

# SUBSCRIPTION AGREEMENT

Casa de Auction, LLC



A Limited Liability Company formed under the laws of the State of California.

## SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT, between Casa de Auction, LLC, a California Limited Liability Company, and the subscriber listed on the signature page hereof (the “Subscriber”), made as of the date set forth by the subscriber opposite the subscriber’s signature on the signature page hereof.

### WITNESSETH:

WHEREAS, Casa de Auction, LLC is conducting a private placement (the “Private Placement”) pursuant to which it is offering up to an aggregate of 500,000 offered Casa de Auction 9% Preferred Series ‘A’ Units; and

WHEREAS, the Subscriber desires to purchase from Casa de Auction, LLC in the Private Placement the number of Casa de Auction 9% Preferred Series ‘A’ Units set forth on the signature page hereof, subject to the provisions described herein on the terms and conditions hereinafter set forth; and

WHEREAS, This Subscription Agreement is one of a limited number of such subscriptions for the Casa de Auction 9% Preferred Series ‘A’ Units offered to a limited number of suitable investors pursuant to Rule 506(c) of Regulation D and Section 4(2) and/or Section 4(6) of the Securities Act of 1933, as amended (the “Securities Act”). Execution of this Subscription Agreement by the Subscriber shall constitute an offer by the Subscriber to purchase on the terms and conditions specified herein and in Casa de Auction, LLC, “Confidential Private Placement Memorandum” (the “PPM”) dated February 1, 2026. Casa de Auction, LLC reserves the right to reject such subscription offers or, by executing a copy of this Subscription Agreement, to accept such an offer. If the Subscriber’s offer is accepted, Casa de Auction, LLC will execute this Subscription Agreement and issue the Casa de Auction 9% Preferred Series ‘A’ Units in accordance with the terms provided in the PPM. If the Subscriber’s offer is rejected, the payment accompanying this Subscription Agreement will be returned to the Subscriber, with no interest thereon, with the notice of rejection.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained,

the parties hereto agree as follows:

**1. Issuance, Sale, and Delivery of the Casa de Auction 9% Preferred Series 'A' Units**

(a) Subject to the terms and conditions set forth herein and execution of this Agreement attached to the PPM to which this Agreement is attached, on the Closing Date (as defined below) Casa de Auction, LLC shall issue, sell and deliver to Subscriber, and Subscriber shall purchase from Casa de Auction, LLC, the Casa de Auction 9% Preferred Series 'A' Units for a purchase price of \$10.00 per unit (the aggregate purchase price to be paid by the Subscriber for the Casa de Auction 9% Preferred Series 'A' Units is referred to herein as the "Purchase Price").

(b) The Subscriber will pay (i) the Purchase Price by wire transfer, or as otherwise directed by Casa de Auction, LLC, of immediately payable funds. Subscriber shall be registered in the books of Casa de Auction, LLC as the owner of the Casa de Auction 9% Preferred Series 'A' Units being purchased by Subscriber hereunder, which such Casa de Auction 9% Preferred Series 'A' Units may be evidenced by more than one certificate in the name of the Subscriber.

(c) Terms for payment: Upon the execution and submission of the Subscription Agreement, the subscriber will include full payment for the subscribed number of units.

**2. Closing Date.**

In the event Casa de Auction, LLC accepts this subscription by the execution of this Agreement, the closing of the sale and purchase of the Casa de Auction 9% Preferred Series 'A' Units shall take place at the offices of Casa de Auction, LLC at such place, date, and time as may be determined by Casa de Auction, LLC (such date and time of the closing being herein called the "Closing Date"). Casa de Auction, LLC, IN ITS SOLE DISCRETION, MAY REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART. The Subscriber acknowledges that this subscription shall be deemed to be accepted by Casa de Auction, LLC only when an authorized officer of Casa de Auction, LLC countersigns this Agreement. The Subscriber further acknowledges and agrees that subscriptions need not be accepted in the order they are received, that Casa de Auction, LLC shall not be obligated to sell all or any of the Number of Casa de Auction 9% Preferred Series 'A' Units proposed to be sold in the Private

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Placement, that Casa de Auction, LLC shall not be required to sell any minimum number of Casa de Auction 9% Preferred Series 'A' Units at any closing and that Casa de Auction, LLC may hold one or more closings for such number of Casa de Auction 9% Preferred Series 'A' Units as it shall determine in its sole discretion.

