. SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTIES OF FUTURE PERFORMANCE AND ARE SUBJECT TO MANY RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT. THEREFORE, ACTUAL RETURNS COULD DIFFER MATERIALLY AND ADVERSELY FROM THOSE EXPRESSED OR IMPLIED IN ANY FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS. THE SECTION ENTITLED "CERTAIN RISK FACTORS" IN THIS OFFERING CIRCULAR DISCUSSES SOME OF THE IMPORTANT RISK FACTORS THAT MAY AFFECT THE PARTNERSHIP'S RETURNS. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THOSE RISKS, IN ADDITION TO OTHER INFORMATION IN THIS OFFERING CIRCULAR, BEFORE DECIDING WHETHER TO INVEST IN THE PARTNERSHIP. NEITHER THE MANAGING GENERAL PARTNER NOR THE PARTNERSHIP UNDERTAKES ANY OBLIGATION TO REVISE OR UPDATE ANY FORWARD-LOOKING STATEMENT FOR ANY REASON.

SUITABILITY. THIS IS A PRIVATE OFFERING AND IS AVAILABLE ONLY TO INVESTORS WHO ARE "ACCREDITED INVESTORS" AS DEFINED IN REGULATION D PROMULGATED BY THE SEC UNDER THE 1933 ACT. EACH SUCH INVESTOR MUST, EITHER ALONE OR TOGETHER WITH A PURCHASER REPRESENTATIVE THAT IS NOT COMPENSATED BY OR AFFILIATED WITH THE PARTNERSHIP OR THE MANAGING GENERAL PARTNER, HAVE SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS THAT SUCH INVESTOR IS CAPABLE OF EVALUATING THE MERITS AND RISKS OF THIS INVESTMENT AND MUST BE ABLE TO BEAR THE ECONOMIC RISKS OF THIS INVESTMENT. NO OFFER IS BEING MADE HEREBY TO ANY PERSON WHO HAS NOT FURNISHED TO THE MANAGING GENERAL PARTNER A COMPLETED AND SIGNED OFFERING QUESTIONNAIRE, INCLUDED IN THE SUBSCRIPTION AGREEMENT APPEARING AS EXHIBIT B TO THIS OFFERING CIRCULAR, OR INFORMATION OF THE SAME EXTENT AND NATURE AS THAT ELICITED BY SUCH QUESTIONNAIRE, AND WHO IS NOT SHOWN BY SUCH INFORMATION TO MEET THE SUITABILITY STANDARDS FOR THIS OFFERING. SEE "TERMS OF THE OFFERING - ELIGIBLE INVESTORS" AND EXHIBIT B TO THIS OFFERING CIRCULAR.

THE INTERESTS HAVE NOT BEEN REGISTERED UNDER THE 1933 ACT, OR REGISTERED OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS, AND ARE OFFERED IN RELIANCE ON EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION IN SECTION 4(2) OF AND REGULATION D UNDER SUCH ACT AND SIMILAR PROVISIONS OF SUCH STATE LAWS. A PURCHASER OF INTERESTS MUST CONTINUE TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD BECAUSE INTERESTS HAVE NOT BEEN SO REGISTERED OR QUALIFIED AND ARE SUBJECT TO RESTRICTIONS ON TRANSFER PURSUANT TO SUCH ACT AND SUCH

STATE LAWS AND OTHERWISE. INTERESTS CANNOT BE SOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER SUCH ACT AND REGISTERED OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS OR EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION ARE AVAILABLE AND CERTAIN CONDITIONS ARE MET. NO MARKET FOR INTERESTS CAN BE EXPECTED TO DEVELOP.

DO NOT CONSIDER INVESTING IF YOU ARE NOT FINANCIALLY SOPHISTICATED AND CAPABLE OF EVALUATING THE MERITS AND RISKS OF THE INVESTMENT, EITHER ON YOUR OWN OR WITH THE ASSISTANCE OF YOUR FINANCIAL ADVISOR. THESE SECURITIES ARE SPECULATIVE, THEY INVOLVE SUBSTANTIAL RISK, AND THEY ARE ONLY A SUITABLE INVESTMENT FOR A LIMITED PORTION OF THE RISK SEGMENT OF YOUR PORTFOLIO.

TERMS OF THE OFFERING. THE MANAGING GENERAL PARTNER RESERVES THE RIGHT TO ACCEPT OR REJECT ANY SUBSCRIPTION TO PURCHASE INTERESTS. THIS OFFERING WILL CONTINUE UNTIL TERMINATED BY THE MANAGING GENERAL PARTNER, WHICH MAY BE BEFORE EIGHTY FIVE MILLION DOLLARS HAS BEEN RAISED.

THIS OFFERING CIRCULAR IS AN OFFER ONLY TO THE OFFEREE NAMED ON THE COVER PAGE, AND ONLY IF DELIVERY OF THIS OFFERING CIRCULAR WAS MADE BY, OR AUTHORIZED BY, THE ISSUER.

NO ONE HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS ABOUT THE ISSUER OR THE SECURITIES, OTHER THAN THOSE REPRESENTATIONS MADE IN THIS OFFERING CIRCULAR. THEREFORE, DO NOT CONSIDER ANY INFORMATION WHICH HAS BEEN DESCRIBED TO YOU ORALLY. PLEASE MAKE SURE THAT YOU INVEST SOLELY ON THE BASIS OF THE INFORMATION IN THIS OFFERING CIRCULAR.

THIS OFFERING CIRCULAR IS NOT LEGAL, TAX OR FINANCIAL ADVICE. PLEASE CONSULT YOUR OWN PROFESSIONAL ADVISORS AS TO THE LEGAL, TAX AND FINANCIAL IMPLICATIONS OF THIS INVESTMENT AND AS TO YOUR SUITABILITY FOR THIS INVESTMENT.

IN MAKING AN INVESTMENT DECISION, RELY ON YOUR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY, APPROVED BY, OR REGISTERED WITH, THE SEC, ANY STATE SECURITIES COMMISSION, OR ANY OTHER REGULATORY AUTHORITY. NO REGULATORS HAVE PASSED ON, OR ENDORSED THE MERITS OF, THIS OFFERING OR THE ACCURACY OR COMPLETENESS OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

AN INVESTMENT IN THE PARTNERSHIP INVOLVES A HIGH RISK OF LOSS OF PRINCIPAL AND LACK OF LIQUIDITY, AND THEREFORE REQUIRES THE FINANCIAL ABILITY AND WILLINGNESS TO BEAR SUCH RISKS.

THE LIMITED PARTNERS WILL INVEST GREATER AMOUNTS AND RECEIVE A PROPORTIONATELY SMALLER INTEREST IN THE PROFITS AND DISTRIBUTIONS OF THE PARTNERSHIP THAN THE GENERAL PARTNERS.

THE MANAGING GENERAL PARTNER WILL RESPOND TO ANY QUESTIONS YOU OR YOUR ADVISERS MAY HAVE CONCERNING THIS OFFERING AND WILL MAKE AVAILABLE FOR EXAMINATION BY YOU OR YOUR ADVISERS SUCH RECORDS AND FILES IN ITS POSSESSION AS MAY BE PERTINENT TO YOUR DECISION WHETHER TO INVEST IN INTERESTS.

THE TERMS AND CONDITIONS OF THIS OFFERING, THE RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS OF INTERESTS AND THE RIGHTS AND LIABILITIES OF THE PARTNERSHIP, THE MANAGING GENERAL PARTNER AND THE LIMITED PARTNERS ARE GOVERNED BY THE AGREEMENT AND THE SUBSCRIPTION AGREEMENT BETWEEN EACH LIMITED PARTNER AND THE PARTNERSHIP, THE FORMS OF WHICH ARE INCLUDED AS EXHIBITS A AND B, AND THE DESCRIPTION OF ANY OF SUCH MATTERS IN THE TEXT OF THIS OFFERING CIRCULAR IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH EXHIBITS.

THIS OFFERING CIRCULAR AND ITS EXHIBITS SHOULD BE REVIEWED CAREFULLY BY EACH OFFEREE AND EACH OFFEREE'S LEGAL, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING ANY DECISION CONCERNING AN INVESTMENT IN INTERESTS.

THE OFFEREE, BY ACCEPTING DELIVERY OF THIS OFFERING CIRCULAR, AGREES TO RETURN IT AND ALL RELATED DOCUMENTS TO THE MANAGING GENERAL PARTNER IF THE OFFEREE DOES NOT SUBSCRIBE FOR THE LIMITED PARTNERSHIP INTERESTS OFFERED HEREBY.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THESE SECURITIES IN ANY STATE TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION IN SUCH STATE.

THE FOLLOWING LEGENDS ARE REQUIRED BY THE LAWS OF THE STATES INDICATED IF OFFERED TO PERSONS IN SUCH STATES, ALTHOUGH THE INTERESTS AS OF THE DATE HEREOF ARE ONLY BEING OFFERED IN THE STATE OF WASHINGTON AND FOREIGN COUNTRIES.

NOTICE TO RESIDENTS OF ALL STATES

THE INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE 1933 ACT, OR THE SECURITIES LAWS OF CERTAIN STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE INTERESTS ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE INTERESTS HAVE NOT BEEN

APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO FLORIDA OFFEREEES

THE SECURITIES BEING OFFERED HAVE NOT BEEN REGISTERED WITH THE FLORIDA DIVISION OF SECURITIES AND INVESTOR PROTECTION. IF SALES OF THESE SECURITIES ARE CONSUMMATED WITH 5 OR MORE OFFEREEES IN THE STATE OF FLORIDA, ANY SUCH OFFEREE MAY, AT SUCH OFFEREE'S OPTION, VOID ANY PURCHASE HEREUNDER WITHIN 3 DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE SPONSOR, AN AGENT OF THE SPONSOR, OR AN ESCROW AGENT OR WITHIN 3 DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER.

NOTICE TO OREGON OFFEREEES

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE 1933 ACT, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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SUMMARY OF THE OFFERING

The following is only a summary of certain of the information contained in this Offering Circular and is qualified in its entirety by reference to the remainder of this Offering Circular, including the Exhibits hereto.

The Partnership 618 Second Avenue Limited Partnership is a Washington limited partnership formed on January 5, 2007.

Managing General Partner The Managing General Partner of the Partnership is American Life, Inc., a Washington corporation. Henry Liebman is the President of the Managing General Partner and will manage the Partnership.

Location The principal location of the Partnership and the Managing General Partner is 3223 Third Avenue South, Suite 200, Seattle, WA 98134 with a telephone number of (206) 381-1690 and a fax number of (206) 381-3927.

Objective The purpose of the Partnership is to acquire and improve certain real property located at 618 Second Avenue, Seattle, Washington, upon which it will own, and Courtyard Management Corporation, a Delaware corporation, will operate, a 250 room Courtyard by Marriott Hotel.

Terms of the Offering The offering is being made by the Managing General Partner and will continue until it has raised [REDACTED]

(b)(4)

[REDACTED] or sooner terminated by the Managing General Partner in its absolute discretion. The minimum investment by a Limited Partner is [REDACTED] but the Managing General Partner, in its absolute discretion, may waive the minimum subscription requirement for any investor and may raise this minimum requirement in the future.

The offering is made only to investors that are sophisticated in financial and business matters generally and in investing in real estate. In addition, each investor must be an "accredited investor" as defined in Rule 501(a) of Regulation D.

Each offeree should obtain the advice of that offeree's own legal, accounting, tax and other advisers in reviewing this Offering Circular and before deciding to invest in Interests.

Additional Capital Contributions

No Partner is under any obligation to make an additional Capital Contribution to the Partnership, except the General Partners under certain circumstances to service the Secured Debt, if any. Any Partner may contribute additional capital to the Partnership when the Managing General Partner deems appropriate.

Classes of Capital Accounts

Each Capital Contribution by a Limited Partner is credited to its Capital Account. There is only one class of Capital Accounts.

Transfer Restrictions

There are substantial restrictions on transferring Interests and no market for Interests exists or can be expected to develop.

Allocation of Profits and Losses

Except as otherwise required by the Internal Revenue Code, the Partnership's profits and losses shall be allocated to the Partners in the same manner as their proportionate share of Available Cash Flow and Net Proceeds from a Capital Event.

Distributions

The Managing General Partner determines the amount and timing of any distributions by the Partnership of Available Cash Flow or Net Proceeds from a Capital Event.

Available Cash Flow will first be distributed to the General Partners and the Limited Partners, pro rata in accordance with each class of Partners' Limited Partnership Interest in the Partnership. For example, if the General Partners hold One Percent (1%) of the Limited Partnership Interests and the Limited Partners hold Ninety Nine Percent (99%) of the Limited Partnership Interests, then One Percent (1%) of the Available Cash Flow shall be distributed to the General Partners ("General Partner Distribution") and the remaining Ninety Nine Percent (99%) shall be distributed to the Limited Partners ("Limited Partner Distribution"). The Limited Partner Distribution will be distributed to the Limited Partners pro rata in accordance with each Limited Partner's Interest.

(b)(4)

The General Partners shall also receive [REDACTED] of all distributions that would otherwise be distributed to the Limited Partners ("General Partner's Share of Distributions to Limited Partners"). The Managing General Partner may, at any time and in its sole and absolute discretion, waive all or any portion of its right to receive the General Partner's Share of Distributions to Limited Partners with respect to any Limited Partner.

The Net Proceeds from a Capital Event and/or a distribution from the dissolution of the Partnership will be distributed first to all Partners pro rata in accordance with each Partner's Adjusted Capital Contribution in an amount up to each Partner's Adjusted Capital

Contribution, and the balance, if any, will be distributed to the Partners in the same manner as distributions of Available Cash Flow.

**Expenses and
Management Fee**

(b)(4)

The Managing General Partner will not receive a monthly management fee. It will, however, charge the Partnership a [redacted] syndication fee to defray marketing costs in connection with this Offering Circular. The Managing General Partner will also charge a [redacted] development fee which may be shared among the Managing General Partner, KADC, LLC, and any other party that may become involved in managing the development of the Project. The Partnership will also pay or reimburse the Managing General Partner for all costs and expenses incurred by or on behalf of the Partnership or for its benefit, including all ongoing legal, accounting and bookkeeping fees and expenses.

Certain Risk Factors

An investment in Interests involves complex tax issues and substantial risks, including reliance on management, general market risks, limited transferability of Interests, reliance on the services of third parties and other matters. See "CERTAIN RISK FACTORS" for a discussion of some of these risks and issues.

**Limited
Partner
Reports**

Limited Partners receive annual financial statements and a K-1 reflecting their allocable share of the Partnership's profits and losses.

**Independent Certified
Public Accountants**

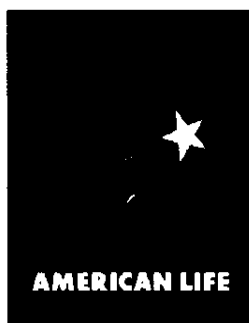
The Partnership's accountant is Christopher G. Dowsing, Morrow Kessler & Dowsing, PLLC, 1809 7th Avenue, Suite 1300, Seattle, Washington 98101.

**Counsel to the
Managing General
Partner**

Robert S. Over, Keller Rohrback L.L.P., 1201 Third Avenue, Suite 3200, Seattle, Washington 98101.

Defined Terms

Certain capitalized terms used in this Offering Circular are defined in Article II of the Agreement of Limited Partnership of 618 Second Avenue Limited Partnership.



Real Estate Development Company

618 Second Avenue Limited Partnership

Comprehensive Business Plan

3223 THIRD AVENUE SOUTH, SUITE 200

SEATTLE, WASHINGTON 98134

Comprehensive Business Plan

618 Second Avenue Limited Partnership

OVERVIEW

618 Second Avenue Limited Partnership, a Washington limited partnership (the "Partnership") will acquire fee simple title to the landmark Alaska Building for conversion to an approximate 250 room Courtyard by Marriott® Hotel (the "Hotel"). The existing 15 floor, 135,045 square foot structure, the first steel high-rise built in Seattle, occupies a 12,960 square foot corner lot of Second Avenue and Cherry Street immediately south of the Central Business District. The Hotel will target individual business travelers and couples.



The Project includes renovating the existing building and constructing an additional tower of 29,039 square feet. Courtyard Management Corporation, a Delaware corporation, will manage the Hotel (www.marriott.com) for an initial term of twenty-five (25) years with two (2) options of ten (10) years each to renew under certain circumstances. The Hotel is scheduled to open beginning of the third quarter of 2009 and projected to achieve stable occupancy in 2012.

The Property, located in the Pioneer Square Historic District in downtown Seattle, costs \$42,565,000 including plans, permits and the Courtyard Management Agreement. Closing on the Property must occur on or before June 30, 2007, or upon issuance of a building permit if later. The Managing General Partner made a non-refundable deposit of [REDACTED]

(b)(4)

The Partnership estimates construction costs of [REDACTED] including renovations, soft costs, taxes and all Furniture, Fixtures and Equipment (FFE) required to meet the standards of a Courtyard by Marriott Hotel. To mitigate construction risk, the Partnership executed a Gross Maximum Price (GMP) contract with the construction manager KADC, LLC, a Washington limited liability company (the "Construction Manager"). The Construction Manager guaranteed the Gross Maximum Price and has agreed to pay any cost overruns and has further agreed to indemnify, defend and hold harmless the Partnership from and against any losses arising out of any cost overruns. The maximum Project cost to the Partnership including syndication fees is [REDACTED]. KADC, LLC will also be a Limited Partner in the Partnership.

(b)(4)

BUILDING HISTORY AND CONDITION

The Alaska Building, completed in 1904, was the tallest structure in Seattle until completion of the 18-story Hoge Building in 1911 and the 42-story Smith Tower in 1914 (www.historylink.org). The most recent occupant, the City of Seattle, purchased the Property in 1988. In August 2005, the City sold the Property to the current owner and seller, Alaska Building, LLC, who began the rezone and entitlement process for the Hotel.

RENOVATIONS

The Partnership plans to convert the Property to an approximately 250 room, 164,084 square foot Courtyard by Marriot Hotel. Renovations include restoring the existing building façade, all building systems and constructing a new tower in the open space formed by the two existing wings. All improvements must be consistent with the specifications for a Courtyard by Marriott Hotel.

PROPOSED CONCEPT AND DESIGN

Basement – indoor swimming pool and spa, exercise room, guest laundry, house laundry, employee break room, mechanical areas and storage.

First floor retail space – restaurant, hotel lobby, business center, seating areas, and hotel offices.

Guest Floors and Meeting Space – The existing structure houses most of the meeting space and 199 guestrooms, with 12 rooms on Floor 2, 16 rooms apiece on Floors 3 through 13, 9 rooms on Floor 14, and 7 rooms on Floor 15. The new tower includes a divisible meeting room on Floor 2, 4 guestrooms on Floors 3 through 13, and 3 guestrooms on Floors 14 and 15.

GUEST ROOM UNIT MIX

174 King, 52 Queen/Queen, 11 Whirlpool King, 12 King Suite, and 1 Queen/Queen Suite for a total of 250 rooms.

ESTIMATED PROJECT TIME LINE

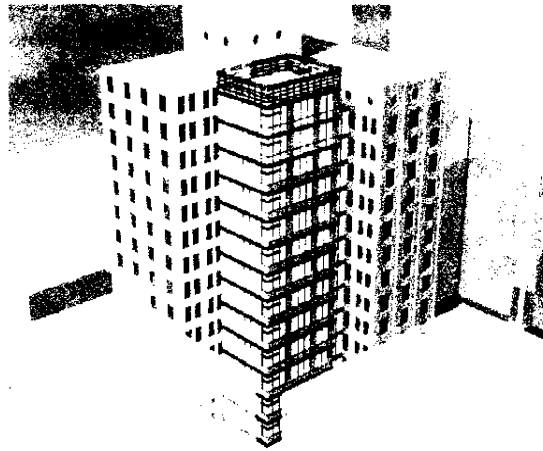
Closing:	June 30, 2007
Start Construction:	February 2008
Hotel Grand Opening:	July 1, 2009
Stabilized Occupancy:	January 1, 2012

THE OPERATOR

Courtyard Management Corporation is a wholly owned subsidiary of Marriott International, Inc. Marriott International, Inc. has a current market capitalization of over \$19 billion dollars and is publicly traded on the New York Stock Exchange (Symbol: MAR).

The Courtyard® brand consists of the following general characteristics:

- Lodging brand in the upper-moderate price sector
- “Designed by business travelers for business travelers.”
- This lodging brand has recently increased its number of downtown locations, often through conversions of historical buildings
- Features include:
 - High-speed Internet access
 - Breakfast restaurant, lounge
 - Business Center
 - Central courtyard
 - Exercise room
 - Swimming pool
- 766 Courtyard by Marriott locations worldwide; 699 US and Canada, 67 internationally



LOCATION

The Property is located in the Pioneer Square Historic District of the City of Seattle at the corner of Second Avenue and Cherry Street. The area, initially developed with wood frame buildings in the late 1800s, was leveled by a series of fires. The infusion of capital during the Alaska-Yukon gold rush at the turn of the 20th century financed multistory concrete buildings, many of which survive to this day. Among these are the Alaska Building (1904), Smith Tower (1914) and the Arctic Building (1916).

Pioneer Square's strict historic preservation regulations tend to restrict development and employment growth. While the hotel location offers easy access to government office buildings, freeways and sports stadiums, with the exception of infill, most new development occurs to the north, toward Belltown and South Lake Union.

The Property is located within a Regional Center under the Immigrant Investor Pilot Program. The Property is also located in a Targeted Employment Area (TEA) which allows a minimum investment of \$500,000. The Port of Seattle and the City of Seattle sponsored the Regional Center designation. Federal and State governments designated the area as an enterprise community and empowerment zone ("EC/EZ"). The primary objective of this Regional Center is to channel immigrant investor capital to create employment and improve neighborhoods.

