For Accredited Investors Only

ROSEBURG MARRIOTT FAIRFIELD INN

Addendum to Private Placement Memorandum
Additional Risks of Construction

Overview

Blackburne & Brown Equity Preservation Fund, a Delaware limited liability company (herein "the Fund"), is proposing to syndicate a group of accredited private investors to provide some of the construction equity required to build a 94-room Marriott-flagged Fairfield Inn and Suites in Roseburg, Oregon.

The construction loan will be provided by a bank, and understandably the bank is unwilling to cover 100% of the total cost of the project. As is customary in the post-Great-Recession era, the bank is only willing to provide a construction loan equal to 60% of the total cost of construction, so the developer and his equity investors must provide the remaining 40% shortfall. The Fund will be just one of a number of other equity investors. In other words, the Fund will be a member of another LLC.

An equity investment is not a loan. There is no promise to pay, there is no interest rate, and there are no monthly payments. Instead, an equity investment is the purchase of a share of the ownership of the business, in this case a well-known hotel franchise called the Fairfield Inn and Suites. The franchisor is Marriott Hotels and Resorts, one the largest hotel chains in the country. There are more than 900 hotels worldwide under the Fairfield Inn and Suites flag alone.

The reward to the equity investor for the success of this construction venture is a share of the distributed positive cash flow, a share of the principal reduction on the underlying first mortgage, and a share of the net sales proceeds when the property is sold. Keeping in mind that the risk is substantial and that no returns are promised or guaranteed, the developer projects an average annual return on investment well in excess of 20%, assuming a 7-year hold.

In the following section, a number of special and specific risks of construction and hotel marketing will be described. They will be alarming.

As you consider these risks, please be reminded that Fairfield Inn and Suites hotels are cookie-cutter projects, with very specific, Marriott-provided, construction plans and specifications. Because of the cookie-cutter nature of this franchise hotel, costs can be estimated with better, but never perfect, accuracy. Lastly, the investor is reminded that more than 900 of these cookie-cutter hotels have already been constructed using far more debt than our developer will be using. Since the Great Recession, almost all construction lenders are now requiring developers to

contribute almost twice as much equity as in the past. The smaller amount of debt materially ***reduces*** the risk of this project.

Additional Risks of Construction

1. No Control or Hotel Experience. The Fund will be just one of a number of investor-members in the LLC that will own the project. Neither the Fund, Blackburne & Sons Realty Capital Corporation (herein "Blackburne & Sons"), nor George Blackburne III will be a Managing Member. Blackburne & Sons has no experience constructing, developing, or managing hotels.

2. Capital Calls. Despite the cookie-cutter nature of this construction project and despite the unusual hotel construction experience of the developer, cost overruns are very common in construction projects. In the event of cost overruns exceeding the Contingency Reserve, it may be necessary to call upon the equity investors to contribute additional equity.

3. Failure To Meet Your Capital Call. If you fail to contribute your share of the additional equity required to complete construction or to carry the hotel to profitable stabilization, this failure will result in the total subordination of your investment to those investors meeting and exceeding the capital call. In essence you will be wiped out. **Therefore, you are encouraged not to overinvest in this project and to maintain some liquidity in easily-marketable securities and/or cash.** Because our developer is unusually experienced in building franchised hotels and because Fairfield Inns and Suites are largely cutter-cutter projects, the chances of a substantial capital call are low: but the chances are not zero. The strong capital call provisions in ***all*** investment offerings marketed by Blackburne & Sons protect each investor by helping to make sure that the project gets completed and protected.

4. Relationship Disclosure. The developer, Alex Jansen, is a cousin of George Blackburne III's wife, Francisca. The two have known each other for over 30 years, but they live in different states and socialize only at family gatherings. It was Mr. Blackburne who approached Alex Jansen with the proposal to raise equity for his next hotel construction project. No compensation is being paid by Alex Jansen to either George Blackburne III or to Blackburne & Sons for raising equity dollars for the venture.

5. Substantial Risk: Development projects involve SUBSTANTIAL RISKS not associated with buying or financing standing properties, including, but not limited to:

6. Labor Strikes or Slowdowns: With record low unemployment, the unavailability of skilled labor is a material risk, as is the threat of labor strikes and slowdowns; and

7. Increase in the Cost of Raw Materials: A sudden, unexpected increase in the cost of raw materials, such as lumber, concrete, or other materials, is a material risk; and

8. Natural Weather Events: Extreme cold, extreme heat, extreme wind, drought, or extreme snowfall can materially delay a construction project and add to the cost; and

9. Casualty Losses: Fire, mudslides, and earthquakes are material risks, especially earthquake risk, which is economically uninsurable; and

10. Discovery of Toxic Contamination: The discovery of toxic contamination or leaking underground storage tanks (UST's) are material risks; and

11. Archaeological Risks: The discovery of ancient artifacts or Native American burial grounds can materially delay construction; and

12. Excavation Risk: Bad ground can lead to cave-ins, collapsing cranes, and falling materials; and

13. Unexpected Ground Conditions: Unexpected bad ground can lead to materially higher costs and delays; and

14. Legal Disputes: Contractual disputes between the developer and the general contractor or between the general contractor and the subcontractors can materially delay the project and/or increase the cost; and

15. Governmental Risks: Delays in the grant of the building permit or unexpected additional governmental requirements and conditions can delay the project, materially increase the project cost, or even make the project unbuildable; and

16. Subcontractor Risk: Subcontractors can have cash flow problems. Subcontractors can default or go out of business. The key man for a subcontractor can die or become hospitalized. These are all material risks that can materially delay the project or add significantly to the cost; and

17. Utilities Risk: The city can fail to deliver the required utilities in a timely manner; and

18. Inspection Risk: The city can be slow to complete inspections or the inspector can be unreasonably hostile, leading to costly change orders and material delays; and

19. Theft and Vandalism Risk: Materials may be stolen from the site, and prior work can be vandalized, leading to substantial delays and material increases in the cost; and

20. Animal Habitats: Sensitive or protected animal habitats may be discovered that delay demolition and construction or outright prevent construction; and

21. Resourcing Risk: Subcontractors can be delayed by the inability to acquire certain resources; and

22. Unidentified Utilities: Unexpected underground utilities, such as gas pipes, can be discovered on the site, delaying construction and adding to the cost materially; and

23. Water Table Risk: The water table can be higher than expected, requiring expensive dewatering; and

24. Overhead Power Lines: Previously unidentified overhead power lines can delay construction and add materially to the cost; and

25. Road Closures: Unexpected delays can lead to the expiration of necessary road closures; and

26. Construction Easements: Delays in construction can lead to the expiration of temporary construction easements; and

27. Crane Risk: The site for the construction crane may unexpectedly prove to be unsuitable, causing delays and material increases in the cost.

28. Marketing Risk: There is no guarantee that the operator of this hotel will be able to achieve the occupancy rate and average daily rate (ADR) projected by the developer. Lower occupancy rates and lower ADR's will materially affect the cash flow and the projected sales price; and

29. Health of a Sponsor: The illness or death of one of the two Managing Members can materially delay the project and add significantly to the cost of the project; and

30. The above list of construction risks is a *bona fide* attempt to describe the most likely causes of construction delays and cost increases; but this list is far from exhaustive. Suffice it to say that construction is inherently very risky.

31. The investor can take some solace in the fact that Fairfield In and Suites hotels are relatively cookie-cutter projects, and our builder-developer has successfully constructed a great number of similar hotels.

Additional Risks of Construction

Read and Understood:

____ Date:_________________________
Please print name of investor:____

____ Date:_________________________
Please print name of investor:____