The Partnership purchase and renovation activity is consistent with the goals of the Regional Center. The modernization of an underutilized historically significant structure creates a magnet attracting a variety of uses and employment to the new building and to the surrounding area.

MARKET ANALYSIS

In 2005, hotels in the Puget Sound region recorded their best performance in recent years. Improvement in the regional economy and a boom year for conventions fueled demand. Fewer new hotels have opened than required to serve demand. As a result, hotel occupancy rates reached a five-year high.

Market occupancy rates are reported monthly in *Trends in the Hotel Industry, Pacific Northwest*, and a publication of Wolfgang Rood Hospitality Consulting. The survey summarizes the performance of over 200 hotels and motels in the region, including nearly 130 properties in Washington.

For the year 2005, participating Seattle hotels reported an average occupancy rate of 75.1%, up from 72.1% in 2004. Growth continued in 2006: for the first nine months of 2006, occupancy averaged 78.8%, up from 77.3% for the same period in 2005. If recent trends continue, occupancy for the year 2006 could approach 77%. Average daily room rates (ADR) increased as well. Among the participating Seattle hotels, the ADR averaged \$157 for the first nine months of 2006, an increase of 11.7% over the same period in 2005.

Overall, the Puget Sound region benefits from a growing population, a diverse economy and an attractive environment. Despite a perceived reliance on aerospace and software, the Seattle economy is quite diversified, with significant employment in wholesale and retail trade, finance, health care and education.

MANAGEMENT

The Partnership is one of more than 25 investment entities managed by American Life, Inc. American Life, Inc. acquires, rehabilitates and manages older industrial warehouses located in the Duwamish industrial sector south of downtown ("SODO") Seattle which is adjacent to Pioneer Square. The Principals of American Life, Inc. began investing in the Seattle area in the early 1980s and made their first SODO investments in 1995. Considering the affiliated investment entities as a group, American Life, Inc. is one of the larger landlords in the SODO, with over 1,600,000 square feet of building projects under management.

American Life, Inc. and its development partners, H & S Investments 1st Avenue LLC (arieldevelopment.com) and Kauri Investments Ltd (kauri.com) (both affiliates of KADC, LLC, the Construction Manager and a Limited Partner in the Partnership) located this investment opportunity, conducted due diligence, negotiated the purchase terms, raised the capital required to purchase the Property and developed the initial Project concept.



BUSINESS MODEL

(b)(4)

PURCHASE TERMS

(b)(4) American Life, Inc. formed the Partnership to purchase the Property for \$42,565,000 on or before June 30, 2007, or upon issuance of a building permit if later. The Partnership will be capitalized at a maximum of [REDACTED] million to purchase and renovate the Property. American Life, Inc. will supply any funding deficits if sufficient funds have not been raised to assure closing, through a loan secured by the Project.

(b)(4) The Partnership estimates construction, soft costs, professional fees, taxes and furniture fixtures and equipment of [REDACTED] based on the Graham Construction Budget Estimate of December 19, 2006 and specifications approved by the Partnership and the Construction Manager. The Partnership intends to conclude a construction contract with Graham Construction for the construction of the Hotel shortly.

(b)(4) The Partnership has agreed to pay the Construction Manager [REDACTED] of any cost savings in the Project Budget up to [REDACTED] or an cost savings in excess of that amount. Conversely, the Partnership agreed to pay any excess costs over the Project Budget up to [REDACTED]. The Construction Manager must pay any and all costs above [REDACTED] required to complete the Hotel in accordance with the Marriott Management Agreement and Addendums. The Construction Manager's guarantees are secured by an assignment of its Partnership interest to the Partnership.

The Partnership will seek a line of credit or other financing of approximately [REDACTED] to assure its ability to meet construction draws as they come due. This credit facility will be the obligation of the General Partner if it is not retired by Capital Contributions.

COURTYARD MANAGEMENT CORPORATION MANAGEMENT AGREEMENT

The Partnership concluded a Management Agreement with Courtyard Management Corporation for management of the Hotel. The terms may be summarized as follows:

DURATION: Initial term of 25 years, with two ten year renewal terms under certain circumstances.

TERMINATION: Courtyard Management Corporation may be terminated for failure to comply with certain performance standards.

COMPENSATION STRUCTURE:

Annual Priority Management Fee

- (1) Courtyard Management Corporation receives an annual management fee based on gross operating revenue of the Hotel of [] of revenue for the first two years and [] of gross revenue thereafter.
- (b)(4) (2) The Partnership receives all Net Operating Income up to [] on an annualized basis.
- (3) All NOI above [] is shared 25% to Courtyard Management Corporation and [] to the Partnership.

Courtyard Management Corporation Disclaimer

The Limited Partnership Interests are being sold and the Hotel is being developed by the Partnership and not by Courtyard Management Corporation or by any of its affiliates. Courtyard Management Corporation has not confirmed the accuracy of any statements made in the Offering Circular, is not part of or an agent for the Partnership and has not acted as broker, finder or agent in connection with the sale of the Limited Partnership Interests. The Partnership and each prospective investor of any of the Limited Partnership Interests irrevocably and unconditionally, waives and releases Courtyard Management Corporation and its affiliates from and against any liability with respect to any representation or defect or any claim whatsoever, relating to the marketing or sale of the Limited Partnership Interests in the Partnership or the construction of the Hotel.

OTHER DUE DILIGENCE

As part of the Partnership's due diligence, the following information has been reviewed:

1. Title
2. Survey
3. Phase I Environmental Site Assessment
4. Soils Information
5. Existing Structural Plans
6. Building site survey
7. Appraisal

EXIT STRATEGY

This is a long term investment. The Partnership, due to its capital structure and business model, is able to make long term improvements to the Property. Extensive up-front capital costs may depress near term returns. As room rates and occupancy increase, the Partnership should enjoy steadily increasing income as compensation for improving the Property's use.

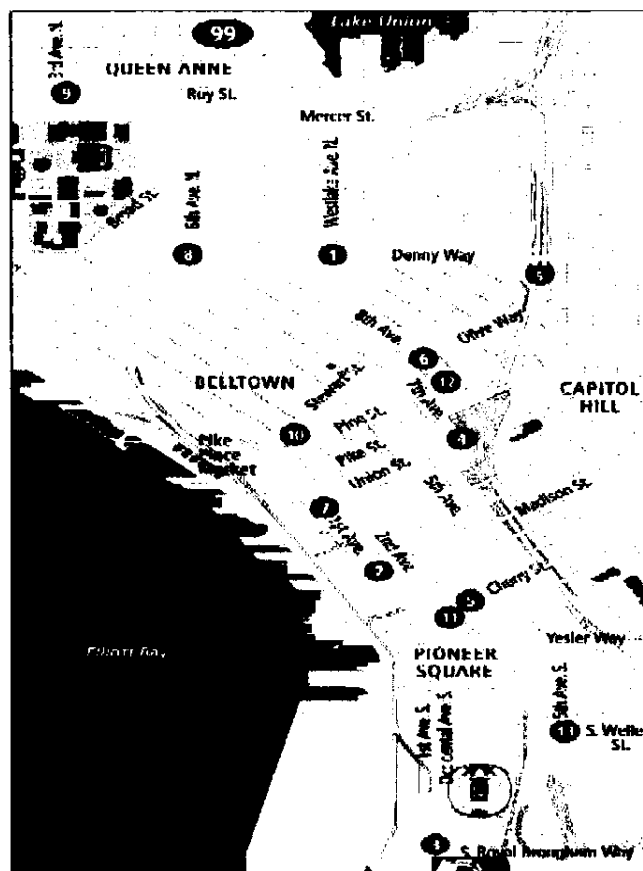
EMPLOYMENT IMPACTS

The Partnership will consist of many U.S. investors as well as immigrant investors. The intending immigrants are required to prove job creation in the Regional Center. Professor Paul Sommers, Ph.D. of Seattle University, renowned economist, earned degrees in economics from the University of California at Berkeley (B.A.) and Yale University (Ph.D.). His distinguished career includes membership on the Governor's Council of Economic Advisors, the study of economic development impact of the technology revolution, and concept papers for use by the Washington Office of Trade and Economic Development.

Dr. Sommers determined in a separate report the total job impacts of the Partnership's activity. Dr. Sommers based direct employment on a projected staffing roster prepared by Courtyard Management Corporation. Dr. Sommers based indirect employment on the economic impact of average guest spending in the local economy per studies commissioned by the King County Convention and Visitors Bureau and induced indirect employment generated from the Project capital being spent in the local economy. Dr. Sommers estimated the Project will create a range of approximately direct and indirect employees.

SEATTLE'S HOTEL DEVELOPMENT PIPELINE

The number of three to five star hotel rooms near Seattle's core is expected to jump 40 percent in the next two years. Hotel development is driven by tourism demand and fluctuations in the real estate market, which means that hotel proposals could fall through or be enhanced before construction starts



Name of hotel	Number of Rooms	Opening date
Open		
1 Pan Pacific	160	Open
2 Hotel 1000	120	Open
3 Silver Cloud Hotel	211	Open
Under construction		
4 Sheraton Seattle (second tower)	415	2007
5 Arctic Club Building redevelopment	120	2008
6 Hyatt at Olive 8	346	2008
7 Four Seasons	149	2008
Proposed (planning and design phase)		
8 Hyatt Place	158	2008
9 Maxwell Hotel and Residence	142	2008
10 The "1" Hotel	110	2008
11 Alaska Building redevelopment	250	2009
12 Executive Inns hotel, tower & condos	140	2009
13 Pullia Hotel redevelopment & new hotel	203	2009

Source: Colliers International Hotels, Seattle's Convention and Visitors Bureau, P4 reporting 04/11/11 151

The immigrant investors in the Partnership who will petition for U.S. immigration benefits based on investments in the Partnership agree to allocate ten jobs to each of the investor-petitioners for purposes of qualifying for U.S. immigration benefits.

****Documents in support of this Business Plan are available upon request. The Management Agreement contains confidentiality provisions; therefore, it is available for review by potential Accredited Investors and their professional advisors only after execution of a confidentiality agreement. ****

PAGE WITHHELD PURSUANT TO

(b)(4)

(b)(4)

PAGE WITHHELD PURSUANT TO
(b)(4)

CERTAIN RISK FACTORS

AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES AN INVESTMENT IN THE PARTNERSHIP SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP.

(a) Lack of Significant Operating History. This Partnership is being formed for the specific purpose of acquiring the Project. Accordingly, neither the Partnership nor the Managing General Partner has any operating history with respect to the Project. The Managing General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.

(b) Financial Projection. Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections included in the Offering Circular are based upon what the Managing General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership. No assurances can be made that these forecasts will prove to be accurate, and Subscribers are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular, construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Subscriber's Interest in the Partnership.

(c) General Risks of Real Estate Ownership. The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible

need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks; condemnation of the Project and other factors which are beyond the control of the Partnership and the Managing General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.

(d) Leverage and Other Factors Relating to Financing. Although the Partnership has no plans to borrow (excepting the Secured Debt), emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners (except for the Secured Debt, which is the obligation of the General Partners) or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.

(e) Future Market Value of the Project. The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes in tax laws and numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.

(f) Distributions From Operations. The General Partner has made qualified projections as to distributions to the Subscribers from operations. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be cash from operations available for distribution to the Subscribers. Subscribers who borrowed all

or part of their capital contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.

(g) General Tax Risks. Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since Subscribers generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

- (i) Changes in federal income tax laws;
- (ii) Partnership status;
- (iii) Taxable income in excess of distributions;
- (iv) Allocation of tax items among Partners;
- (v) Allocation of purchase price;
- (vi) Partnership termination;
- (vii) At risk limitations;
- (viii) Risk of audit;
- (ix) Profit objective; and
- (x) Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the Subscriber. Each Subscriber is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

(h) Limited Transferability of Partnership Interests. Except upon death, a Limited Partner may not assign, sell or transfer his Interest to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Interests and it is not anticipated that a market will develop for the purchase or sale of the Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

(i) Illiquidity. Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.

(j) Limitation of General Partner's Liability. Under the Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership

Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.

(k) Limited Right to Participate in Management. The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the Managing General Partner, except as expressly provided in the Partnership Agreement.

(l) No Independent Counsel. No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each Subscriber is therefore urged to consult with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.

(m) Uninsured Losses; Casualty Insurance. Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.

(n) Environmental Risks. The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project. The Pioneer Square neighborhood is near the SODO, an older industrial area generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government.

(o) Potential Conflict of Interest. The obligations of the Managing General Partner to the Partnership is not exclusive, and the Managing General Partner need only devote so much time to the Partnership's affairs as the Managing General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The Managing General Partner will from time to time be involved in approximately twenty-five (25) other properties that may compete with the Project. Commitments undertaken by the Managing General Partner in connection with such other properties could adversely affect its ability to manage the Project.

(p) Construction Risks. The Project involves significant construction activity. Remodeling older buildings often involves surprises and unexpected problems. These problems may delay construction which in turn delays the ability to generate cash flow and increase costs which can significantly increase the Partnership's projected construction costs and reduce projected rates of return. Obtaining building permits is a time consuming process and it is virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs.

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EARNEST MONEY NOTE

[Redacted]

Seattle, Washington
February __, 2007

FOR VALUE RECEIVED, the undersigned, 618 Second Avenue Limited Partnership, a Washington limited partnership ("Purchaser"), agrees to pay to the order of LandAmerica Commercial Services, or such other entity chosen by the parties, as escrow agent, the sum of

(b)(4)

[Redacted]

no later than the end of the "Review Period" (as defined in the Purchase Agreement described below); provided, however, that Purchaser has approved or waived in writing its acceptance of the Property within the Review Period.

This Note is evidence of the obligation to pay the Earnest Money under a Purchase and Sale Agreement of even date herewith (the "Purchase Agreement") between Purchaser, as buyer, and Alaska Building LLC, as seller. Purchaser's failure to pay the Earnest Money after approving the Property in writing as set forth above shall constitute default hereunder and interest shall thereafter accrue on the principal balance hereof at the rate of

(b)(4)

[Redacted]

per annum, compounded on the first day of each calendar month after accrual starts until paid.

If this Note shall be placed in the hands of an attorney for collection, or if suit shall be brought to collect any of the balance due on this Note, Purchaser promises to pay a reasonable attorneys' fee as fixed by the Court, and all court and collection costs.

Defined terms used in the Purchase Agreement shall have the same meaning when used herein.

618 Second Avenue Limited Partnership

By American Life, Inc., General Partner

By _____
Its _____

UNITED STATES OF AMERICA

The State of



Washington

Secretary of State

I, **SAM REED**, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF LIMITED PARTNERSHIP

to

618 SECOND AVENUE LIMITED PARTNERSHIP

a/an WA Limited Partnership. Charter documents are effective on the date indicated below.

Date: 1/5/2007

UBI Number: 602-682-796

APPID: 747186



Given under my hand and the Seal of the State of Washington at Olympia, the State Capital

A handwritten signature in cursive script that reads "Sam Reed".

Sam Reed, Secretary of State

FILED
SECRETARY OF STATE
SAM REED

01/05/07

STATE OF WASHINGTON

602 682 796

01/05/2007 978120
\$195.00 Check #78650
Tracking ID: 1224448
Doc No: 978120-001

**CERTIFICATE OF FORMATION
OF
618 SECOND AVENUE LIMITED PARTNERSHIP**

THE UNDERSIGNED hereby executes the following Certificate of Formation for the purpose of forming a limited partnership under the Washington Limited Partnership Act pursuant to the Revised Code of Washington, Ch. 25.10.

ARTICLE I

The name of this limited partnership is **618 Second Avenue Limited Partnership**, a Washington State limited partnership.

ARTICLE II

The records required by RCW 25.10.050 to be maintained by the limited partnership shall be kept at an office located at 3223 3rd Ave. S., #200, Seattle, Washington 98134.

ARTICLE III

The name of the limited partnership's initial registered agent is Robert Mimbu. The address of the limited partnership's initial registered office is Liebman-Mimbu, PLLC, 3223 3rd Ave. S., Ste. 200, Seattle, Washington 98134.

ARTICLE IV

The names and geographical and mailing addresses of general partners are:

American Life, Inc.
3223 3rd Ave. So., Ste. 200
Seattle, WA 98134

ARTICLE V

The latest date upon which the limited partnership shall be dissolved is the date that is thirty five (35) years after the date of filing of this Certificate of Limited Partnership with the Washington Secretary of State.

Articles-1

ARTICLE VI

The effective date of this Certificate of Limited Partnership shall be the date on which it is actually filed with the Secretary of State.

DATED this 2nd day of January 2007.

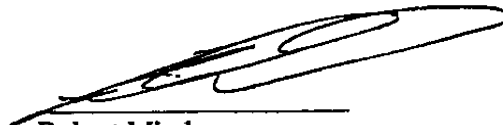
American Life, Inc.
Managing General Partner

By: 
Henry Liebman, President of American Life, Inc.

CONSENT TO APPOINTMENT AS REGISTERED AGENT

I, Robert Mimbu, hereby consent to serve as registered agent in the state of Washington for the following limited partnership: **618 Second Avenue Limited Partnership**. I understand that as agent for the limited partnership, it will be my responsibility to accept service of process in the name of the limited partnership; to forward all mail license renewals to the appropriate members of the limited partnership; and to immediately notify the Office of the Secretary of State of my resignation or of any change in the address of the registered office of the limited partnership for which I am agent.

DATED this 2nd day of January 2007,



Robert Mimbu
3223 3rd Avenue South #200
Seattle, WA 98134

Articles-3

MEMORANDUM OF MANAGEMENT AGREEMENT

THIS MEMORANDUM OF MANAGEMENT AGREEMENT (the "Memorandum") is made and entered into as of this 31st day of January, 2007, by and between **618 SECOND AVENUE LIMITED PARTNERSHIP**, a Washington limited partnership ("Owner"), with a mailing address at 3223 3rd Avenue South, Seattle, Washington 98134, and **COURTYARD MANAGEMENT CORPORATION**, a Delaware corporation ("Manager"), with a mailing address at 10400 Fernwood Road, Bethesda, Maryland 20817.

W I T N E S S E T H

Owner and Manager have entered into that certain Management Agreement dated January 31, 2007 (herein, the "Management Agreement") with respect to the operation of a hotel on the premises located in Seattle, Washington, as more particularly described in Exhibit A attached hereto (the "Site").

The Management Agreement is in effect. The term of the Management Agreement expires at the expiration of the twenty-five (25) full Fiscal Year after the expiration of the Fiscal Year in which the Opening Date occurs. The Term thereafter automatically renews on the same terms and conditions contained in the Management Agreement, for each of two (2) successive periods of ten (10) Fiscal Years each, unless Owner or Manager elects to terminate in accordance with the Management Agreement.

The Management Agreement contains terms and restrictions relating to financing of the Hotel. The Management Agreement also contains terms and conditions relating to Owner's ability to sell or transfer interests in itself or the Hotel or the Site.


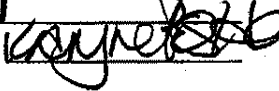
This Memorandum is not intended to alter or modify in any way the terms and conditions of the Management Agreement. Terms not specifically defined in this Memorandum are defined in the Management Agreement.

[SIGNATURES FOLLOW ON NEXT PAGE]

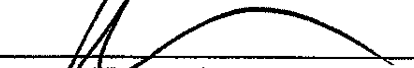
IN WITNESS WHEREOF, Owner and Manager have caused this Memorandum to be executed under seal by their duly authorized representatives as of the day first above written, for the purpose of providing an instrument for recording and giving notice of the Management Agreement and certain of the terms and conditions thereto.

ATTEST:

618 SECOND AVENUE LIMITED PARTNERSHIP
a Washington limited Partnership

By: 
Print Name: 
Title: _____

By: American Life, Inc.,
a Washington corporation
Title: Managing General Partner

By: 
Print Name: Henry Liebman
Title: President

MANAGER:

ATTEST:

COURTYARD MANAGEMENT CORPORATION
a Delaware corporation

By: _____
Print Name: _____
Title: Assistant Secretary

By: _____
Print Name: _____
Title: Vice President

IN WITNESS WHEREOF, Owner and Manager have caused this Memorandum to be executed under seal by their duly authorized representatives as of the day first above written, for the purpose of providing an instrument for recording and giving notice of the Management Agreement and certain of the terms and conditions thereto.

618 SECOND AVENUE LIMITED PARTNERSHIP
a Washington limited Partnership

ATTEST:

By: American Life, Inc.,
a Washington corporation
Title: Managing General Partner


By: _____
Print Name: _____
Title: _____

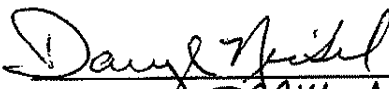
By: _____
Print Name: Henry Liebman
Title: President

MANAGER:

COURTYARD MANAGEMENT CORPORATION
a Delaware corporation

ATTEST:

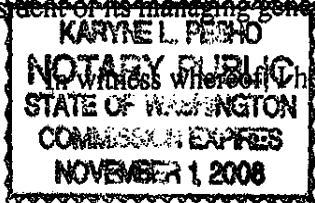
By: 
Print Name: M. LESTER PULSE, JR.
Title: Assistant Secretary

By: 
Print Name: DARYL NICKEL
Title: Vice President

ACKNOWLEDGMENT

STATE OF Washington
COUNTY OF King) ss:

On the 7 day of February, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared **Henry Liebman**, who acknowledged himself to be the President of American Life, Inc., a Washington corporation and the managing general partner of **618 Second Avenue Limited Partnership**, a Washington limited partnership, and that he, as such President of the managing general partner of such limited partnership, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited partnership by himself as President of its managing general partner.



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

Karyel Pesho
Notary Public Karyel Pesho

My commission expires: 11-01-2008

ACKNOWLEDGMENT

STATE OF MARYLAND)
COUNTY OF MONTGOMERY) ss:

On the ___ day of _____, 2007, before me, the undersigned, a Notary Public, in and for the State of Maryland, personally appeared _____, who acknowledged himself to be a Vice President of **Courtyard Management Corporation**, a Delaware corporation, and that he, as such Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

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

Notary Public

My commission expires: _____

ACKNOWLEDGMENT

STATE OF _____)
) ss:
COUNTY OF _____)

On the ____ day of _____, 2007, before me, the undersigned, a Notary Public, in and for the State of _____, personally appeared **Henry Liebman**, who acknowledged himself to be the President of American Life, Inc., a Washington corporation and the managing general partner of **618 Second Avenue Limited Partnership**, a Washington limited partnership, and that he, as such President of the managing general partner of such limited partnership, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited partnership by himself as President of its managing general partner.

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

Notary Public

My commission expires: _____

ACKNOWLEDGMENT

STATE OF MARYLAND)
) ss:
COUNTY OF MONTGOMERY)

On the 31st day of JANUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Maryland, personally appeared DARYL NICKEL, who acknowledged himself to be a Vice President of **Courtyard Management Corporation**, a Delaware corporation, and that he, as such Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Vice President.

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

Donna L. Wilson
Notary Public

My commission expires: _____
Donna L. Wilson
NOTARY PUBLIC

Montgomery County
MARYLAND
My Commission Expires Dec. 1, 2009

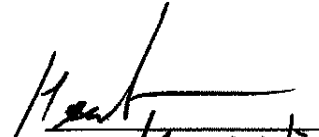
CONSENT BY CURRENT OWNER
ALASKA BUILDING LLC

Alaska Building LLC, a Washington limited liability company, hereby consents to the foregoing Memorandum of Management Agreement and to the recordation thereof in the land records for Seattle, Washington.


ALASKA BUILDING LLC
a Washington limited liability company

By: **Kauri Management LLC**
a Washington limited liability company
Title: Manager

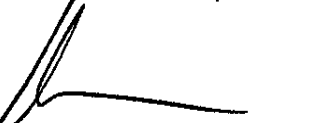
By: Kauri LLC
a Washington limited liability company
Title: Manager


By: 
Print Name: Henry Liuzma
Title:

By: 
Print Name: Kent Angier
Title: Manager

By: 
Print Name: Henry Liuzma
Title:

By: 
Print Name: Shimon Mizrahi
Title: Manager

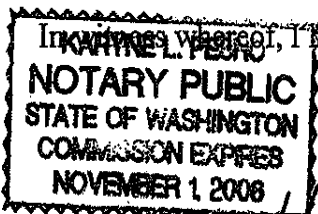
By: 
Print Name: Henry Liuzma
Title:

By: 
Print Name: Herzel Hazan
Title: Manager

ACKNOWLEDGMENT

STATE OF WASHINGTON)
)
COUNTY OF KING) SS:

On the 07 day of FEBRUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared Kent Angier, who acknowledged himself to be the Manager of Kauri LLC, a Washington limited liability company and the Manager of Kauri Management LLC, a Washington limited liability company and a Manager of Alaska Building LLC, a Washington limited liability company, and that he, as such Manager, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of such limited liability company as Manager.



[Signature]
Notary Public

My commission expires: 11-01-2008

ACKNOWLEDGMENT

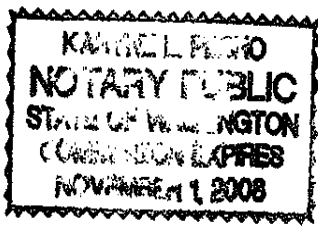
STATE OF WASHINGTON)
)
COUNTY OF KING) SS:

On the 07 day of FEBRUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared Shimon Mizrahi, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

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

[Signature]
Notary Public

My commission expires: 11-01-2008

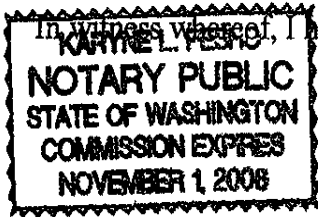


ACKNOWLEDGMENT

STATE OF WASHINGTON

COUNTY OF KING) SS:

On the 02 day of FEBRUARY, 2007, before me, the undersigned, a Notary Public, in and for the State of Washington, personally appeared **Herzel Hazan**, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.



[Signature]
Notary Public

My commission expires: 11-01-2008

EXHIBIT A
TO
MEMORANDUM OF MANAGEMENT AGREEMENT

THE SITE

LOTS 1 AND 4, BLOCK 3, TOWN OF SEATTLE, AS LAID OUT ON THE CLAIMS OF C.D. BOREN AND A.A. DENNY (COMMONLY KNOWN AS BOREN AND DENNY'S ADDITION TO THE CITY OF SEATTLE), ACCORDING TO THE PLAT THEREOF, RECORDED IN VOLUME 1 OF PLATS, PAGE 27, IN KING COUNTY, WASHINGTON;

EXCEPT THE WEST 12 FEET THEREOF CONDEMNED FOR 2ND AVENUE, UNDER ORDINANCE NUMBER 1107 OF THE CITY OF SEATTLE.

CONSTRUCTION MANAGEMENT AGREEMENT

THIS CONSTRUCTION MANAGEMENT AGREEMENT ("Agreement") is entered into this 15 day Feb., 2007, between KADC LLC, a Washington limited liability company, (hereinafter referred to as "Construction Manager") and 618 SECOND AVENUE LIMITED PARTNERSHIP, a Washington limited partnership (hereinafter referred to as "Owner").

WITNESSETH:

WHEREAS, Owner has acquired certain property in Seattle, Washington known as the Alaska Building, and more particularly described on Exhibit A attached hereto (the "Property"), from an affiliate of Construction Manager, which Property Owner intends to develop into a 250 room Marriott Courtyard Hotel (the "Hotel");

WHEREAS, Manager, on behalf of Owner, has agreed to oversee and manage the construction of the Hotel.

WHEREAS, Construction Manager will receive, in addition to the payments set forth herein, a limited partnership interest in Owner entitling Construction Manager to of the Available Cash Flow paid by Owner to its limited partners, plus of the Net Proceeds from a Capital Event and from Dissolution (collectively the "Construction Manager Share") after the other limited partners have received a return of their original Capital Contributions;

WHEREAS, the cost to construct the Hotel is estimated to be ("Project Budget"), based on the current status of the plans and specifications approved by Owner and Construction Manager (the "Original Plans") and pursuant to the Graham Budget Estimate of December 19, 2006.

WHEREAS, Owner will enter into a construction contract with Graham Construction or other construction company selected by Construction manager and approved by Owner for the construction of the Hotel within the Project Budget ("Contract");

WHEREAS, Owner has agreed to pay Construction Manager fifty percent of any amount saved over the Project Budget up to saved and one hundred percent of every dollar that the savings in construction costs exceed the above amount.

WHEREAS, Owner has agreed to pay any excess costs resulting from changes to the Original Plans requested by Owner and of any cost in excess of the Project Budget, and Construction Manager has agreed to pay the balance to the extent set forth in this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions of this Agreement, and the mutual covenants herein contained, the parties do hereby agree as follows:

1. **Appointment as Construction Manager.** Owner does hereby appoint Construction Manager to furnish to Owner the services set forth in this Agreement with respect to

the construction of the Hotel and to perform such other services as may be agreed upon between the parties. Construction Manager hereby accepts such responsibilities subject to the terms of this Agreement.

2. **Term.** This Agreement shall continue until the Hotel has been completed in accordance with the terms of that certain Management Agreement by and between Courtyard Management Corporation and 618 Second Avenue Limited Partnership dated February 7, 2007 ("Marriott Contract") and the Construction and Pre-Opening Addendum ("Addendum") attached to the Marriott Contract, unless this Agreement is terminated prior to that date in accordance with the terms hereof.

3. **Commencement of Construction.** The parties intend that construction of the Hotel commence on the earlier of July 1, 2007 or the date that permits to construct the Hotel are available and financing is in place, but not later than October 1, 2007.

4. **Duties of Construction Manager.** Subject to the terms and provisions of this Agreement, including without limitation Owner's providing the funds required under the Marriott Contract, Addendum and the Contract, Construction Manager shall diligently perform the following services in the name of and on behalf of Owner:

a. Negotiate and present to Owner for execution, contracts for the performance of all work necessary in order to construct the Hotel, including without limitation the Contract.

b. The supervision of all architects, contractors, and suppliers who shall perform work or services as required under any contract referred to above, and said supervision shall also include determining when payment is due as well as compensating all those who are performing work and furnishing services in connection with the construction of the Hotel.

c. Payment of all fees, commissions, expenses, insurance premiums, taxes, and assessments, improvement loan payments, payments due contractors and all others performing labor or providing material, equipment, furnishings or other items in connection with the construction of the Hotel, and any other amounts owing under the terms of this Agreement or to other creditors or third parties arising out of the business of Owner, which charges shall be paid when due in the name of Owner from a checking account to be established and maintained by Owner with sufficient funds for the use by Construction Manager in connection with the Hotel.

d. Furnish to Owner upon request statements showing receipts, expenses and charges as well as any other accounting or financial information which Owner may request arising out of the construction management services rendered under the terms of this Agreement.

e. Maintain records of all payments made and receipts collected on behalf of Owner and hold the records available for the purpose of inspection and copying by Owner at all reasonable times.

f. Supervise the execution and performance of any contract entered into for the benefit of the Owner with the power to add to, modify or waive in good faith any of the terms, conditions or other provisions thereof, provided that such addition, modification or waiver does not result in the material change in the value of any property or obligation of Owner.

g. Perform the duties of Owner under Sections I.B, C, D, E, F, H.2, H.3, and I of the Addendum.

h. Complete construction of the Hotel within the time required by the Marriott Contract and Addendum.

i. Perform such other duties as are customarily required of a construction manager as may be reasonably requested from time-to-time by Owner to complete the Hotel.

5. Duties of Owner. Owner shall, at its sole cost and expense, provide the amounts necessary to construct the Hotel in accordance with the Project Budget, as amended, and the Contract, make the payment and provide the items referenced in Section IV of the Addendum which includes the personal property required to open the Hotel for operations such as bathroom accessories, bedding, cleaning supplies, administrative operating supplies and all other personal property. Owner shall comply with all terms of the Marriott Contract, including without limitation the Addendum, other than the terms to be performed by Construction Manager as set forth herein. Owner shall cooperate with Construction Manager in connection with Construction Manager's performance of its duties hereunder and under the Addendum.

6. Commencement of Construction and Payment. It is the intent of the parties that construction of the Hotel commence on the date of acquisition of the Property by Owner; provided that if Owner is unable to obtain the funds necessary to both acquire the Property and commence construction of the Hotel by such date, the date for commencement of construction shall be extended; but under no circumstances shall it be extended beyond September 30, 2007. Owner shall pay all costs of construction of the Hotel as requested by Construction Manager and pursuant to invoices or other documents submitted to Owner by Construction Manager describing the work for which payment is requested. Payment shall be made within three (3) days of such request by Construction Manager.

7. Compensation of Construction Manager Based on Savings. If the total cost of the Hotel is less than the Project Budget, Owner shall pay Construction Manager, as compensation for the services rendered hereunder, as follows:

(b)(4)



In determining the total cost of the Hotel there shall be deducted from such cost any increases to the cost that result from changes requested by Owner from the Original Plans or resulting from any delays in construction after September 30, 2007, whether before or after construction has commenced, caused by Owner (collectively "Owner Cost Increases").

(b)(4)

8. Cost in Excess of Project Budget. In the event that costs of the Hotel exceed the Project Budget as a result of Owner Cost Increases, Owner agrees to pay all such costs. Owner also agrees to pay any other costs of the Hotel in excess of the Project Budget, which are not Owner Cost Increases, up to an additional Construction Manager shall pay the

balance of any increase in the cost to construct the Hotel in excess of the Project Budget other than any Owner Cost Increases, including without limitation costs resulting from Construction Manager's failure to perform its duties hereunder, environmental remediation, structural defects that result in initial construction costs in excess of the Project Budget, litigation other than that caused by Owner, furniture, fixtures and equipment for the Hotel as required by the Marriott Contract, property, liability and any other construction period insurance (such as crane insurance), sales and other taxes (i.e. B&O tax, if any) in connection with construction, all professional and consultant fees connected with the construction of the Hotel, third party construction management expenses, and/or any other situation not caused by Owner that increases the cost of construction of the Hotel in accordance with the Marriott Contract.

Construction Manager shall assign to Owner its limited partnership interest in Owner as security for Construction Manager's obligations hereunder. The form of the assignment is attached hereto as Exhibit A..

9. Acquisition of Limited Partnership Interests. Each party agrees that at any time that a party intends to acquire the interest of any other limited partner in the Owner, such party shall give the other party hereto the right to acquire one-half (1/2) of the interest being acquired on the same terms and conditions as the acquiring party. The allocations of Available Cash Flow, Net Proceeds from a Capital Event and from Dissolution with respect to such interests acquired hereunder shall be allocated in accordance with actual ownership of such interests.

10. Limitation of Liability. Construction Manager (including members, owners, and employees of the same) shall not be liable to Owner or the partners of Owner for good faith errors in judgment, for any acts or omissions in connection therewith, for any injury or death suffered by any employee or other person, unless caused by the willful misconduct, bad faith, gross negligence or reckless disregard by Construction Manager of the obligations and duties set forth in this Agreement. Furthermore, Construction Manager shall not be liable for any delays in construction or completion of the Hotel as a result of Owner's failure at any time to make payments, as and when required under the Contract, the Marriott Contract and/or the Addendum, or otherwise in connection with the construction and completion of the Hotel, for all construction and completion costs of the Hotel.

11. Further Assurances. Each party will, whenever and as often as it shall be requested so to do by the other, cause to be executed, acknowledged or delivered any and all such further instruments and documents as may be necessary or proper, in the reasonable opinion of the requesting party, in order to carry out the intent and purpose of this Agreement.

12. Notices. Any notice which a party is required or may desire to give the other shall be in writing and may be sent by personal delivery, by United States registered and certified mail, return receipt requested, postage prepaid, by generally recognized overnight carrier regularly providing proof of delivery, or by facsimile transmission, addressed as follows (subject to the right of a party to designate a different address for itself by notice similarly given):

To Construction Manager: KADC, LLC
2400 N. 45th Street, Suite 100
Seattle, WA 98103

With a copy to Philip M. Roberts, Esq.
Ryan, Swanson & Cleveland, PLLC
1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034

Owner: 618 Second Avenue Limited Partnership
c/o American Life, Inc.
3223 Third Avenue South, Suite 200
Seattle, WA 98134

13. **Attorneys' Fees.** In the event of any controversy, claim or dispute between the parties hereto affecting or relating to this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all of its costs and expenses, including, without limitation, reasonable attorneys' fees. For the purposes of this paragraph, attorney's fees shall include, without limitation, fees incurred in the following: (1) post-judgment motions; (2) contempt proceedings; (3) garnishment, levy and debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation.

14. **Governing Laws.** This Agreement shall be construed and enforced in accordance with the laws of the state of Washington (without regard to conflicts of law).

15. **Entire Agreement.** This Agreement contains the entire agreement between the parties respecting the matters herein set forth and supersedes all prior agreements between the parties respecting such matters and any other agreement regarding the Property. All exhibits attached and referred to in this Agreement are hereby incorporated herein as fully set forth in (and shall be deemed to be a part of) this Agreement.

16. **Counterparts.** This Agreement may be executed in one or more counterparts, and all of the counterparts shall constitute one and the same agreement, notwithstanding that all parties hereto are not signatory to the same or original counterpart.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

"CONSTRUCTION MANAGER"

KADC LLC
a Washington limited liability company

By 
_____, Manager

"OWNER"

618 SECOND AVENUE LIMITED
PARTNERSHIP
a Washington limited partnership

By: American Life, Inc.,
Managing General Partner

By _____
Henry Liebman, President



Real Estate Development Company

Properties Managed by American Life, Inc.

Land area north of Spokane Street to the Stadiums at Royal Brougham

Total area +/-550 acres.
Government owned land +/-approximately 230 acres

1. LONE STAR CEMENT WAREHOUSE

Address 6335 1st Avenue South, Seattle, WA 98108
Land Area 112,000 sq ft
Built out Area 57,960 sq ft
Number of tenants 7
Usage Warehouse/showroom/office

2. ST. VINCENT BUILDING

Address 2963 Utah Ave South, Seattle, WA 98134
Land Area 10,000 sq ft
Built out Area 10,000 sq ft
Number of tenants 0
Usage Warehouse/showroom/office or parking

2959 UTAH AVE.

Address 2959 Utah Avenue South, Seattle, WA 98134
Land Area 19,800 sq ft
Built out Area 7,400 sq ft
Number of tenants 1
Usage: Industrial/showroom/flex

3. MENDELSON LAND

Address 2nd and Hinds St., Seattle, WA 98134
Land Area 22,000 sq ft
Number of tenants 2
Usage Yard Space

4. CLOSE ELECTRIC BUILDING

Address 3317 3rd Ave South, Seattle, WA 98134
Land Area 30,000 sq ft
Built out Area 37,000 sq ft
Number of tenants; 5
Usage: Warehouse/showroom/office

5. PIPE BUILDING

Address 3223 3rd Avenue South, Seattle, WA 98134
Land Area 70,000 sq ft
Built out Area 48,057 sq ft
Number of tenants; 5
Usage: Office/warehouse

6. 2962 1ST AVENUE SOUTH

Address 2962 1st Avenue South, Seattle, WA 98134
 Land Area 9,000 sq ft
 Built out Area 8,000 sq ft – Under Renovation
 Number of tenants 2
 Usage Showroom/retail

7. HULLIN TRANSFER BUILDING

Address 270 South Hanford, Seattle, WA 98134
 Land Area 128,500 sq ft
 Built out Area 100,913 sq ft
 Number of tenants 19
 Usage Warehouse/office/industrial

8. ESQUIN BUILDING

Address 2700 4th Avenue S., Seattle, WA 98134
 Land Area 67,315 sq ft
 Built out Area 60,315 sq ft
 Number of tenants 5
 Usage Retail/showroom

9. INDUSTRIAL TRANSFER BUILDING

Address 624 South Lander Street, Seattle, WA 98134
 Land Area 160,000 sq ft
 Built out Area 113,000 sq ft; divided into 1500-5000 square foot industrial suites
 Number of tenants +/- 60
 Usage: Office/warehouse

10. 2440 1ST AVENUE SOUTH

Address 2440 1st Avenue South Seattle, WA 98134
 Land Area 22,662 sq ft
 Built out Area 22,662 sq ft
 Number of tenants 1
 Usage Retail/showroom

11. 2430 1ST AVENUE SOUTH

Address 2430 1st Avenue South Seattle, WA 98134
 Land area 9,000 sq ft
 Number of tenants 0
 Usage Parking Lot

12. 2418-20 1ST AVENUE SOUTH

Address 2400 Block 1st Avenue South Seattle, WA 98134
 Land Area 27,000 sq ft
 Built out Area 27,000 sq ft
 Number of tenants 6
 Usage: Retail/warehouse strip

13. COAST CRANES BUILDING

Address 1500 block South Utah Street, Seattle, WA 98134
 Land Area 70,000 sq ft
 Built out Area 23,500 sq ft
 Number of tenants 1
 Usage: Office/warehouse with event parking

- 14. OWL TRANSFER BUILDING**
 Address 3623 6th Ave South, Seattle, WA 98134
 Land Area 140,000 sq ft
 Built out Area 73,335 sq ft
 Number of Tenants 7
 Usage Industrial/showroom/distribution/flex
- 15. GORELICK SUPPLY**
 Address 2944 1st Ave S, Seattle, WA 98134
 Land Area 36,000 sq ft
 Built out Area 28,000 sq ft, including mezzanine
 Number of Tenants 0
 Usage Retail/showroom/office
- 16. RIVERS WEST BUILDING**
 Address 2900 4th Ave South, Seattle, WA 98134
 Land Area 60,000 sq ft
 Built out Area 48,000 sq ft
 Number of tenants 3
 Usage: Industrial/showroom/distribution
- 17. EDERER CRANES BUILDING**
 Address 2925,2931 1st Avenue South and 2936 Utah Avenue South, Seattle, WA 98134
 Land Area 64,380 sq ft
 Built out Area 74,680 sq ft
 Number of tenants 2
 Usage: Industrial
- 18. EDERER ANNEX BUILDING**
 Address 66 South Horton Street, Seattle, WA 98134
 Land Area 30,000 sq ft
 Built out Area 29,700 sq ft
 Number of tenants 0
 Usage: Warehouse/office/industrial
- 19. 2945 1ST AVENUE SOUTH**
 Address 2945 1st Avenue South, Seattle, WA 98134
 Land Area 9,000 sq ft
 Built out Area 9,000 sq ft
 Number of tenants 0
- 20. 3601 W. MARGINAL WAY S.W.**
 Address 3601 W. Marginal Way S.W., Seattle, WA 98106
 Land Area 20,000 sq ft
 Built out Area 17,000 sq ft
 Number of tenants 0
 Usage: Light industrial/showroom
- 21. 3100 AIRPORT WAY SOUTH**
 Address 3100 Airport Way South, Seattle, WA 98134
 Land Area 18,000 sq ft
 Built out Area 150,000 sq ft
 Number of tenants 1
 Usage: Storage facility/office/parking

22. 1016 1ST AVENUE SOUTH

Address 1016 1st Avenue South, Seattle, WA 98134
 Land Area 10,000 sq ft
 Built out Area 51,250 sq ft
 Number of tenants 2
 Usage: Retail/office/parking

23. 4746 OHIO AVENUE SOUTH

Address 4746 Ohio Avenue South, Seattle, WA 98134
 Land Area 455,037 sq ft (10.22 acres)
 Built out Area 283,000 sq ft
 Number of tenants 16
 Usage: Warehouse/showroom/industrial

24. 2960 4TH AVENUE SOUTH

Address 2930 4th Avenue South, Seattle, WA 98134
 Land Area 163,000 sq ft
 Built out Area 85,000 sq ft
 Number of tenants 0
 Usage: Industrial

25. 2444 1ST AVENUE SOUTH

Address 2444,2450,2456 & 2462 1st Avenue South, Seattle, WA 98134
 Land Area 19,500 sq ft
 Built out Area 31,500 sq ft
 Number of tenants 3
 Usage: Retail/showroom/office

26. 1000 1ST AVENUE SOUTH

Address 1000 1st Avenue South, Seattle, WA 98134
 Land Area 22,338 sq ft
 Built out Area 76,000 sq ft
 Number of tenants 0
 Usage: Retail/showroom/office

27. 2764 1ST AVENUE SOUTH

Address 2764 1st Avenue South, Seattle, WA 98134
 Land Area 27,000 sq ft
 Built out Area 6,000 sq ft
 Number of tenants 1
 Usage: Retail/showroom/office

28. 2702 6TH AVENUE SOUTH (CANAL BOILER)

Address 2702 6th Avenue South, Seattle, WA 98134
 Land Area 16,000 sq ft
 Built out Area 21,000 sq ft
 Number of tenants 1
 Usage: Retail/showroom/office

**29. 1762 8TH AVENUE SOUTH
(MCMILLAN)**

Address	1762 8th Avenue South, WA 98134
Land Area	227,000 sq ft
Built out Area	108,000 sq ft
Number of tenants	1
Usage:	Industrial

30. 618 2ND AVENUE (ALASKA BLDG)

Address	618 2nd Avenue, Seattle, WA 98134
Land Area	12,960 sq ft
Built out Area	164,084 sq ft
Number of tenants	1
Usage:	Hotel

EXHIBIT A

FORM OF LIMITED PARTNERSHIP AGREEMENT
OF
618 SECOND AVENUE LIMITED PARTNERSHIP

**PARTNERSHIP AGREEMENT
OF
618 SECOND AVENUE LIMITED PARTNERSHIP
A WASHINGTON LIMITED PARTNERSHIP**

This Agreement is made by and among American Life, Inc., a Washington corporation (the "Managing General Partner") and each of the persons set forth in Schedule A attached hereto and designated as Limited Partners (the "Limited Partners"). The Limited Partners and the General Partners are collectively referred to as the "Partners."

AGREEMENT

**ARTICLE I
FORMATION OF LIMITED PARTNERSHIP**

Section 1.01. Formation. The Managing General Partner formed 618 Second Avenue Limited Partnership, a Washington limited partnership (the "Partnership"), on January 5, 2007 by filing a Certificate of Limited Partnership with the Secretary of State for the state of Washington, to acquire and improve certain real property located at 618 Second Avenue, Seattle, Washington upon which it will own, and Courtyard Management Corporation, a Delaware corporation, will operate, a 250 room Courtyard by Marriott Hotel.

Section 1.02. Name. The name of the Partnership is "618 Second Avenue Limited Partnership, a Washington limited partnership." The Managing General Partner may from time to time change the name of the Partnership to adopt such trade or fictitious names as it may determine to be appropriate.

Section 1.03. Principal Office of the Partnership. The principal office of the Partnership shall be at 3223 Third Avenue South, Seattle, Washington, 98134. The Partnership may maintain offices at such other location as may be determined appropriate by the Managing General Partner.

Section 1.04. Name and Place of Residence of Each Limited Partner. The name, address, Capital Contribution and Partnership Interest of each of the Limited Partners are designated on the attached Schedule A. The name and address of the Managing General Partner is American Life, Inc., located at 3223 Third Avenue South, Seattle, Washington 98134.

Section 1.05. Term. The term of the Partnership shall commence upon filing of the Certificate in the office of the Washington Secretary of State and shall continue until the first to occur of either thirty five (35) years from the date the Certificate was filed, or the Partnership is otherwise dissolved, wound up and terminated in accordance with the provisions of this Agreement and the Act.

Section 1.06. Designated Agents for Service of Process. The Partnership elects and appoints Robert Mambu of Liebman-Mimbu, PLLC, 3223 Third Avenue South, Seattle, Washington 98134, as the designated agent for service of process.

ARTICLE II DEFINITIONS

The following terms used in the Agreement shall have the meaning specified below:

Section 2.01. "Act" means the Uniform Limited Partnership Act under the Revised Code of Washington, as amended from time to time.

Section 2.02. "Adjusted Capital Contribution" means, with respect to each Partner, the aggregate capital contributed to the Partnership by such Partner reduced, from time to time, (i) by any return of a Capital Contribution made pursuant to the Agreement, and (ii) by the aggregate distributions of Net Proceeds from a Capital Event made to such Partner pursuant to the Agreement.

Section 2.03. "Affiliate" means any person who directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control of the Partnership or the General Partners.

Section 2.04. "Agreement" means this Agreement, as it may be amended from time to time.

Section 2.05. "Assignee" means a person who has acquired all or any portion of a Limited Partner's Interest in the Partnership and has not been admitted as a Limited Partner.

Section 2.06. "Available Cash Flow" means funds provided from operation of the Partnership, without deductions for payments made to service Secured Debt and for depreciation, but after deducting funds used to pay all expenses and debts of the Partnership, including administrative operational expenses, debt payments, capital improvements, and less the amount set aside by the Managing General Partner, in the exercise of its sole discretion, for reserves.

Section 2.07. "Capital Account" means that as defined in Section 4.04 herein.

Section 2.08. "Capital Contribution" means the total amount of money or property (net of liabilities secured by such contributed property that the Partnership is considered to assume or take "subject to" under IRC section 752) contributed to the Partnership by each Partner.

Section 2.09. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Section 2.10. "Capital Event" means the refinance, sale, exchange or other disposition of the Project or any portion thereof, including an involuntary conversion or condemnation of real property or any portion thereof.

Section 2.11. "Deficit Capital Account" means the situation whereby the Partnership has distributed to a Partner distributions in excess of such Partners Capital Account.

Section 2.12. "Net Proceeds from a Capital Event" means the net proceeds derived by the Partnership from a Capital Event after payment or allowance for the expenses incurred in connection with such Capital Event and after payment or allowance for existing indebtedness (but not including any outstanding Secured Debt), the discharge of any other expenses or liabilities of the Partnership and the establishment of appropriate reserves, all as determined by the Managing General Partner, in its sole discretion.

Section 2.13. "General Partner" means American Life, Inc. and/or any other person admitted as a General Partner pursuant to the Agreement and their successors.

Section 2.14. "Interest" or "Limited Partnership Interest" or "Partnership Interest" means the ownership interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in the Agreement and under the Act, together with the obligations of such Partner to comply with all the terms and provisions of the Agreement and the Act.

Section 2.15. "Managing General Partner" means American Life Inc., or any other General Partner elected to serve as the Managing General Partner.

Section 2.16. "Person" means any natural person, partnership, corporation, association or other legal entity.

Section 2.17. "Positive Capital Account" means that the balance of a Partner's Capital Account is greater than zero.

Section 2.18. "Profit or Loss" means the income or loss of the Partnership as determined by the method of accounting chosen by the Managing General Partner and permitted by the Code.

Section 2.19. "Profits Interest" means a Limited Partnership Interest, issued without a Capital Contribution made by the Partner who receives the Profits Interest, which entitles such Partner to all non-economic rights set forth herein and the right to receive distributions of Available Cash Flow and Net Proceeds from a Capital Event as set forth in this Agreement.

Section 2.20. "Project" or the "Partnership Property" means that certain parcel of real property located at 618 Second Avenue, Seattle, Washington, as improved or remodeled in accordance with the Partnership's business plan.

Section 2.21. "Subscription Agreement" means the agreement signed by each Limited Partner in connection with their investment in the Partnership.

ARTICLE III PURPOSE, BUSINESS AND POWERS OF THE LIMITED PARTNERSHIP

Section 3.01. Purpose and Business of the Partnership. The business of the Partnership shall be to acquire, develop, manage and operate the Partnership Property and to do all other acts which may be necessary, incidental or convenient to the foregoing.

Section 3.02. Powers. The Partnership is hereby authorized:

- (1) To acquire, manage and operate the Partnership Property and to hold it for economic gain;
- (2) To mortgage, sell, lease, transfer and exchange or otherwise convey or encumber all or part of the Partnership Property in furtherance of any and all of the objectives of Partnership business; and
- (3) To enter into, perform and carry out contracts of any kind necessary to, or in connection with or incidental to, the operation of the Partnership Property.

ARTICLE IV CAPITAL CONTRIBUTIONS

Section 4.01. Capital Contributions.

(1) Each of the Partners' Capital Contributions is set forth on Schedule A. The Limited Partners shall have no obligation to make additional Capital Contributions. The General Partners shall have no obligation to the Partnership or the Partners to make additional Capital Contributions, except for the General Partners' obligation, if any, to repay the Secured Debt (as defined herein). The General Partners may make an additional Capital Contribution to the Partnership. A portion of the Managing General Partner's Capital Contribution may arise from loan proceeds borrowed to fund construction costs in excess of the Partnership's equity capital using the Project as security for the loan (the "Secured Debt"). To the extent Secured Debt proceeds cause the Partnership's capital to increase, each Partner's percentage interest in the Partnership shall be recalculated as a percentage of the sum of the loan proceeds plus existing General and Limited Partner equity Capital Contributions. The Managing General Partner has approved the security interest encumbering the Project and the Limited Partners hereby

acknowledge, consent and approve of same. The General Partners shall be responsible for repaying the Secured Debt according to its terms from the General Partners' allocation of Available Cash Flow and Net Proceeds from a Capital Event, from sums distributed to the General Partners upon dissolution of the Partnership, and/or from each General Partner's own funds. In addition, the Managing General Partner intends to use Capital Contributions provided by newly admitted Limited Partners to pay down the principal balance of the Secured Debt. The Limited Partners shall have no obligation or liability for retiring the Secured Debt.

Section 4.02. Return and Withdrawal of Capital. No Partner shall have the right to demand Partnership Property. Further, no Partner shall have any right to withdraw or make a demand for the withdrawal of any of such Partner's Capital Contribution (or the capital interest reflected in such Partner's Capital Account) until the full and complete winding up and liquidation of the Partnership.

Section 4.03. A Partner's Limited Partnership Interest shall be revised upward or downwards as a percentage, the numerator of which is a Partner's Capital Contribution and the denominator of which is Secured Debt plus all equity Capital Contributions.

Section 4.04. Partner Capital Accounts. An individual Capital Account shall be maintained for each Partner in accordance with the requirements of the Code. Except as required by the Code, the Capital Account of each Partner shall consist of his Capital Contribution, as increased by any contribution of capital subsequent to his original Capital Contribution, and by such Partner's share of Partnership income and gain allocated after the date hereof to such Partner, and as decreased by the amount of all cash and the fair market value of all property and assets distributed to such Partner, the amount of all losses allocated after the date hereof to such Partner, and any amounts charged under Section 4.05, and/or Section 10.08 to such Partner.

Section 4.05. Interest on Capital Contributions. No interest shall be paid to a Partner on Capital Contributions. Interest will be charged by the Partnership to a Partner on the sum of any deemed distributions charged to such Partner's Capital Account from obligations to the Partnership or a General Partner arising under Section 10.08 concerning federal income tax withholding. The interest charged will be computed on a calendar year compounded basis at a rate equal to two percent above the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be collected by reduction of any distributions payable to the Partner immediately following the calculation of the year's interest by the General Partner. To the extent that there are no distributions against which the interest can be applied, then the interest will be charged to the Partner's Capital Account. This Section 4.05 will survive the termination of a Partner's status as a Partner.

4.06. Service of Secured Debt. Payments to service the Secured Debt shall be made by the General Partner out of its share of Available Cash Flow, Net Proceeds from a Capital Event, and sums distributed upon dissolution of the Partnership. For the security of the Limited Partners, the Partnership will service the Secured Debt directly out of the General

Partners' share of these items including the General Partners' Share of Distributions to Limited Partners as defined in Section 6.02(1)(b)(ii). If amounts required for service of the Secured Debt are in excess of the General Partners' share of these items, then any one or all of the General Partner will timely pay such amounts from their own funds. This obligation will be the joint and several obligation of all General Partners. In the event the General Partners fail to repay the Secured Debt according to its terms, any or all of the Limited Partners may, at their option, pay the unpaid amount and receive interest at the rate described in Section 7.01(2) or convert the unpaid amount to equity and receive an additional Limited Partnership Interest based on a percentage, the numerator of which is the amount applied to the Secured Debt and the denominator of which is the total Partnership Capital Contributions including the outstanding principal balance of the Secured Debt immediately after such payment. In the event of any conversion by one or more Limited Partners, the full increase in Limited Partnership Interest of the Limited Partners who convert will dilute solely the Limited Partnership Interest of the General Partners. The dilution will not affect the Interest of any Limited Partner.

ARTICLE V COMPENSATION FOR SERVICES

Section 5.01. General Partners' Fees. The Managing General Partner will not receive a monthly management fee. It will, however, charge the Partnership a five percent (5%) syndication fee to defray marketing costs in connection with the Offering Circular. The Managing General Partner may also charge a five percent (5%) development fee which will be shared among the Managing General Partner, KADC, LLC, and any other party that may become involved in managing the development of the Project. The Partnership will also pay or reimburse the Managing General Partner for all costs and expenses incurred by or on behalf of the Partnership or for its benefit, including all ongoing legal, accounting and bookkeeping fees and expenses.

ARTICLE VI ALLOCATIONS AND DISTRIBUTIONS

Section 6.01. Allocation of Income, gain, deductions and loss.

Except for any special allocations required or permitted by the United States Tax Code to ensure that all allocations hereunder have substantial economic effect, all items of income, gain, deductions and loss shall be allocated to the Partners in the same manner as their proportionate share of Available Cash Flow and Net Proceeds from a Capital Event as set forth below in Section 6.02 and in their Subscription Agreements. Any non cash items of income or expense (such as depreciation or amortization) will be allocated in accordance with each Partner's Interest in the Partnership.

Section 6.02. Distributions.

(1) Distributions of Available Cash Flow

(a) General Partner Distribution and Limited Partner Distribution.

Available Cash Flow shall first be distributed to the General Partners and the Limited Partners, pro rata in accordance with each class of Partners' Limited Partnership Interest in the Partnership as set forth on Schedule A. For example, if the General Partners hold One Percent (1%) of the Limited Partnership Interests and the Limited Partners hold Ninety Nine Percent (99%) of the Limited Partnership Interests, then One Percent (1%) of the Available Cash Flow shall be distributed to the General Partners ("General Partner Distribution") and the remaining Ninety Nine Percent (99%) shall be distributed to the Limited Partners ("Limited Partner Distribution").

(b) General Partner Distributions.

(i) Distribution of General Partner Distribution. The General Partner Distribution shall be distributed monthly to the General Partners pro rata in accordance with each General Partner's Limited Partnership Interest.

(ii) Distribution of General Partner's Share of Distributions to Limited Partners. The General Partners shall also receive thirty percent (30%) of all distributions that would otherwise be distributed to the Limited Partners ("General Partner's Share of Distributions to Limited Partners"). In the event there is more than one General Partner, any amounts distributable pursuant to this Section 6.02(1)(b)(ii) shall be distributed monthly to the General Partners pro rata in accordance with each General Partner's Limited Partnership Interest, or, if the General Partners have only a Profits Interest, then pro rata in accordance with their Profits Interest. The Managing General Partner may, on behalf of all the General Partners, at any time and in its sole and absolute discretion, waive all or any portion of its right to receive the General Partner's Share of Distributions to Limited Partners with respect to any Limited Partner. Any such waiver shall be reflected in the affected Limited Partner's Subscription Agreement. For example, the Managing General Partner has waived its right to receive a portion of the General Partner's Share of Distributions to Limited Partners with respect to KADC, LLC, in exchange for certain benefits the Partnership will receive under the Construction Management Agreement.

(c) Limited Partner Distributions. The Partnership will distribute to each Limited Partner an amount equal to the Limited Partner Distribution (less the General Partner's Share of Distributions to Limited Partners) multiplied by each Limited Partner's Limited Partnership Interest set forth on the attached Schedule A, and adjusted with respect to a specific Limited Partner, if applicable, pursuant to Section 6.02(1)(b)(ii). Distributions shall be made monthly and may only be made out of the accumulated balance of Available Cash Flow.

(2) Distribution of Net Proceeds from a Capital Event or from Dissolution

The Net Proceeds from a Capital Event and/or a distribution from the dissolution of the Partnership shall be distributed first to all Partners pro rata in accordance with each Partner's Adjusted Capital Contribution in an amount up to each Partner's Adjusted Capital Contribution, and the balance, if any, shall be distributed to the Partners in the same manner as distributions of Available Cash Flow.

Section 6.03. Deficit Capital Accounts at Liquidation. The Limited Partners shall have no liability to the Partnership, to the General Partners, or to the creditors of the Partnership on account of any deficit balance in their Capital Accounts upon liquidation of the Partnership, provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligations described in Section 4.05 and/or Section 10.08 is required to pay to the Partnership the amount of any negative balance in his Capital Account, but such payment shall not exceed the sum of the obligations under Section 4.05 and Section 10.08. This Section 6.03 will survive the termination of a Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Partnership or a General Partner in collecting amounts under this proviso from the Partner.

ARTICLE VII EXPENSES

Section 7.01. Partnership Expenses. The Partnership shall pay all costs and expenses of the Project which may include, but are not limited to:

- (1) All costs of personnel employed by the Partnership or performing services for the Partnership;
- (2) All costs of borrowed money (except the Secured Debt) including repayment of advances to the Partnership made by a Partner which shall be paid monthly, interest only, and repaid in one lump sum five years after the date of initial advance, at an interest rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate" plus 2%, taxes and assessments on Partnership Property and other taxes applicable to the Partnership;
- (3) Legal, audit, accounting, brokerage and other fees;
- (4) Printing and other expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and recording of documents evidencing ownership of an Interest in the Partnership or in connection with the business of the Partnership;
- (5) Fees and expenses paid to contractors, mortgage bankers, brokers and services, leasing agents, consultants, on-site managers, real estate brokers, insurance brokers and other agents, including Affiliates of the Partnership or any General Partner;

(6) Expenses in connection with the acquisition, preparation, operation, improvement, development, disposition, replacement, alteration, repair, remodeling, refurbishment, leasing, and financing and refinancing of Partnership Property (except any such expenses in connection with the Secured Debt or any refinancing of the Secured Debt).

(7) The cost of insurance obtained in connection with the business of the Partnership;

(8) Expenses of organizing, revising, amending, converting, modifying or terminating the Partnership;

(9) Expenses in connection with distributions made by the Partnership to, and communications and bookkeeping and clerical work necessary in maintaining relations with, Limited Partners;

(10) Expenses in connection with preparing and mailing reports required to be furnished to Partners for required tax reporting, or other purposes which the Managing General Partner deems appropriate;

(11) Costs incurred in connection with any litigation, including any examination or audits by regulatory agencies; and

(12) Costs of preparation and dissemination of informational material and documentation relating to potential sale, refinancing or other disposition of Partnership Property.

ARTICLE VIII POWERS, RIGHTS AND OBLIGATIONS OF GENERAL PARTNERS

Section 8.01. General Authority and Powers of the Managing General Partner. The Managing General Partner shall have the exclusive right and power to manage, operate and control the Partnership and to do all things and make all decisions necessary or appropriate to carry on the business and affairs of the Partnership. In addition to the specific rights and powers herein granted to the General Partners, the Managing General Partner shall possess and enjoy and may exercise all the rights and powers of a general partner as provided under the Act, including the full and exclusive power and authority to act for and to bind the Partnership. The scope of the Managing General Partner's power and authority shall encompass all matters connected with or incident to the business of the Partnership, including but not limited to the power and authority:

(1) To spend and or invest the capital and revenue of the Partnership to maximize return to the Partnership, including the acquisition of the Project;

(2) To manage, sell, develop, purchase, mortgage, improve, operate and dispose of Partnership Property, including to act on behalf of the Partnership with respect to any Partnership or joint venture in which the Partnership participates;

(3) To employ persons, firms and/or corporations for the sale, operation, management, syndication and development of Partnership Property, including but not limited to sales agents, broker-dealers, attorneys and accountants;

(4) To employ agents, attorneys, accountants, engineers and other consultants or contractors who may be Affiliates of a General Partner; however, any employment of such persons must be on terms not less favorable to the Partnership than those offered by unaffiliated persons for comparable services in the same area;

(5) To acquire and or sell personal or real property owned by the Partnership or in which the Partnership has an interest, lease real property, borrow on a secured or unsecured basis in the name of the Partnership, grant Partnership property as security for a loan to the Partnership, hire and fire employees, to sign any documents required on behalf of the Partnership, without the signatures or consents of the Limited Partners, required to carry out the duties of the Managing General Partner, and all other acts necessary, appropriate, or helpful for the operation of the Partnership business;

(6) To appoint representatives to manage the day-to-day operations of the Partnership;

(7) To execute, acknowledge and deliver any and all instruments to effectuate any of the foregoing powers and any other powers granted to the Managing General Partner under the laws of the State of Washington or other provisions of this Agreement;

(8) To enter into and to execute agreements for employment or services, as well as any other agreements and all other instruments the Managing General Partner deems necessary or appropriate to own, sell, improve, operate and dispose of Partnership Property or to effectively and properly perform its duties or exercise its powers hereunder;

(9) To enter into such agreements and contracts with parties and to give such receipts, releases and discharges, with respect to the business of the Partnership, which the Managing General Partner, in its sole discretion, deems advisable or appropriate;

(10) To purchase, at the expense of the Partnership, such liability and other insurance as the Managing General Partner, in its sole discretion, deems advisable to protect the Partnership's assets and business; however, the Managing General Partner shall not be liable to the Partnership or the other Partners for failure to purchase any insurance, including earthquake insurance, unless such act or omission constitutes gross negligence or willful misconduct by a General Partner within the meaning of Section 8.04;

(11) To sue and be sued, complain, defend, settle, and/or compromise, with respect to any claim in favor of or against the Partnership, in the name and on behalf of the Partnership; and

(12) To grant Partnership real or personal property as security for a loan to the Partnership, and sign all documents required to grant such security interests in Partnership Property, without the signatures or consents of the Limited Partners provided that such borrowing is in furtherance of a Project purpose.

Section 8.02. Right of Public to Rely on Authority of Managing General Partner. No person, firm or corporation dealing with the Partnership or any Partnership or joint venture for which the Partnership is a general partner or otherwise authorized to act, shall be required to inquire into the authority of the Managing General Partner to take any action, make any decision, or sign and deliver any document, instrument or deed. The Managing General Partner does not require an authorizing resolution from the Partners in order to sell or grant Partnership Property as security for an obligation of the Partnership.

Section 8.03. Time Devoted to Partnership; Other Ventures. The General Partners and the Managing General Partner shall devote so much of their time to the business of the Partnership as in their judgment the conduct of the Partnership's business reasonably requires. The General Partners and the Managing General Partner may engage in business ventures and activities of any nature and description independently or with others, whether or not in competition with the business of the Partnership, and neither the Partnership nor any of the other Partners shall have any rights in and to such independent ventures and activities or the income or profits derived there from by reason of the acquisition of Interests in the Partnership.

Section 8.04. Liability of General Partners to Limited Partners and Partnership. In carrying out their duties and exercising the powers hereunder, the General Partners shall exercise reasonable skill, care and business judgment. A General Partner shall not be liable to the Partnership or the Limited Partners for any act or omission performed or omitted by them in good faith pursuant to the authority granted to them by this Agreement unless such act or omission constitutes gross negligence or willful misconduct by that General Partner. In exercising their powers hereunder, the General Partners recognizes their fiduciary responsibility to the Partnership as set forth in Section 8.06 hereof. The General Partners shall be entitled to rely on the advice of counsel and public accountants experienced in any matter at issue, and shall not be liable, responsible or accountable in damages or otherwise to the Partnership, or any Limited Partner for any action taken or failure to act on behalf of the Partnership in good faith and in reliance on any such advice.

Section 8.05. Indemnification. The Partnership shall indemnify and hold harmless the General Partners and the Managing General Partner from any loss or damage, including attorneys' fees actually and reasonably incurred by them, by reason of any act performed by them

on behalf of the Project or in furtherance of the interests of the Project; provided, however, that such indemnification or agreement to hold harmless shall be recoverable only out of the assets of the Project and not from the Limited Partners. The foregoing indemnity shall extend only to acts or omissions performed or omitted by a General Partner in good faith and in the belief that the acts or omissions were in the Partnership's interests, or not opposed to the best interests of the Partnership and which are not a result of negligence or willful or wanton misconduct on the part of that General Partner.

Section 8.06. Fiduciary Responsibility. The General Partners shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Partnership.

ARTICLE IX STATUS OF LIMITED PARTNERS

Section 9.01. Participation in Management. Except as specifically provided herein, no single Limited Partner shall control the Partnership's business or management or have any right or authority to act for or on the behalf of, or otherwise bind, the Partnership (except a Limited Partner who may also be a General Partner and then only in its capacity as General Partner within the scope of its authority hereunder). Notwithstanding the above the Limited Partners shall form an advisory committee to consult and advise the General Partner with respect to the partnership business as defined in RCW 25.10.190(2)(f)(i) through (f)(x) except (f)(ii) and (f)(iii).

Section 9.02. Limitation of Liability. No Limited Partner shall have any personal liability whatever, whether to the Partnership, to any Partners or to the creditors of the Partnership, for the debts or obligations of the Partnership or any of its losses beyond his Capital Contribution set forth opposite his name in Schedule A attached hereto; provided, however, that any Partner for whom any charges have been made to his Capital Account by reason of the obligation described in the last paragraph of Section 6.03, Section 4.05, and/or Section 10.08 is required to reimburse the Partnership for the amount of any negative balance in his Capital Account, but such reimbursement shall not exceed the sum of the Partner's obligations under Section 6.03, 4.05, and Section 10.08. This Section 9.02 will survive the termination of a Partner's status as a Partner. A Partner must also pay any attorneys' or accountants' fees actually and reasonably incurred by the Partnership or a General Partner in collecting amounts under this proviso from the Partner.

Section 9.03. Death or Incapacity of Limited Partner. The death, legal incapacity, dissolution, termination, merger, consolidation or bankruptcy of a Limited Partner shall not cause dissolution of the Partnership, but the rights of such Limited Partner to share in the profits and losses of the Partnership, to receive distributions from the Partnership and to assign an Interest in the Partnership shall, on the happening of such an event, devolve upon such Limited Partner's executor, administrator, guardian, conservator, or other legal representative or successor, as the case may be, subject to the terms and conditions of this Agreement, and the

Partnership shall continue as a Partnership. However, in any such event such legal representative or successor, or any assignee of such legal representative or successor shall be admitted to the Partnership as a Limited Partner only in accordance with and pursuant to all of the terms and conditions of Article XI hereof.

Section 9.04. Recourse of Limited Partners. Each Limited Partner shall look solely to the Project for all distributions with respect to the Partnership and his Capital Contribution thereto and share of profits and losses thereof and shall have no recourse therefore, upon dissolution or otherwise, against the General Partners or any other Limited Partner, except to the extent of any required General Partner contributions to the Partnership required by Section 4.06

Section 9.05. No Right to Property. No Limited Partner shall have any right to demand or receive any distribution from the Partnership in any form other than cash, upon dissolution or otherwise.

Section 9.06. Voting Rights of Limited Partners. Subject to the provisions of Article VIII, the Limited Partners owning Interests constituting in the aggregate at least two-thirds of the Interests of all Limited Partners unless stated otherwise may, without the concurrence of the General Partners and in accordance with Section 12.02 hereof, remove the Managing General Partner for cause and admit a substitute Managing General Partner.

Section 9.07. Meetings of Limited Partners.

(1) Meetings of the Limited Partners to vote upon any matters on which the approval or consent of the Limited Partners is required or on which the Limited Partners are authorized to take action under this Agreement may be called at any time by the General Partners and shall be called by the General Partners within ten (10) days after receipt of a written request for such a meeting signed by one or more Limited Partners owning Interests constituting in the aggregate more than 30% of the Interests of all Limited Partners. Any such request shall state the purpose of the proposed meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. Meetings shall be held at the principal office of the Partnership or at such place as may be designated by the General Partners or, if the meeting is called upon the written request of Limited Partners, as designated by such Limited Partners.

(2) Notification of any meeting to be held pursuant to this Section 9.07 shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting, to each Limited Partner at his record address, or at such other address which he may have furnished in writing to the Managing General Partner. Such notice shall be in writing; shall state the place, date and hour of the meeting; and shall indicate that the notice is being issued at or by the direction of the Partner or Partners calling the meeting. The notice shall state the purpose or purposes of the meeting and the matters proposed to be acted upon at such meeting, including a verbatim statement of the wording of any proposed amendment to this Agreement. If a meeting

is adjourned to another time and place, and if an announcement of the adjournment of time or place is made at the meeting, it shall not be necessary to give notice of the adjourned meeting. No notice of the time, place or purpose of any meeting of Limited Partners need be given to any Limited Partner who attends in person or is represented by proxy, except for a Limited Partner attending a meeting for the express purpose of objecting at the beginning of the meeting to the transaction or any business on the ground that the meeting is not lawfully called or convened, or to any Limited Partner entitled to such notice who, in a writing executed and filed with the records of the meeting, either before or after the time thereof, waives such notice.

(3) For the purpose of determining the Limited Partners entitled to notice of, or to vote at, any meeting or any adjournment thereof, or to vote by written consent without a meeting, the General Partners or the Limited Partners requesting such meeting or vote may fix, in advance, a date as the record date for any such determination of Limited Partners. Such date shall not be more than sixty (60) days nor less than ten (10) days before any such meeting or submission of a matter to the Limited Partners, the date on which notice of the meeting or submission of the matter to the Limited Partners for a vote by written consent is mailed shall be the record date for such determination of Limited Partners.

(4) Each Limited Partner may authorize any person or persons to act for him by proxy with respect to any matter in which a Limited Partner is entitled to participate, whether by waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Limited Partner. No proxy shall be valid after the expiration of twelve (12) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable by the Limited Partner executing it.

(5) Any matter for which the approval or consent of the Limited Partners is required or for which the Limited Partners are authorized to take action under this Agreement or under applicable law may be approved or action may be taken by the Limited Partners without a meeting and shall be as valid and effective as action taken by the Limited Partners at a meeting assembled, if written consents to such action by the Limited Partners are signed by the Limited Partners owning Interests constituting in the aggregate the Interests required to approve or otherwise authorize such action, and such written consents are delivered to the General Partners.

(6) Personal presence of the Limited Partners shall not be required at any meeting, provided an effective written consent to or rejection of the action proposed to be taken at such meeting is submitted to the Managing General Partner. Attendance by a Limited Partner and voting in person at any meeting shall revoke any written consents or rejections of such Limited Partner submitted with respect to action proposed to be taken at such meeting.

(7) Failure to vote either in person, by proxy or by written consent at a duly called meeting upon receipt of notice as provided for in this Article IX on matters for which approval of the Limited Partners are required by this Agreement shall be counted as an affirmative vote.

ARTICLE X
BOOKS AND RECORDS, ACCOUNTING, REPORTS AND
STATEMENTS AND TAX MATTERS

Section 10.01. Books and Records. The Managing General Partner shall, at the expense of the Partnership, keep and maintain, or cause to be kept and maintained, the books and records of the Partnership using the method of accounting chosen by the Managing General Partner. All books and records of the Partnership shall be kept at the principal office of the Partnership.

Section 10.02. Annual Accounting Period. All books and records of the Partnership shall be kept on the basis of an annual accounting period ending December 31 of each year, except for the final accounting period which shall end on the date of termination of the Partnership. All references herein to the "fiscal year of the Partnership" are to the annual accounting period described in the preceding sentence, whether the same shall consist of twelve months or less.

Section 10.03. Managing General Partner's Reports to Limited Partners. The Managing General Partner shall send at Partnership expense to each Limited Partner the following:

(1) After the end of each fiscal year of the Partnership, such information as shall be necessary for the preparation by such Limited Partner of his federal income tax return which shall include a computation of the distributions of such Limited Partner and the allocation to such Limited Partner of profits or losses, as the case may be; and

(2) A reasonable time after the end of each fiscal year of the Partnership, an annual report, which shall include an income statement for and balance sheet of the Partnership as of the fiscal year end.

Section 10.04. Right to Examine Records. Limited Partners shall be entitled, upon written request directed to the Managing General Partner, to (a) review the records of the Partnership at all reasonable times and at the location where such records are kept by the Partnership and (b) obtain a list of the names and addresses of the Limited Partners.

Section 10.05. Tax Matters Partner. The tax matters partner of the Partnership shall be the Managing General Partner.

Section 10.06. Tax Returns. The Managing General Partner shall, at Partnership expense, cause the Partnership to prepare and file a United States Partnership Return of Income and all other tax returns required to be filed by the Partnership for each fiscal year of the Partnership.

Section 10.07. Tax Elections and Adjustments. The Managing General Partner is authorized to cause the Partnership to make, forego or revoke such elections or adjustments for federal income tax purposes as they deem necessary or advisable in their sole discretion, provided such elections or adjustments are consistent with federal income tax rules and principles, including but not limited to, in the event of a transfer of all or part of the Limited Partnership Interest of any Partner, an election pursuant to Section 754 of the Code to adjust the basis of the assets of the Partnership or any similar provision enacted in lieu thereof. The Partners will, upon request, supply any information necessary to properly give effect to any such election or adjustment.

Section 10.08. Federal Income Tax Withholding. In the event any of the Partners are subject to Federal Income Tax withholding, the Managing General Partner is authorized to withhold any sums required by the Internal Revenue Code even if such withholding conflicts with any of the terms and conditions of this Agreement or otherwise affects distributions, allocations or payments to the Partners. In the event that the Managing General Partner learns of a withholding obligation subsequent to the distribution to which the withholding obligation relates, the Managing General Partner will issue an invoice to the Partner. If the invoice is not paid within sixty (60) days, the General Partner will charge the amount against the Partner's Capital Account. This Section 10.08 will survive the termination of a Partner's status as a Partner.

ARTICLE XI
TRANSFERS OF LIMITED PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF LIMITED PARTNERS

Section 11.01. General Prohibition. No Limited Partner may voluntarily, or involuntarily, directly or indirectly, sell, transfer, assign, pledge or otherwise dispose of, or mortgage, pledge, hypothecate or otherwise encumber, or permit or suffer any encumbrance of, all or any part of his Interest in the Partnership, except as provided in this Article XI. Any other purported sale, transfer, assignment, pledge or encumbrance shall be null and void and of no force or effect whatsoever.

Section 11.02. No withdrawal of Limited Partner. No Limited Partner shall have the right to withdraw from the Partnership except as otherwise provided in this Agreement.

Section 11.03. Transfers by Limited Partners.

(1) Subject to any restrictions on transferability required by law or contained elsewhere in this Agreement, a Limited Partner may transfer his entire Interest in the Partnership upon satisfaction of the following conditions:

(a) The transfer shall (A) be by bequest or by operation of the laws of intestate succession, or (B) be approved in writing by the Managing General Partner, which

approval shall be withheld only if, in the reasonable judgment of the Managing General Partner, the proposed transfer does not comply with the requirements of this Article XI, would jeopardize the status of the Partnership as a partnership for federal income tax purposes, or would violate, or cause the Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law;

(b) The transferor and transferee shall have executed and acknowledged such instruments as the Managing General Partner may deem necessary or desirable to effect such transfer;

(c) The transferor and transferee shall have provided, if requested by any General Partner, an opinion of counsel indicating that, in the opinion of said counsel, such transfer would not jeopardize the status of the Partnership as a Partnership for federal income tax purposes, and would not violate, nor cause the Partnership to violate, any applicable law or governmental rule or regulation, including without limitation, any applicable federal or state securities law; and

(d) The transferor has made all Capital Contributions to the Partnership in accordance with Article IV hereof and has no further obligation to the Partnership beyond his Capital Contribution as described in Section 9.02.

(2) At the time of a transfer of any Limited Partner's Interest, whether or not such transfer is made in accordance with this Section 11.03, all the rights possessed as a Limited Partner in connection with the transferred Interest, which rights otherwise would be held either by the transferor or transferee, shall terminate against the Partnership unless the transferee is admitted to the Partnership as a Limited Partner pursuant to the provisions of Section 11.04 hereof; provided, however, that if the transfer is made in accordance with this Section 11.03, such transferee shall be entitled to receive distributions to which the transferor would otherwise be entitled as of the effective date of such transfer, which date shall be specified by the Managing General Partner and shall be no later than the last day of the calendar month following the first calendar month during which the Managing General Partner has received notice of the transfer and all conditions precedent to such transfer provided for in this Agreement have been satisfied. The Partnership and the Managing General Partner shall be entitled to treat the transferor as the recognized owner of such Interests until such effective date and shall incur no liability for distributions made in good faith to the transferor prior to the effective date.

(3) In the event a Limited Partner transfers all of his Interest in the Partnership, the transferor will cease to be a Limited Partner.

(4) If a General Partner purchases the Interest of a Limited Partner, such Interest shall be treated as a Limited Partnership Interest with respect to all allocations and distributions of the Partnership.

(5) A transfer by a Limited Partner, including transfers of all or less than all rights hereunder, shall not relieve the transferor of obligations under this Agreement.

(6) Each of the Limited Partners, by executing this Agreement, hereby covenants and agrees that he will not, in any event, sell or distribute his Interest in the Partnership or any portion thereof unless, in the opinion of counsel to the Limited Partner (which counsel and opinion shall be satisfactory to counsel for the Managing General Partner) such Interest in the Partnership may be legally sold or distributed in compliance with applicable federal and state securities laws.

(7) Notwithstanding any other provision of this Agreement, a Limited Partner may not transfer his Interest in any case if such a transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Partnership as a partnership for federal income tax purposes pursuant to Section 708 of the Code, unless such transfer shall be expressly approved by the Managing General Partner.

Section 11.04. Admission of Transferees as Limited Partners.

(1) No transferee of a Limited Partner shall be admitted as a Limited Partner unless all of the following conditions have been satisfied:

(a) The transfer complies with Section 11.03 and the transferor Limited Partner gives the transferee the right to become a Limited Partner;

(b) The prospective transferee has executed an instrument, in form and substance satisfactory to the Managing General Partner, accepting and agreeing to be bound by all the terms and conditions of this Agreement, including the power of attorney set forth in Article XIV hereof, and has paid all expenses of the Partnership in effecting the transfer;

(c) All requirements of the Act regarding the admission of a transferee limited partner have been complied with by the transferee, the transferring Limited Partner, and the Partnership;

(d) Such transfer is effected in compliance with all applicable state and federal securities laws; and

(e) The transferee executes all documents reasonably required by the Managing General Partner.

(2) In the event of a transfer complying with all the requirements of Section 11.03 hereof and the transferee being admitted as a Limited Partner pursuant to this Section 11.04, the Managing General Partner, for himself as a General Partner and for each Limited Partner pursuant to the Power of Attorney granted by each Limited Partner, shall execute and file

an amendment to this Agreement. Unless named in this Agreement, as amended from time to time, no person shall be considered a Partner; and the Partnership, each Partner, and any other person having business with the Partnership need deal only with Partners so named and shall not be required to deal with any other person by reason of a transfer by, or by reason of the death of, a Partner, except as otherwise expressly provided herein.

ARTICLE XII
TRANSFERS OF GENERAL PARTNERSHIP INTERESTS;
WITHDRAWAL AND ADMISSION OF GENERAL PARTNERS

Section 12.01. Withdrawal of General Partners. The General Partners may withdraw from the Partnership by giving the Limited Partners written notice of withdrawal at least sixty (60) days prior to the effective date of the withdrawal. A General Partner who withdraws from the Partnership may sell its Interest only in accordance with the procedures and limitations of Section 12.03 hereof. In the event there is no such sale, or until such time as there is such a sale, a General Partner who has withdrawn shall have the same rights and be subject to the same limitations as a General Partner that has been removed pursuant to the provisions of Section 12.03 hereof, and the interest of the withdrawn General Partner may be acquired by the other General Partners or by the Limited Partners in accordance with the procedures set forth in Section 12.03 hereof.

Section 12.02. Removal, Bankruptcy, Dissolution, Death or Incompetency of General Partners. A General Partner shall cease to be a General Partner of the Partnership upon the removal, bankruptcy, dissolution, death or incompetency of the General Partner and any of said Partners may be removed by the vote of the Limited Partners, under Section 9.06 above, only for cause. For purposes of this Section 12.02, the term "cause" shall mean acts of the General Partners which constitute larceny, fraud, or a crime involving moral turpitude or failure to pay the Secured Debt according to its terms resulting in the initiation of foreclosure proceedings pursuant to the security agreement securing the Secured Debt.

Section 12.03. Transfer by General Partners; Admission of Additional or Successor General Partners. A General Partner may transfer his Interest, or any part thereof, and an additional or successor General Partner, as the case may be, shall be admitted to the Partnership as follows:

(1) If a General Partner desires to sell, transfer or assign its Interest in the Partnership to another then existing General Partner, such General Partner must obtain the consent of all of the other General Partners before effecting such sale or transfer. If the General Partner desiring to sell, transfer or assign its interest is the Managing General Partner, then a majority of the other General Partners, if there are three or more General Partners, and, if not, then two-thirds of the Limited Partners, must agree as to who is to become the new Managing General Partner before the proposed sale, transfer or assignment can be effected.

(2) Except as provided in Section 12.03(3), if a General Partner desires to sell, transfer or assign its Interest in the Partnership to a person or entity who is not then a General Partner, such transfer shall be permitted if, and only if, the proposed transferee is approved as a successor General Partner as follows:

(a) The admission of the transferee as a successor General Partner shall have been consented to by the other General Partners, and if none, by a two-thirds vote of the Limited Partners;

(b) If the proposed transferee is a non-natural person, it shall have provided the Partnership evidence satisfactory to counsel for the Partnership of its authority to become a General Partner;

(c) In the event that one or more General Partners shall be so designated and approved, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(3) Upon action taken by the Limited Partners to remove a General Partner in accordance with Section 9.06 and subject to Section 12.02, Limited Partners owning Interests constituting in the aggregate two-thirds of the Interests of all Limited Partners may, without the concurrence of the General Partners, admit to the Partnership one or more additional General Partners to replace the General Partner(s) to be removed. In the event that one or more additional General Partners shall be so admitted, this Agreement shall be appropriately amended to provide for the participation of such additional General Partners.

(4) Notwithstanding any other provision of this Agreement, the General Partners may not transfer any Interest in any case if such transfer, when aggregated with all other transfers within a twelve (12) month period, would cause the termination of the Partnership as a Partnership for federal income tax purposes pursuant to Section 708 of the Code unless such transfer shall be approved by Limited Partners owning Interest constituting in the aggregate a majority of the Interests of all Limited Partners in the Partnership.

Section 12.04. Continuing Liability. In the event a General Partner withdraws from the Partnership or sells, transfers or assigns its entire Interest pursuant to the provisions of this Agreement, such General Partner shall be, and shall remain, liable for all obligations and liabilities incurred by the General Partner prior to the effective date of such occurrence and shall be free of any obligation or liability incurred on account of the activities of the Partnership from and after such effective date.

Section 12.05. Additional Conditions to Admission of General Partners. Notwithstanding any other provision of this Agreement, no additional or successor General Partner may be admitted to the Partnership and no right of the Limited Partners to consent to or approve such admission shall have any effect whatsoever or be exercisable until and unless prior to such

exercise the Partnership shall have received an opinion of counsel satisfactory to the Limited Partners (as hereinafter provided) to the effect that the giving of consent of the Limited Partners to such admission will not adversely affect the classification of the Partnership as a Partnership for federal income tax purposes. For purposes of this Section 12.05, an opinion of counsel will be deemed satisfactory to the Limited Partners if approved in writing by Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners.

Section 12.06. Purchase of Interest(s) of General Partners. Upon the removal, bankruptcy, dissolution, death or incompetency of a General Partner, the Limited Partnership Interest(s) of the General Partner(s) (hereinafter, for purposes of Sections 12.02 and 12.06, referred to as the "Terminated General Partner(s)") shall be purchased by the Partnership for a purchase price determined in accordance with Section 12.07 hereof. The purchase price of such Interest(s) shall be paid by the Partnership to the Terminated General Partner(s) or his/their representative either, at the option of the Partnership, in cash or by a promissory note of the Partnership payable to such Terminated General Partner(s) or his representative in a face amount equal to said purchase price and containing provisions as would be usual and customary in a commercial promissory note, including provisions for interest at a rate equal to the prime rate of interest from time to time announced by Bank of America to be its "prime rate", such interest to be payable at the time of each installment of principal, which shall be payable in five (5) annual installments or as the Terminated General Partner(s) or his representative and the Partnership may otherwise agree.

Section 12.07. Purchase Price of a Terminated General Partner(s) Interest. The fair market value of the Terminated General Partner(s)' Interest(s), for any reason other than for removal for cause, to be purchased by the Partnership in accordance with Section 12.06 above shall be determined by agreement between the Terminated General Partner(s) or his representative and the Partnership. If the Terminated General Partner(s) or his representative and the Partnership cannot agree upon the fair market value of such Limited Partnership Interest(s) within 90 days after the date of the Terminated General Partner(s) removal, bankruptcy, dissolution, death or incompetency, then the purchase price shall be the General Partner's percentage interest of the MAI appraised value of the Partnership's assets and business, valued as a going concern without a minority discount determined as soon as possible after the end of the ninety day period above. In the event of removal for cause the purchase price of the terminated General Partner(s) interest shall be based on the formula set forth in this paragraph except that the value of any distributions to Limited Partners paid to the General Partner shall be reduced to zero.

ARTICLE XIII DISSOLUTION, WINDING UP AND TERMINATION

Section 13.01. Events Causing Dissolution. The Partnership shall be dissolved and its affairs shall be wound up upon the happening of the first to occur of any of the following events:

- (1) Expiration of the term of the Partnership stated in Section 1.05 hereof;
- (2) Entry of a decree of judicial dissolution pursuant to the Act;
- (3) The sale or other disposition of all or substantially all of the assets of the Partnership;

(4) The removal, bankruptcy, dissolution, death or incompetency of the General Partner(s), unless:

(a) At the time of the occurrence of any of such events there is at least one other additional or successor General Partner, in which case the business of the Partnership shall be carried on by the remaining General Partner(s); or

(b) Within 90 days of the occurrence of any such event, all Partners agree in writing to continue the business of the Partnership and to the appointment of one or more General Partner(s) who shall succeed to all of the management rights and responsibilities of the General Partner(s) hereunder.

Section 13.02. Bankruptcy of General Partner(s). For the purposes of this Agreement, the "bankruptcy" of a General Partner shall mean any of the following:

- (1) The General Partner makes an assignment for the benefit of creditors;
- (2) The General Partner files a voluntary petition in bankruptcy;
- (3) The General Partner is adjudicated as bankrupt or insolvent;
- (4) The General Partner files a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law or regulation;
- (5) The General Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Partner in any proceedings of the nature described in (4) above;
- (6) The General Partner seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of such Partner or of all or any substantial part of such Partner's properties;
- (7) The expiration of 90 days after the commencement of any proceeding against the General Partner seeking reorganization, arrangement, composition, readjustment,

liquidation, dissolution, or similar relief under any statute, law, or regulation, provided the proceeding has not been dismissed within such 90 day period; or

(8) The expiration of 60 days after the appointment without such General Partner's consent or acquiescence of a trustee, receiver, or liquidator of the General Partner or all or any substantial part of such General Partner's properties, provided the appointment is not vacated or stayed within such 60 day period, or if stayed within such 60 day period, then the expiration of sixty (60) days after the expiration of any such stay, provided the appointment is not vacated within such 60 day period.

Section 13.03. Winding Up. Upon dissolution of the Partnership for any reason, the Managing General Partner, or any other party (the "Liquidator") designated by vote or written consent of Limited Partners owning Interests constituting in the aggregate a majority of the Interests of all Limited Partners, if required, shall commence to wind up the affairs of the Partnership and to liquidate its assets. The Partners shall continue to share income, gains, expenses, losses and all other items during the period of liquidation in the same proportion as before the dissolution. The Liquidator shall have the full right and unlimited discretion to determine the time, manner and terms of any sale or sales of Partnership Property pursuant to such liquidation. Pending such sales, the Liquidator or such other party shall have the right to continue to operate and otherwise deal with the assets of the Partnership. A reasonable time shall be allowed for the orderly winding up of the business of the Partnership and the liquidation of its assets and the discharge of its liabilities to creditors so as to enable the Liquidator to minimize the normal losses attendant upon a liquidation, having due regard to the activity and condition of the relevant markets for the Partnership Property and general financial and economic conditions. Any Partner may be a purchaser of the Property of the Partnership upon liquidation, including, without limitation, any liquidation conducted pursuant to a judicial dissolution or otherwise under judicial supervision; provided, however, that the purchase price and terms of sale are fair and reasonable to the Partnership.

Section 13.04. Distributions. The proceeds of liquidation and any other funds of the Partnership shall be distributed in the order of priority set forth in Article VI above.

Section 13.05. Certificate of Cancellation; Report; Termination. Upon the dissolution and commencement of winding up of the Partnership, the Managing General Partner shall execute and file a certificate of cancellation of the Partnership. Within a reasonable time following the completion of the liquidation of the Partnership's assets, the Managing General Partner or such other party shall prepare and furnish to each Partner, at the expense of the Partnership, a statement that sets forth the assets and liabilities of the Partnership as of the date of complete liquidation and the amount of each Partner's distribution pursuant to Article VI hereof. Upon completion of the liquidation and distribution of all Partnership funds, the Partnership shall terminate and the Managing General Partner shall have the authority to execute and file all documents required to effectuate the termination of the Partnership.

**ARTICLE XIV
SPECIAL AND LIMITED POWER OF ATTORNEY**

Section 14.01. Special and Limited Power of Attorney.

(1) The Managing General Partner shall at all times during the existence of the Partnership have a special and limited power of attorney as the attorney-in-fact for each Limited Partner with power and authority to act in the name and on the behalf of each Limited Partner to make, execute, swear to, verify, acknowledge, correct and file the following documents and any other documents deemed by the Managing General Partner to be necessary for the business of the Partnership:

(a) This Agreement, and any amendments thereto;

(b) Any Certificate of Limited Partnership for the Partnership and amendments thereto required or permitted or deemed advisable by the Managing General Partner to be made or filed on behalf of the Partnership, and any and all certificates or other instruments necessary to qualify the Partnership as a partnership;

(c) Any other instrument or document that may be required to be filed by the Partnership under the laws of any state or by a governmental agency or which the Managing General Partner deems advisable to file; and

(d) Any instrument or document which may be required to effect the continuation of the Partnership and admission of an additional or substitute General or Limited Partner, or the dissolution and termination of the Partnership (provided such continuation, admission or dissolution and termination are in accordance with the terms of this Agreement).

(e) Execute any and all documents necessary to enable the Managing General Partner to carry out powers of the Managing General Partner including but not limited to granting Partnership Property as security for Partnership obligations and sale or conveyance of Partnership Property.

(2) This power of attorney is a special power of attorney coupled with an interest, is irrevocable, shall survive the death of each Limited Partner and is limited to those matters herein set forth.

**ARTICLE XV
MISCELLANEOUS**

Section 15.01. Amendments. Except as otherwise provided by law, this Agreement may be amended in any respect by the Managing General Partner without the written approval or consent of Limited Partners owning Interests in the Partnership; provided however, that:

(1) Without the consent of Limited Partners to be adversely affected by the amendment, this Agreement may not be amended so as to change the Capital Contributions required, or rights and interests in profits, losses and distributions of any Partner; and

(2) In the case of any provision hereof which requires the action, approval or consent of a specified Interest of Limited Partners, such provision may not be amended without the consent of the Limited Partners owning such specified Interests.

Section 15.02. Notices. Any notice, offer, consent or other communication required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been sufficiently given or made when delivered personally to the party (or an officer of the party) to whom the same is directed, or (except in the event of a mail strike) five (5) days after being mailed by first class mail, postage prepaid, if to the Partnership or to the Managing General Partner, to the office described in Section 1.03 hereof, or if to a General Partner or to a Limited Partner, to the address set forth in Schedule A attached hereto. Any Partner may change his or its address for the purpose of this Section 15.02 by giving notice of such change to the Partnership, such change to become effective on the tenth (10th) day after such notice is given.

Section 15.03. Governing Law; Survival of Rights; Severability of Provisions. This Agreement shall be governed by the internal laws of the state of Washington and shall, subject to the restrictions on transfer set forth herein, bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto. If any provision of this Agreement is held to be invalid, the remainder of this Agreement shall not be affected thereby.

Section 15.04. Entire Agreement. This Agreement constitutes the entire agreement among the parties and supersedes any prior agreement or understandings among them, oral or written, all of which are hereby cancelled. This Agreement may not be modified or amended other than pursuant to Section 15.01 hereof.

Section 15.05. Captions; Pronouns. The paragraph titles or captions contained in this Agreement are inserted only as a matter of convenience of reference. Such titles and captions in no way define, limit, extend or describe the scope of this Agreement nor the intent of any provision hereof. All pronouns and any variation thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

Section 15.06. No Waiver. The failure of any Partner to seek redress for violation, or to insist on strict performance, of any covenant of this Agreement shall not prevent a subsequent act which would have constituted a violation from having the effect of an original violation.

Section 15.07. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one Agreement, binding on all of the parties hereto.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

MANAGING GENERAL PARTNER:

American Life, Inc.
a Washington corporation

By: Henry Liebman

Its: President

EXHIBIT A
Partnership Interests
And
Equity Capital Contributions

GENERAL PARTNERS

	<u>Partnership Interest</u>	<u>Cash Capital Contribution</u>
American Life, Inc.	0% (Profits Interest Only)	\$0
Total	<u>0%</u>	<u>\$0</u>

LIMITED PARTNERS

	<u>Partnership Interest</u>	<u>Cash Capital Contribution</u>
KADC, LLC	0% (Profits Interest Only)	\$0
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
Total	<u>100%</u>	(b)(4)

EXHIBIT B

FORM OF SUBSCRIPTION AGREEMENT

OF

618 SECOND AVENUE LIMITED PARTNERSHIP

618 SECOND AVENUE LIMITED PARTNERSHIP

SUBSCRIPTION INSTRUCTIONS

An investor desiring to subscribe for Interests in 618 Second Avenue Limited Partnership should do the following:

1. Complete, date and sign a Subscription Agreement in the attached form.
2. Complete, date and sign an Offering Questionnaire in the form appearing as Appendix I to the Subscription Agreement.
3. Complete, date and sign the Form W-9 attached to the Subscription Agreement.
4. Keep copies of the completed, dated and signed Subscription Agreement Offering Questionnaire and Form W-9 for your records.
5. Send the completed, dated and originally signed Subscription Agreement, Offering Questionnaire and Form W-9, along with any other documents required to be delivered pursuant to the applicable signature page of the Subscription Agreement, to:

618 Second Avenue Limited Partnership
3223 Third Avenue South
Suite 200
Seattle, WA 98134-1943

6. Unless the Managing General Partner otherwise agrees, payment of the subscription amount must be made by check or wire transfer through or from a U.S. bank or a banking institution organized within a jurisdiction, territory or region approved by the Financial Action Task Force (the "FATF") in a single lump sum payment from a single account (rather than two or more separate payments from one or more accounts). A list of jurisdictions, territories or regions currently approved by the FATF can be obtained from the FATF web site: www.oecd.org/fatf.

- (a) Send a check in payment for the amount subscribed (as indicated on the signature page of the Subscription Agreement) payable to "618 Second Avenue Limited Partnership" to:

618 Second Avenue Limited Partnership
3223 Third Avenue South
Suite 200
Seattle, WA 98134-1943

OR

- (b) Wire transfer that amount in accordance with instructions set forth herein.

618 SECOND AVENUE LIMITED PARTNERSHIP

SUBSCRIPTION AGREEMENT

1. SUBSCRIPTION. The undersigned (the "Subscriber") hereby irrevocably subscribes for a Limited Partnership Interest ("Interests") in 618 Second Avenue Limited partnership, a Washington limited partnership (the "Partnership"), in the amount indicated below. In payment for the Interests, the Subscriber is concurrently sending a check in that amount payable in immediately available funds or is wire transferring that amount to the custodian for the Partnership in accordance with the wiring instructions below. Such subscription, when and if accepted by the Managing General Partner of the Partnership, American Life, Inc., a Washington corporation (the "Managing General Partner"), will constitute the initial Capital Contribution by the Subscriber to the Partnership, in accordance with the Agreement of Limited Partnership of the Partnership (the "Agreement"), in the form furnished by the Managing General Partner to the Subscriber as Exhibit A of the Confidential Offering Circular dated March 2007 (the "Offering Circular"), relating to the Partnership and its business. Capitalized terms used and not otherwise defined in this Subscription Agreement have the meanings respectively ascribed to them in the Offering Circular.

AMOUNT OF SUBSCRIPTION: USD\$ _____

NUMERATOR USED TO CALCULATE PERCENTAGE: Your capital contribution not including the syndication fee.

(b)(4) DENOMINATOR USED TO CALCULATE INTEREST:

NAME(S) UNDER WHICH TITLE SHALL BE HELD: _____

ADDRESS _____

TELEPHONE/FAX _____

EMAIL _____

U.S. SOCIAL SECURITY NUMBER
OR U.S. TAXPAYER ID NUMBER _____

YOU MAY WIRE YOUR CAPITAL CONTRIBUTION TO:

Credit Bank: Citibank, NA
111 Wall Street
New York, NY 10005

ABA Number:

Credit Account:

Credit Account Name:

For Further Credit to:




618 Second Avenue Limited Partnership

For Benefit of:

[Investor's name]

(b)(4)

Interests are available on a first-come first-serve basis. Subscribers who need additional time may make a non-refundable deposit of  to raise its Capital Contribution. The deposit will be forfeited if subscription amount due is not received by the Partnership within the 90-day period. The Partnership recommends assessing availability before engaging professional assistance.

(b)(4)

2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY SUBSCRIBER. The Subscriber hereby represents, warrants and agrees as follows:

(a) The Interests are being purchased by the Subscriber and not by any other person, with the Subscriber's own funds and not with the funds of any other person, and for the account of the Subscriber, not as a nominee or agent and not for the account of any other person. On acceptance of this Subscription Agreement by the Managing General Partner, no person other than the Subscriber will have any interest, beneficial or otherwise, in the Interests. The Subscriber is not obligated to transfer Interests or any part thereof or interest therein to any other person nor does the Subscriber have any agreement or understanding to do so. The Subscriber is purchasing the Interests for investment for an indefinite period, not with a view to the sale or distribution of any part or all thereof by public or private sale or other disposition. The Subscriber has no intention of selling, granting any participation in or otherwise distributing or disposing of any Interests. The Subscriber does not intend to subdivide the Subscriber's purchase of Interests with any person.

(b) The Subscriber understands that the Interests have not been registered or qualified under the 1933 Act or any other securities law or regulation, on the ground, among others, that no distribution or public offering of the Interests is to be effected and the Interests will be issued by the Partnership in connection with a transaction that does not involve any public offering within the meaning of section 4(2) of the 1933 Act or applicable provisions of other securities laws and regulations, under the respective rules and regulations of the SEC and the administrators of such other laws and regulations thereunder. The Subscriber understands that the Partnership is relying in part on the Subscriber's representations herein for purposes of claiming such exemptions and that the basis for such exemptions may not be present if, notwithstanding the Subscriber's representations, the Subscriber has in mind merely acquiring Interests for resale on the occurrence or non-occurrence of some predetermined event. The Subscriber has no such intention.

(c) The Subscriber, either alone or with the Subscriber's professional advisers who are unaffiliated with, have no equity interest in and are not compensated by the Partnership or any Affiliate or selling agent of the Partnership, directly or indirectly, has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in Interests and has the capacity to protect the Subscriber's own interests in connection with the Subscriber's proposed investment in Interests.

(d) The Subscriber either has furnished to the Managing General Partner a completed and signed Offering Questionnaire or has completed and signed the Offering Questionnaire attached hereto as Appendix I. The information in the Subscriber's most recently completed and signed Offering Questionnaire previously delivered or being delivered to the Managing General Partner, which is incorporated herein by reference, is true, correct and complete in all respects as of the date hereof.

(e) The Subscriber acknowledges that under U.S., international and other anti-money laundering laws, rules, regulations, treaties or other restrictions, the Managing General Partner or the Partnership may require further identification of the Subscriber before they will process a subscription or withdrawal and the Subscriber's subscription or withdrawal may be delayed if the Subscriber does not provide such required information on a timely basis. The Subscriber agrees to provide to the Managing General Partner any additional information regarding the Subscriber that the Managing General Partner or the Partnership deems necessary or convenient to ensure compliance with all applicable laws concerning money laundering and similar illicit activities.

(f) The Subscriber understands that the Partnership is prohibited from accepting a subscription for Interests by any person or entity that is acting, directly or indirectly, in violation of any anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, including any person, entity or organization that is included on any so-called "watch list" maintained by any governmental agency of the U.S. (including, but not limited to, the U.S. Central Intelligence Agency, the U.S. Department of the Treasury, the U.S. Federal Bureau of Investigation, the IRS, the U.S. Office of Foreign Assets Control and the SEC) (each such person or entity being called herein a "Prohibited Investor"):

The Subscriber is not (A) acting as an agent, representative, nominee or intermediary for any other person, entity or other beneficial owner (each such person, entity or owner being called herein an "Underlying Beneficial Owner") and no Underlying Beneficial Owner has any beneficial or economic interest in the Interests, (B) a Prohibited Investor or (C) a senior foreign political

figure,¹ an immediate family member of a senior foreign political figure² or a close associate of a senior foreign political figure.³

If the Subscriber is a corporation, partnership, limited liability company, trust, association or other entity, the Subscriber (A) has established the identity of each director, officer and beneficial owner of the Subscriber (including, but not limited to, each shareholder, member, partner, trustee and beneficiary), (B) will maintain all evidence identifying such persons for at least five years after the date the Subscriber terminates its entire interest in the Partnership, (C) has made such information available to the Managing General Partner in the Offering Questionnaire or will provide such information to the Managing General Partner immediately on the Managing General Partner's request and (D) has no intention or obligation to distribute, assign, transfer or sell all or any portion of the Interests to any Underlying Beneficial Owner.

If the Subscriber is an investment entity (such as an investment pool organized as a limited partnership, limited liability company, corporation or other entity), (A) the Subscriber has established and applies anti-money laundering practices and procedures that comply with all applicable laws, rules and regulations and are designed to detect and report any activity that raises suspicion of money laundering activities and (B) none of the Subscriber's directors, officers, managers, members, partners, shareholders or other beneficial owners is a Prohibited Investor, a senior foreign political figure, an immediate family member of a senior foreign political figure or a close associate of a senior foreign political figure.

The assets used to subscribe for the Interests hereby were not derived, directly or indirectly, from any illegal activity or source.

(g) The Subscriber agrees to notify the Managing General Partner immediately if any of the representations, warranties or agreements in section 2(e) or (f) becomes false, inaccurate or incomplete in any respect at any time that the Subscriber holds any Interests. The Subscriber understands and agrees that if the Managing General Partner believes that any of the representations, warranties or agreements in section 2(e) or (f) or any other information that the Subscriber has supplied to the Managing General Partner or the Partnership is or becomes false, inaccurate or incomplete in any respect, the Managing General Partner or the Partnership may be required to expel the Subscriber from the Partnership, freeze the assets of the Subscriber, suspend the Subscriber's withdrawal rights, request additional information, deliver the Subscriber's assets invested in the Partnership to a governmental agency, report any

¹ A "senior foreign political figure" is a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

² The "immediate family of a senior foreign political figure" typically includes the figure's parents, siblings, spouse, children and in-laws.

³ A "close associate of a senior foreign political figure" is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

such action and the Subscriber's identity to a governmental agency or take any combination of the foregoing actions or any other action as required by applicable law. The Subscriber hereby (1) waives and releases any known or unknown claim that the Subscriber might now or at any future time have against the Partnership, the Managing General Partner or any of their respective Affiliates, controlling persons, shareholders, members, managers, partners, directors, officers, employees and agents in connection with such action by the Managing General Partner or the Partnership and (2) agrees that, in connection with such action by the Managing General Partner or the Partnership, the Managing General Partner may segregate and manage any portion or all of the Subscriber's investment in the Partnership separate and apart from the Partnership's assets, in the Managing General Partner's absolute discretion, including without limitation, by selling or otherwise disposing of such assets of the Subscriber and reinvesting the proceeds therefrom. The rights and obligations of the Managing General Partner under this section 2(g) shall supersede any duties that the Managing General Partner may have to the Subscriber under the Agreement or otherwise.

(h) Unless otherwise approved by the Managing General Partner, distributions of the Partnership's assets to the Subscriber (whether as a result of a distribution to all Limited Partners or in connection with a withdrawal by the Subscriber) shall be made (1) only to the Subscriber (as reflected on the Partnership's books and records) and (2) only through accounts held at a U.S. bank or non-U.S. bank organized within a jurisdiction, territory or region approved by the FATF.

(i) The Subscriber acknowledges receipt of the Offering Circular and acknowledges that the Subscriber has been furnished with such financial and other information concerning the Partnership, the Managing General Partner and the business and proposed business of the Partnership as the Subscriber considers necessary in connection with the Subscriber's investment in Interests. The Subscriber has carefully reviewed the Offering Circular and is thoroughly familiar with the existing and proposed business, operations, management, properties and financial condition of the Partnership and has discussed with representatives of the Managing General Partner any questions the Subscriber may have had with respect thereto. The Subscriber has read and understands the risks of this investment, including, by way of illustration only, the Risk Factors set forth in Section 13. The Subscriber has consulted with the Subscriber's own legal, accounting, tax, investment and other advisers with respect to the tax treatment of an investment by the Subscriber in Interests and the merits and risks of an investment in Interests.

(j) Understanding that the investment in Interests is highly speculative, the Subscriber is able to bear the economic risk of such investment. The Subscriber is an "accredited investor" as defined in the Offering Questionnaire attached hereto as Appendix I. If the Subscriber has indicated category (13) in Part E of such Offering Questionnaire, all direct and indirect equity owners of the Subscriber are also accredited investors.

(k) If the Subscriber is an individual, the Subscriber is a citizen of the U.S., or a resident alien taxable as a citizen of the U.S., over twenty-one years of age (or the age of majority in the Subscriber's state of residence) and if the Subscriber is an unincorporated association, all of its members are such citizens or resident aliens of such age. The requirements of the preceding sentence will be deemed met if the Subscriber is such a citizen or resident alien of such age who is acting as a custodian, trustee or legally appointed

personal representative for the beneficial investor (who may be under such age). The Subscriber agrees to notify the Partnership immediately on becoming a nonresident alien.

(l) If the Subscriber is a corporation, limited liability company, partnership, trust or other entity, unless otherwise indicated on the Subscriber's Offering Questionnaire, the Subscriber is not a foreign corporation, foreign limited liability company, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and the Regulations). The Subscriber agrees to notify the Partnership immediately if the Subscriber becomes any such foreign person.

The Subscriber understands that the Subscriber's certification in section 2(k) or (l) above regarding non-foreign status may be disclosed to the IRS by the Partnership, and any false statement may be punishable by fine, imprisonment or both.

(m) That the Subscriber has adequate means of providing for current needs and personal contingencies, and is aware that an investment in the Interests is highly speculative and subject to substantial risks. The Subscriber is capable of bearing the high degree of economic risk and burden of this investment, including but not limited to, the possibility of the complete loss of all contributed capital and the limited transferability of the Interests.

(n) This Subscription Agreement constitutes a legal, valid and binding agreement of the Subscriber enforceable against the Subscriber in accordance with its terms. The Subscriber, if not an individual, is empowered and duly authorized to enter into this Subscription Agreement (including the power of attorney herein) under any governing document, operating agreement, partnership agreement, trust instrument, pension plan, charter, articles or certificate of incorporation or organization, bylaw provision or the like. The person, if any, signing this Subscription Agreement on behalf of the Subscriber is empowered and duly authorized to do so by the governing document, trust instrument, operating agreement, partnership agreement, pension plan, charter, articles or certificate of incorporation or organization, bylaw provision, board of directors or stockholder resolution, or the like.

(o) The Partnership communicated the offer to sell Interests directly to the Subscriber in a manner such that the Subscriber was able to ask questions of and receive answers from the Managing General Partner concerning the terms and conditions of this transaction. At no time was the Subscriber presented with or solicited by any leaflet, public promotional meeting, newspaper, magazine or similar medium (including, without limitation, any internet site that does not comply with procedures required to prevent a public solicitation of Interests), or any radio or television article or advertisement, or any other form of advertising or general solicitation. The Subscriber has not reproduced, duplicated or delivered to any other person the Offering Circular or any part thereof or excerpt therefrom, including, without limitation, this Subscription Agreement, except to the Subscriber's own advisers, and shall not do so in the future.

(p) The Subscriber understands that insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers or persons controlling the Partnership pursuant to the Agreement or this Subscription Agreement, the

Partnership has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the 1933 Act and is therefore unenforceable.

(q) The Subscriber understands and agrees that the Managing General Partner and the Partnership may release and disclose to proper governmental authorities confidential information about the Subscriber and, if applicable, its directors, officers and beneficial owners, if the Managing General Partner is required to do so by applicable law, rule, regulation, subpoena or court order or if the Managing General Partner believes it is in the best interest of the Partnership in light of the applicable laws, rules and regulations regarding Prohibited Investors.

(r) Except as modified by any schedule of exceptions provided at the time the offer is made, any offer to purchase additional Interests that the Subscriber may make after becoming a Limited Partner will be deemed to have been made subject to all of the terms and conditions of this Subscription Agreement, and the Subscriber will be deemed at the time each additional subscription is accepted to have reaffirmed all of the representations, warranties and agreements contained herein for the benefit of the Partnership and the Managing General Partner, and each of their respective affiliates and direct and indirect members, partners, directors, officers, managers, employees, controlling persons and agents.

(s) That the Subscriber understands the Partnership prepared pro formas and estimates of possible revenues and expenses and the possible consequent financial returns the Partnership could experience if such revenues and expenses were achieved. The Subscriber understands that the Partnership is still in an early stage of development and has no history of achieving such revenues. The Partnership estimates are based on a good faith belief of what the Partnership can accomplish if it is able to obtain adequate financing and is able to commence and maintain operations in accordance with its current business plan. The pro formas were not prepared by any independent accountant and were not prepared with a view toward compliance with the Association of Independent Certified Accountants' guidelines for projections. The assumptions and estimates are uncertain and the actual results of the Partnership will vary from the projected results and could vary in a materially adverse manner.

(t) THAT THE SUBSCRIBER EITHER READS AND UNDERSTANDS ENGLISH OR HAD THIS SUBSCRIPTION AGREEMENT TRANSLATED BY A TRUSTED ADVISOR INTO A LANGUAGE THAT THE UNDERSIGNED DOES UNDERSTAND.

3. AGREEMENT TO REFRAIN FROM RESALES. The Subscriber agrees that the Subscriber shall in no event pledge, hypothecate, sell, transfer, assign or otherwise dispose of any Interests, nor shall the Subscriber receive any consideration for Interests from any person, unless and until prior to any proposed pledge, hypothecation, sale, transfer, assignment or other disposition, the Subscriber shall have complied with all requirements and conditions in the Agreement.

4. CERTIFICATES TO BE LEGENDED. The Subscriber understands and agrees that any instrument or certificate representing or relating to Interests may bear such legends as the Partnership may consider necessary or advisable to facilitate compliance with the 1933 Act

and any other applicable securities law or regulation, including, without limitation, legends stating that the Interests have not been registered or qualified under the 1933 Act or any other securities law and setting forth the limitations on dispositions imposed hereby and by the Agreement.

5. INTERESTS WILL BE RESTRICTED SECURITIES. The Subscriber understands that the Interests will be "restricted securities" as that term is defined in Rule 144 under the 1933 Act and, accordingly, that the Subscriber must hold the Interests indefinitely unless they are subsequently registered or qualified under the 1933 Act and any other applicable securities law or exemptions from such registration and qualification are available. The Subscriber understands that the Partnership is under no obligation so to register or qualify Interests under the 1933 Act or any other securities law, or to comply with the Regulation A or any other exemption under the 1933 Act or any other law. The Subscriber understands that Rule 144 is not available and will not be available for any sale of Interests.

6. PARTNERSHIP MAY REFUSE TO TRANSFER. If, in the opinion of counsel for the Managing General Partner or a manager of the Managing General Partner, the Subscriber has acted or at any time hereafter shall have acted in a manner inconsistent with the representations and warranties in this Subscription Agreement, the Managing General Partner may refuse to transfer the Interests until such time as such counsel is of the opinion that such transfer will not require registration or qualification of Interests under the 1933 Act or any other securities law. The Subscriber understands and agrees that the Partnership may refuse to acknowledge or permit any disposition of Interests that does not comply in all respects with the Agreement and this Subscription Agreement and that the Partnership intends to make an appropriate notation in its records to that effect.

7. INDEMNIFICATION. The Subscriber agrees to indemnify and defend the Partnership, the Managing General Partner, each person, if any, who controls the Managing General Partner within the meaning of the 1933 Act or the 1934 Act, and each of their respective Affiliates, controlling persons, shareholders, members, managers, partners, directors, officers, employees and agents and hold them harmless from and against any and all claims, liabilities, losses, damages, settlements and expenses (including, without limitation, attorneys' fees and expenses, expert witnesses' fees and expenses and court costs) as and when suffered or incurred on account of or arising out of:

(a) Any breach of or inaccuracy in the Subscriber's representations, warranties or agreements herein, including, without limitation, the defense of any claim based on any allegation of fact inconsistent with any of such representations, warranties or agreements;

(b) Any disposition of Interests contrary to any of such representations, warranties or agreements;

(c) Any action, suit or proceeding based on (1) a claim that any of such representations, warranties or agreements were inaccurate or misleading or otherwise cause for obtaining damages or redress under the 1933 Act or any other securities law, or (2) any disposition of any Interests or any part thereof or interest therein; or

(d) Any delay in the Subscriber's subscription, any freezing of the assets of the Subscriber, any suspension or delay of the Subscriber's withdrawal rights, any delivery of the Subscriber's assets invested in the Partnership to a governmental agency, or any other action, delay or disclosure, pursuant to section 2(e), (f), (g) or (q).

8. POWER OF ATTORNEY. The Subscriber hereby irrevocably constitutes and appoints the Managing General Partner, with full power of substitution and resubstitution, the Subscriber's true and lawful attorney, for the Subscriber and in the Subscriber's name, place and stead and for the Subscriber's use and benefit to sign, execute, deliver, certify, acknowledge, swear to, file, record and publish:

(a) The Agreement and the Partnership's certificate of limited partnership, and any amendments to either of such documents in accordance with the Agreement;

(b) Any other certificates, instruments, agreements and documents necessary to qualify or continue the Partnership as a limited partnership or a partnership wherein limited partners have limited liability in the states or other jurisdictions where the said attorney-in-fact deems necessary or advisable;

(c) All conveyances, assignments, documents of transfer or other instruments and documents necessary to effect the assignment of Interests or the dissolution and termination of the Partnership in accordance with the Agreement;

(d) All filings and submissions pursuant to any applicable law, regulation, rule, order, decree or judgment which, in the opinion of said attorney-in-fact, may be necessary or advisable in connection with the business of the Partnership; and

(e) All documents necessary to transfer, convey or encumber the Partnership's Property.

The power of attorney granted herein is coupled with an interest, shall be irrevocable, shall survive the death, disability or incapacity of the Subscriber, shall be deemed given by each and every assignee and successor of the Subscriber and may be exercised by said attorney-in-fact by listing, or attaching a list of, the names of the Subscriber and other persons for whom said attorney-in-fact is acting and signing the Agreement and such other certificates, instruments and documents with the single signature of an authorized signatory on behalf of the said attorney-in-fact acting as such for all of the persons whose names are so listed.

9. SUCCESSORS. The representations, warranties and agreements in this Subscription Agreement shall be binding on the Subscriber's successors, assigns, heirs and legal representatives and shall inure to the benefit of the respective successors and assigns of the Partnership and the Managing General Partner, any other person that shall hereafter be admitted to the Partnership as a general partner thereof in accordance with the Agreement, and their respective Affiliates.

10. GOVERNING LAW. This Subscription Agreement shall be governed by and construed and interpreted in accordance with the laws of the state of Washington.

11. ARBITRATION. The parties waive their rights to seek remedies in court, including any right to a jury trial. The parties agree that any dispute between or among either of the parties or any of their Affiliates arising out of, relating to or in connection with this Subscription Agreement or the Partnership or its formation, organization, capitalization, business or management, shall be resolved exclusively through binding arbitration conducted under the auspices of JAMS pursuant to its Arbitration Rules and Procedures. The arbitration hearing shall be held in the county and state of the principal office of the Partnership at the time the dispute arises. Disputes shall not be resolved in any other forum or venue. The arbitration shall be conducted by a retired judge who is experienced in resolving disputes regarding the securities business. The parties agree that the arbitrator shall apply the substantive law of the State of Delaware to all state law claims, that limited discovery shall be conducted in accordance with JAMS' Arbitration Rules and Procedures, and that the arbitrator may not award punitive or exemplary damages, unless (but only to the extent that) such damages are required by law to be an available remedy for the specific claim(s) asserted. In accordance with JAMS' Arbitration Rules and Procedures, the arbitrator's award shall consist of a written statement as to the disposition of each claim and the relief, if any, awarded on each claim. The award shall not include or be accompanied by any findings of fact, conclusions of law or other written explanation of the reasons for the award. The parties understand that the right to appeal or to seek modification of any ruling or award by the arbitrator is severely limited under state and federal law. Any award rendered by the arbitrator shall be final and binding, and judgment may be entered thereon in any court of competent jurisdiction in the county and state of the principal office of the Partnership at the time the award is rendered or as otherwise provided by law.

12. RISK FACTORS. AN INVESTMENT IN THE PARTNERSHIP HAS CERTAIN ELEMENTS OF RISK DIFFERENT FROM AND/OR GREATER THAN THOSE ASSOCIATED WITH OTHER INVESTMENTS. THE HIGHER DEGREE OF RISK MAKES AN INVESTMENT IN THE PARTNERSHIP SUITABLE ONLY FOR INVESTORS (i) WHO HAVE A CONTINUING LEVEL OF ANNUAL INCOME AND A SUBSTANTIAL NET WORTH, (ii) WHO CAN AFFORD TO BEAR THOSE RISKS, (iii) WHO HAVE PREVIOUSLY MADE THE INVESTMENT OF AT LEAST WHAT THEY INTEND TO INVEST IN THIS PARTNERSHIP AND, (iv) WHO HAVE NO NEED FOR LIQUIDITY FROM THESE INVESTMENTS. EACH INVESTOR SHOULD CONSIDER CAREFULLY THE RISK FACTORS ASSOCIATED WITH THIS INVESTMENT, INCLUDING, WITHOUT LIMITATION, THE FOLLOWING, AND SHOULD CONSULT HIS OR HER OWN LEGAL, TAX AND FINANCIAL ADVISORS WITH RESPECT THERETO. INVESTORS UNABLE OR UNWILLING TO ASSUME THE FOLLOWING RISKS, AMONG OTHERS, MUST NOT CONSIDER AN INVESTMENT IN THE PARTNERSHIP.

(a) Lack of Significant Operating History. This Partnership is being formed for the specific purpose of acquiring the Project. Accordingly, neither the Partnership nor the Managing General Partner has any operating history with respect to the Project. The Managing General Partner has prepared projections which are based primarily on information and representations of the seller of the Project, which have been only partially verified.

(b) Financial Projection. Since the Partnership has no operating history and is currently being formed, no balance sheet or income statement based on actual operations of the Partnership is available. The proforma statements and financial projections included in the Offering Circular are based upon what the Managing General Partner believes to be reasonable assumptions concerning certain factors affecting the probable future operations of the Partnership. No assurances can be made that these forecasts will prove to be accurate, and Subscribers are cautioned against placing excessive reliance on such forecasts in deciding whether to invest in the Partnership. In particular, construction and fuel costs are very volatile and may cause the Partnership to seek additional capital which could result in a dilution of a Subscriber's Interest in the Partnership.

(c) General Risks of Real Estate Ownership. The Partnership's investment in the Project will be subject to the risks generally incident to the ownership of real property, including, without limitation, the following: uncertainty of cash flow to meet fixed obligations; adverse changes in general or local economic conditions; excessive building resulting in an over-supply; relative appeal of particular types of properties to tenants, lenders and investors; reduction in the cost of operating competing properties; decrease in employment, reducing the demand for properties in the area; the possible need for unanticipated renovations; adverse changes in interest rates and availability of mortgage funds; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, acts of God, including earthquakes, which may cause uninsured losses; the financial condition of tenants of the Project; environmental risks; condemnation of the Project and other factors which are beyond the control of the Partnership and the Managing General Partner. Liquidation or dissolution of the Partnership may be delayed until all purchase money loans which the Partnership may extend to a buyer of the Project is repaid or sold. Decreases in actual rental income from expected amounts, or increases in operating expenses, among other factors, could result in the Partnership's inability to meet all its cash obligations. Any decrease in rental income received by the Partnership may reduce, and possibly eliminate, the amount of cash available for distribution to the Partners, since operating expenses, such as property taxes, utility costs, maintenance, and insurance are unlikely to decrease significantly, and other expenses such as advertising and promotion may increase. If the income from the Project is not sufficient to meet operating expenses or debt service, the Partnership may have to dispose of the Project on disadvantageous terms in order to raise needed funds.

(d) Leverage and Other Factors Relating to Financing. Although the Partnership has no plans to borrow (excepting the Secured Debt), emergent circumstances may make borrowing necessary. The use of secured indebtedness to finance a portion of the purchase price of real estate is referred to as leveraging. Leveraging increases the risk of loss of the Partnership's equity investment if and to the extent the Project declines in value. In addition, to the extent cash flow from a

leveraged investment is not sufficient to pay debt service, cash from other sources will be required. Unless the Project generates such cash, the Partnership will be required to request additional Capital Contributions from the Partners (except for the Secured Debt, which is the obligation of the General Partners) or to borrow additional funds for such purpose, and there can be no assurance that such Capital Contributions or such loans will be available. In such event, the Partnership may be required to sell the Project on disadvantageous terms, or mortgages or deeds of trust securing Partnership's debt may be foreclosed and the Project sold by the lender to repay Partnership's debt.

(e) Future Market Value of the Project. The economic future of Seattle, Washington, future construction activity, interest rates, demographic changes, changes in tax laws and numerous other factors will determine the future market value of the Project. There is no assurance that the Project will increase in value in accordance with the Partnerships' expectations or otherwise.

(f) Distributions From Operations. The General Partner has made qualified projections as to distributions to the Subscribers from operations. Because distributions are related to market conditions for rentals, vacancy factors, costs of operating the Project, and numerous other factors, there is no assurance that there will be cash from operations available for distribution to the Subscribers. Subscribers who borrowed all or part of their capital contribution must understand that rental income is subject to market forces and cannot be relied upon as a source of funds to repay such debt.

(g) General Tax Risks. Investment in the Partnership involves substantial tax risks. Although the primary motive of investors should be for long-term appreciation, state and federal legislatures and tax authorities may alter and change the permissible deductions that may be taken with respect to the Project and its income, and may change the tax rates to less favorable rates. In addition, the state and federal tax authorities may be more likely to audit taxpayers with higher incomes or partnership income or loss. Since Subscribers generally fall into this category, the Partnership also has an increased risk of being audited. Such an examination could result in adjustments to items that are related to the Partnership. The Limited Partners may incur legal or other professional expenses in connection with such audit or the adjustments resulting from such audit. The Partnership has not obtained a legal opinion or ruling from any tax authority regarding any tax aspects of the Project, the Partnership or its business. The tax risks include, without limitation, the following:

- (i) Changes in federal income tax laws;
- (ii) Partnership status;
- (iii) Taxable income in excess of distributions;
- (iv) Allocation of tax items among Partners;
- (v) Allocation of purchase price;
- (vi) Partnership termination;

- (vii) At risk limitations;
- (viii) Risk of audit;
- (ix) Profit objective; and
- (x) Limitations on passive losses.

The tax discussion contained in this Subscription Agreement is not tax advice to the Subscriber. Each Subscriber is advised to consult with his or her own tax advisor regarding the tax consequences of investing in the Partnership.

(h) Limited Transferability of Partnership Interests.

Except upon death, a Limited Partner may not assign, sell or transfer his Interest to another party except as provided for in the Limited Partnership Agreement. There is no public market for sale of the Interests and it is not anticipated that a market will develop for the purchase or sale of the Interests. Consequently, Limited Partners may not be able to liquidate their investment in the Partnership in the event of their desire or need to do so.

(i) Illiquidity. Your Partnership Interests are a highly illiquid asset in that they cannot be readily sold or pledged as collateral for a loan.

(j) Limitation of General Partner's Liability. Under the Act, the General Partner is accountable to the Limited Partners as a fiduciary, and is required to exercise good faith in handling the affairs of the Partnership. However, the Partnership Agreement provides the General Partner shall not be liable to the Limited Partners for any loss or liability incurred in connection with the affairs of the Partnership, so long as such loss or liability did not result from willful misconduct or gross negligence, and also provides that certain losses that the General Partner may incur shall be paid from Partnership assets. Therefore, a Limited Partner may have a more limited right of action against the General Partner than he would have had absent these provisions in the Partnership Agreement.

(k) Limited Right to Participate in Management. The Limited Partners will not have a right to participate in the active management of the Partnership or the decisions made by the Managing General Partner, except as expressly provided in the Partnership Agreement.

(l) No Independent Counsel. No independent counsel has been retained to represent the interest of the Limited Partners. The Partnership Agreement has not been reviewed by an attorney on behalf of the Limited Partners. Each Subscriber is therefore urged to consult with his own counsel as to the terms and provisions of the Partnership Agreement and all other documents relating thereto as well as his own accountant as to the final information and projections provided.

(m) Uninsured Losses; Casualty Insurance. Certain risks in connection with the Project are either uninsurable or not insurable at commercially reasonable rates, and could have a detrimental effect on the Partnership. Examples of uninsurable losses are those arising from flood, earthquakes, war and acts of God, among others. Should such an uninsurable loss occur, the Partnership could suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project.

(n) Environmental Risks. The business of investing in real property involves risks relating to hazardous and toxic contamination of such property or adjacent property, including subsurface and underground water contamination. Such contamination could have a detrimental effect on the Partnership and can result from the actions of tenants, contractors and other parties such as adjacent property owners. The Partnership could be required to clean up or otherwise abate such contamination which could cause the Partnership to suffer a loss of some or all of the capital invested in the Project as well as the loss of any potential profits from the Project. The Pioneer Square neighborhood is near the SODO, an older industrial area generally known to have hydrocarbons, lead, arsenic and other hazardous materials in the soils in levels above clean up limits established by the State of Washington and the United States government.

(o) Potential Conflict of Interest. The obligations of the Managing General Partner to the Partnership is not exclusive, and the Managing General Partner need only devote so much time to the Partnership's affairs as the Managing General Partner, in its sole discretion, determines to be necessary to manage the Partnership's business. The Managing General Partner will from time to time be involved in approximately twenty-five (25) other properties that may compete with the Project. Commitments undertaken by the Managing General Partner in connection with such other properties could adversely affect its ability to manage the Project.

(p) Construction Risks. The Project involves significant construction activity. Remodeling older buildings often involves surprises and unexpected problems. These problems may delay construction which in turn delays the ability to generate cash flow and increase costs which can significantly increase the Partnership's projected construction costs and reduce projected rates of return. Obtaining building permits is a time consuming process and it is virtually impossible to predict how long it takes to receive final building permits. This uncertainty may result in construction delays and increased costs.

13. ENTIRE AGREEMENT. This Subscription Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by all parties. The representations, warranties, covenants and agreements in this Subscription Agreement shall survive the execution and delivery of this

Subscription Agreement and the Agreement and shall continue in full force and effect notwithstanding anything to the contrary in the Agreement, except only to the extent otherwise provided in a written amendment of this Subscription Agreement, specifically referring hereto, that is signed by or on behalf of the Managing General Partner and the Subscriber.

14. SEVERABILITY. If any provision of this Subscription Agreement or the application thereof to any person or in any circumstances shall be held to be invalid, unlawful, or unenforceable to any extent, the remainder of this Subscription Agreement, and the application of such provision other than to the persons or in the circumstances deemed invalid, unenforceable or unlawful, shall not be affected thereby, and each remaining provision hereof shall continue to be valid and may be enforced to the fullest extent permitted by law.

618 SECOND AVENUE LIMITED PARTNERSHIP

SUBSCRIPTION AGREEMENT SIGNATURE PAGE

Amount of Check or Simultaneous Wire Transfer: \$ _____

TYPE OF OWNERSHIP (Check One)

- INDIVIDUAL OWNERSHIP (One signature required)
- COMMUNITY PROPERTY (One signature required)
- JOINT TENANTS WITH RIGHT OF SURVIVORSHIP (Both parties must sign)
- TENANTS-IN-COMMON (Both parties must sign)
- CORPORATION (Turn to page 18)
- PARTNERSHIP OR LIMITED LIABILITY COMPANY (Turn to page 18)
- TRUST (Including employee benefit plan and individual retirement account trusts) (Turn to page 19)
- OTHER (Please specify and include appropriate documentation)

INDIVIDUAL(S):

The Managing General Partner may require that you furnish a certified or notarized copy of your driver's license or passport.

Dated: _____, 20____

Investor #1:

Investor #2 (if any):

Print or Type Name

Print or Type Name

Signature

Signature

Address: _____

Address: _____

Social Security Number

Social Security Number

618 SECOND AVENUE LIMITED PARTNERSHIP
SUBSCRIPTION AGREEMENT SIGNATURE PAGE
(continued)

CORPORATION:

The Managing General Partner may require that you furnish articles or certificate of incorporation, bylaws and corporate resolution certified by the secretary of the corporation authorizing execution of this Subscription Agreement by the person signing below.

Dated: _____, 20____
Name of Corporate Investor _____

Address: _____
State of Incorporation _____

By _____
Authorized Signature

Print Name and Title of Signatory

Tax Identification Number

PARTNERSHIP OR LIMITED LIABILITY COMPANY:

The Managing General Partner may require that you furnish confirmation of your organization, such as a certified copy of the statement of partnership or partnership agreement or the operating agreement and articles or certificate of organization or formation authorizing execution of this Subscription Agreement by the person signing below.

Dated: _____, 20____
Name of Partnership or Limited Liability Company _____

Address: _____
State of Formation _____

By _____
Authorized Signature

Print Name and Title of Signatory

Tax Identification Number

618 SECOND AVENUE LIMITED PARTNERSHIP
SUBSCRIPTION AGREEMENT SIGNATURE PAGE
(continued)

TRUST:

The Managing General Partner may require that you furnish a certification of the trust agreement or other instrument and any other documentation necessary to establish the authority of the person signing this Subscription Agreement.

Dated: _____, 20_____

Name of Trust

Address: _____

State and Date of Formation

By _____*
Signature of Trustee or Other Authorized Person

Print Name and Title of Signatory

Tax Identification Number

* All documents must be signed by or on behalf of the trustee, not by or on behalf of a participant or beneficiary.

PARTNERSHIP'S ACCEPTANCE

618 Second Avenue Limited Partnership, the Washington limited partnership named above, hereby accepts the foregoing Subscription Agreement as of _____, 2007.

618 SECOND AVENUE LIMITED PARTNERSHIP

By: American Life, Inc., Managing
General Partner

By: _____
Henry Liebman, President

OFFERING QUESTIONNAIRE

618 SECOND AVENUE LIMITED PARTNERSHIP

(All Information Will Be Treated Confidentially)

INSTRUCTIONS

This Questionnaire is being distributed to a select group of investors, each of whom American Life, Inc., the Managing General Partner of 618 Second Avenue Limited Partnership, a Washington limited partnership (the "Partnership"), believes may find investment in the Partnership suitable for such investor's long-range investment objectives. The primary purpose of this Questionnaire is to elicit information sufficient to permit the Partnership reasonably to conclude that the Subscriber has sufficient investment sophistication and ability to take financial risk to meet the standards for availability of the private offering exemption from the registration requirements of the 1933 Act, and the qualification or registration requirements of any other applicable securities law. Capitalized terms used and not otherwise defined in this Questionnaire have the meanings respectively ascribed to them in the Subscription Agreement and the Partnership's Confidential Offering Circular of which this Questionnaire is a part.

If, in completing this Questionnaire, you are in doubt regarding the meaning or implication of any of the terminology or regarding the significance of any particular question, please contact Gregory L. Steinhauer at American Life, Inc., 3223 Third Avenue South, Suite 200, Seattle, Washington 98134, telephone (206) 381-1690, x 117, fax (206) 381-3927, e-mail: greg@americanlifeinc.com.

If the answer to any question is "None" or "Not Applicable," please so state.

YOUR ANSWERS WILL AT ALL TIMES BE KEPT STRICTLY CONFIDENTIAL. EACH PERSON SIGNING THIS QUESTIONNAIRE AGREES, HOWEVER, THAT THE MANAGING GENERAL PARTNER MAY PRESENT THIS QUESTIONNAIRE TO SUCH PARTIES AS THE MANAGING GENERAL PARTNER DEEMS APPROPRIATE IF CALLED ON TO ESTABLISH THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION OR QUALIFICATION OF THE INTERESTS UNDER THE 1933 ACT OR ANY OTHER SECURITIES LAW OR IN CONNECTION WITH COMPLIANCE WITH ANY OTHER APPLICABLE LAW, RULE OR REGULATION (INCLUDING, WITHOUT LIMITATION, ANTI-MONEY LAUNDERING LAWS, RULES AND REGULATIONS).

Unless you have already furnished a completed and signed Offering Questionnaire to the Managing General Partner, or have otherwise furnished to the Managing General Partner all of the information elicited by this Questionnaire, and unless the information furnished is still true and complete, please complete, sign, date and return one copy of this Questionnaire.

Note for Certain Retirement Plans: If the Subscriber is a self-directed plan (for example, an IRA or self-directed 401(k) or Keogh plan) that believes it is an "accredited investor" because investment decisions are made solely by persons that are accredited investors (see

Part E, category (3)), please furnish a separate Questionnaire with respect to the Subscriber and each such person participating in making the investment decisions. If the Subscriber is an IRA and its beneficiary makes the investment decisions for the IRA, furnish a Questionnaire only with respect to the beneficiary.

Note for Trusts: If the Subscriber is a trust that believes it is an "accredited investor" described in Part E, category (4), please furnish a separate Questionnaire with respect to the Subscriber and each person participating in making the investment decision (except that persons participating in making the investment decision need not complete Parts C, E and F).

Note for Certain Entities: If the Subscriber is an entity that believes it is an "accredited investor" by virtue of the accredited investor status of each equity owner thereof (see Part E, category (13)), the Managing General Partner may require the Subscriber to furnish a separate Questionnaire with respect to the Subscriber and each such equity owner.

A. IDENTIFYING INFORMATION

Both entities and individual subscribers should complete this Part A, inserting the information requested with respect to the Subscriber, not any person completing this Questionnaire on the Subscriber's behalf, except that if such person is acting as a custodian for a minor whose funds will be invested, please so indicate and complete the information with respect both to such person and to the minor.

Full Name(s): _____

Business Address: _____ Home Address: _____

Phone: _____ Phone: _____

E-mail: _____ E-mail: _____

Facsimile: _____ Facsimile: _____

Date of Birth: _____ Marital Status: _____ Number of Dependents: _____

In what state is the Subscriber's principal residence? (If the Subscriber has resided in this state less than one year, or plans to change the Subscriber's state of residence, please explain.)

Is there any reason the Subscriber might be considered a resident of another state (e.g., live part of the year, have an office or business, registered to vote, pay taxes or hold a driver's license in another state)? If so, please explain:

Is the Subscriber acting as an agent, representative, nominee or intermediary for any other person, entity or other beneficial owner? Yes ___ No ___

If the Subscriber is an individual, is the Subscriber a senior foreign political figure,⁴ an immediate family member of a senior foreign political figure⁵ or a close associate of a senior foreign political figure?⁶

Yes ___ No ___

If the Subscriber is a corporation, partnership, limited liability company, trust, association or other entity:

- (a) Please identify the following:
 - (i) Which type of entity: _____
 - (ii) The jurisdiction under the laws of which the Subscriber is organized and existing: _____
 - (iii) The jurisdiction where the Subscriber's principal place of business is located: _____
- (b) Has the Subscriber established the identity of each director, officer and beneficial owner of the Subscriber (including, but not limited to, each shareholder, member, partner and beneficiary)?
Yes ___ No ___
- (c) Does the Subscriber have any intention or obligation to distribute, assign, transfer or sell all or any portion of the Interests to any of its directors, officers or beneficial owners? Yes ___ No ___

If the Subscriber is an investment entity (such as an investment pool organized as a limited partnership, limited liability company, corporation or other entity):

- (a) Has the Subscriber established and does it apply anti-money laundering practices and procedures that comply with all applicable laws, rules and regulations?
Yes ___ No ___
- (b) Is any director, officer, manager, member, partner, shareholder or other beneficial owner of the Subscriber (i) a person, entity or other organization that is included on any so-called "watch list" maintained by any governmental agency of the U.S. (including, but not limited to, the U.S. Central Intelligence Agency, the U.S. Department of the Treasury, the U.S. Federal Bureau of Investigation,

⁴ A "senior foreign political figure" is a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.

⁵ The "immediate family of a senior foreign political figure" typically includes the figure's parents, siblings, spouse, children and in-laws.

⁶ A "close associate of a senior foreign political figure" is a person who is widely and publicly known to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

the IRS, the U.S. Office of Foreign Assets Control and the SEC) or (ii) a senior foreign political figure, an immediate family member of a senior foreign political figure or a close associate of a senior foreign political figure?

Yes ___ No ___

B. EMPLOYMENT AND BACKGROUND

If the Subscriber is an individual, please furnish all of the following information with respect to the Subscriber and the Subscriber's spouse. If the Subscriber is an entity or is investing jointly with a person other than the Subscriber's spouse, please furnish all of the following information in this Part B regarding each officer, manager, partner, trustee or other person who will participate in the investment decision. If the Subscriber is acting as a custodian for a minor whose funds will be invested, please furnish information in this Part B regarding the custodian only.

Investor Name: _____

<u>College/University</u>	<u>Degree</u>	<u>Major</u>	<u>Year</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Name and Address of Current Employer: _____

Nature of Employment: _____

Spouse/Co-Investor Name: _____

<u>College/University</u>	<u>Degree</u>	<u>Major</u>	<u>Year</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Name and Address of Current Employer: _____

Nature of Employment: _____

Describe briefly any other background in business (particularly in the securities business), economics, finance, accounting, taxation, law, investing or related fields (include any relevant educational experience) that demonstrates investment sophistication:

C. FINANCIAL INFORMATION

Entities. This section should be completed for any Subscriber that is an entity, such as a corporation, limited liability company, partnership, trust, etc.

Number of partners, shareholders, members, other beneficial owners or beneficiaries: _____

Is the Subscriber a qualified retirement plan (such as a 401(k) plan, profit sharing plan, Keogh plan or pension plan), individual retirement account, individual retirement annuity, or a fund providing for medical care or benefits, severance pay, or accident, disability, death, unemployment, vacation or other similar benefits ("employee plans")? Yes ___ No ___

Is any class of equity interests in the Subscriber held by any such "employee plan" or by an entity (such as a fund of funds) whose assets constitute "plan assets" of an employee plan under the Department of Labor's "plan asset" regulations at 29 C.F.R. §2510.3-101? Yes ___ No ___

If yes, what is the aggregate percentage of the value of each class of equity interests in the Subscriber held by such "employee plans" (excluding from the computation non-employee plan interests held by any individual or entity with discretionary authority or control over the assets of the Subscriber)? _____ %

If the Subscriber is a trust other than such an "employee plan," is the trust revocable pursuant to its trust agreement? Yes ___ No ___

Is the Subscriber a charitable remainder trust or other tax-exempt entity? Yes ___ No ___

If yes, does the Subscriber understand (a) that the Partnership may allocate to the Subscriber unrelated business taxable income ("UBTI") and (b) the consequences of any such allocation? Yes ___ No ___

Was the Subscriber formed for the specific purpose of acquiring Interests? Yes ___ No ___

Have the shareholders, partners or other holders of equity or beneficial interests in the Subscriber been provided the opportunity to decide individually whether or not to participate, or the extent of their participation, in the Subscriber's investment in the Partnership? Yes ___ No ___

Is less than 40% of the Subscriber's total assets invested in the Partnership? Yes ___ No ___

Is the Subscriber a company that would be an investment company under the ICA but for the exception provided by ICA section 3(c)(7)? Yes ___ No ___

Is the Subscriber a private investment company (a company that would be an investment company under the ICA but for the exception provided by ICA section 3(c)(1))? Yes ___ No ___

Is the Subscriber an investment company as defined in the ICA? Yes ___ No ___

D. INVESTMENT BACKGROUND AND OBJECTIVES

Both entities and individual Subscribers should complete this Part D, inserting the information requested with respect to the Subscriber, not any person who is completing this Questionnaire on the Subscriber's behalf.

Approximate number of years the Subscriber has been investing: _____

Please indicate the frequency of the Subscriber's investments in:

Real estate other than the Subscriber's principal residence (directly or through partnerships or other entities managed by others):

often, occasionally, seldom, never

Mutual funds and private securities investment pools (such as the Partnership):

often, occasionally, seldom, never

Marketable securities (stocks, options, derivatives, bonds, debentures, notes):

often, occasionally, seldom, never

Privately held corporations, limited liability companies and partnerships and start-up ventures (stocks, bonds, debentures, notes, member or partner interests):

often, occasionally, seldom, never

Change in Amounts Invested. Is the total amount of the Subscriber's investments currently substantially more than the total amount typically invested over the past several years (other than as the result of market increases)? Yes ___ No ___

If yes, please give details (e.g., when did increase occur, what was approximate value of total prior portfolio):

E. “ACCREDITED INVESTOR”

If the Subscriber is an “accredited investor” as that term is defined in Regulation D under the 1933 Act, and under other applicable securities laws and regulations, please indicate by initialing the category or categories that accurately describe the Subscriber’s situation **[initial all applicable blanks]**:

- (1) A natural person (not an entity) whose individual net worth, or joint net worth with his or her spouse, at the time of his or her purchase exceeds \$1,000,000;
- (b)(4) (2) A natural person (not an entity) who **[initial appropriate blank(s)]**: (a) _____ had an individual income in excess of _____ in each of the preceding two years or (b) _____ had joint income with his or her spouse in excess of _____ in each of those years and (c) in either case (a) or (b), has a reasonable expectation of reaching the same income level in the current year;
- (b)(4) (3) An employee benefit plan within the meaning of Title I of ERISA **[initial appropriate blank]**: (a) if the investment decision is made by a plan fiduciary, as defined in section 3(21) thereof, which is (i) _____ a bank, (ii) _____ a savings and loan association, (iii) _____ an insurance company or (iv) _____ a registered investment adviser, or (b) _____ if the employee benefit plan has total assets in excess of _____ or (c) _____ if the employee benefit plan is a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- (b)(4) (4) A trust, with total assets in excess of _____ not formed for the specific purpose of acquiring the securities of the Partnership being offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment in the Partnership;
- (5) A bank as defined in 1933 Act section 3(a)(2) or a savings and loan association or other institution as defined in 1933 Act section 3(a)(5)(A), whether acting in its individual or fiduciary capacity;
- (6) A broker or dealer registered pursuant to 1934 Act section 15;
- (7) An insurance company as defined in 1933 Act section 2(13);
- (8) An investment company registered under the ICA or a business development company as defined in ICA section 2(a)(48);
- (9) A small business investment company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;
- (10) A private business development company as defined in Advisers Act section 202(a)(22);
- (11) An organization described in Code section 501(c)(3), corporation, Massachusetts or similar business trust, partnership or limited liability

(b)(4)

company, not formed for the specific purpose of acquiring the securities of the Partnership being offered, or a plan established or maintained by a state or its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, in any such case with total assets in excess of [redacted] (in case of an organization described in Code section 501(c)(3), such total assets include endowment, annuity and life income funds and are to be determined according to the Subscriber's most recent audited financial statements);

— (12) A manager, director, executive officer or general partner of the Partnership or the Managing General Partner; or

— (13) An entity in which all the equity owners are accredited investors.

If the Subscriber has indicated category (3)(c) or (13) above, please list below the names and categories of accreditation of the accredited investors making the investment decisions (category (3)(c)) or who are the equity owners (category (13)) (attach additional pages if necessary):

<u>Person Making Decision/Equity Owner</u>	<u>Accredited Investor Category</u>
_____	_____
_____	_____
_____	_____

Special Note for Trusts, Limited Liability Companies, Partnerships and Certain Retirement Plans: The application of the "accredited investor" categories to trusts (including Massachusetts or similar business trusts), limited liability companies, partnerships and self-employed individual retirement plans is subject to complex regulatory interpretations and may differ under state and federal law. Accordingly, such an entity attempting to qualify may be required to deliver additional information, including a satisfactory opinion of its counsel.

F. PURCHASER REPRESENTATIVE

The Subscriber will be eligible to invest in the Partnership only if the Subscriber, either alone or together with the Subscriber's "purchaser representative" (such as an investment adviser, attorney, accountant or other consultant), has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Partnership and has the capacity to protect the Subscriber's own interests in connection with the proposed investment in the Partnership. Does the Subscriber intend to have a "purchaser representative" advise him or her in order to meet this requirement? Yes__ No__.

If yes, the Managing General Partner will furnish to the Subscriber additional information and a Purchaser Representative Questionnaire for completion before considering whether to accept the subscription. In the meantime, the Subscriber should furnish the information indicated below with respect to the Subscriber's purchaser representative:

Name: _____

Firm: _____

Address: _____

Telephone: _____

G. SIGNATURE

To the best of my knowledge and belief, the above information supplied by me is true and correct in all respects. I agree that I will notify the Managing General Partner in writing immediately of any material change in any of the foregoing information prior to consummation of my purchase of Interests and any change in the information in Part A or the three employee benefit plan related questions at the beginning of Part C at any time in the future. I understand that the information being furnished in this Questionnaire is required primarily to enable the Managing General Partner and the Partnership to determine whether an offer and sale of Interests to the Subscriber may be made without registration under federal and state securities laws, and whether the Partnership will comply with certain provisions of federal and state laws applicable to investment advisers and private investment companies.

Date: _____, 2007. _____

Print Name

Signature

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