Casa de Auction, LLC, represents and warrants to Subscriber as follows:

(a) Organization: Casa de Auction, LLC, is a Limited Liability Company duly formed, validly existing, and in good standing under the laws of the State of California. Casa de Auction, LLC, has, or on or prior to the Closing Date will have, the authority to own and hold its properties, to carry on its business as currently conducted, to execute, deliver, and perform this Agreement, and to issue and deliver the Casa de Auction 9% Preferred Series 'A' Units

(b) Authorization of Agreements, Etc. This Agreement has, or on or prior to the Closing Date will have, been duly executed and delivered by Casa de Auction, LLC, and constitutes the valid and binding obligation of Casa de Auction, LLC, enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization or similar laws affecting creditors' rights generally or by general equitable principles, and except insofar as the enforceability of any provision hereof would be restricted or void by reason of public policy.

(c) No Conflicts. Casa de Auction, LLC, execution and delivery of this Agreement and Casa de Auction, LLC, consummation of the transactions contemplated hereby will not (i) violate, conflict with, or result in an event of default under any material agreement or contract to which Casa de Auction, LLC, is a party or by which it is bound, (ii) violate any applicable law, ordinance, rule or regulation of any governmental body having jurisdiction over Casa de Auction, LLC, or its business or any order, judgment or decree applicable to Casa de Auction, LLC, or (iii) violate any provision of its Operating Agreement, each as may be in effect as of the Closing Date.

### 3. Representations and Warranties of the Subscriber.

Subscriber represents and warrants to Casa de Auction, LLC, with respect to itself as follows:

(a) Organization, Power, and Authority. The subscriber, if not a natural person, is duly authorized or organized, validly existing, and in good standing in its jurisdiction of a corporation or organization. Subscriber has full power and authority to enter into, deliver and perform this Agreement and has taken all action required to authorize the execution and delivery hereof and to consummate the transactions contemplated hereby, including the purchase of the Casa de Auction 9% Preferred Series 'A' Units and, if Subscriber is not a natural person, the person signing this Agreement on behalf of Subscriber has been duly authorized to act on behalf of and to bind such party.

(b) Authorization of Agreements, Etc. The Transaction Documents have been duly executed and delivered by the Subscriber and constitute the valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms, except as may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, or similar laws affecting creditors' rights generally or by general equitable principles, and except insofar as the enforceability of any provision hereof would be restricted or void by reason of public policy.

(c) No Conflicts. The execution and delivery of the Transaction Documents and the consummation of the transactions contemplated hereby will not (i) violate, conflict with, or result in an event of default under any material agreement or contract to which the Subscriber is a party or by the Subscriber is bound, (ii) violate any applicable law, ordinance, rule or regulation of any governmental body having jurisdiction over such party or its business or any order, judgment or decree applicable to the Subscriber, (iii) require the Subscriber to obtain the consent of any governmental agency or entity or any other third party, other than such consents as having already been obtained, or (iv) if not a natural person, violate any provision of the Subscriber's certificate of incorporation, certificate of a limited partnership, certificate of formation or other formation or organizational instrument or document, as applicable, and by-laws, partnership agreement or operating agreement, as applicable.

(d) Investment Representations. Subscriber represents and warrants to Casa de Auction, LLC, that (i) it has completed the "Accredited Investor Certification" attached to this Agreement and provided independent certification that Subscriber meets the "Accredited" investor qualification. (ii) it is an

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“accredited investor” as such term is defined in Rule 501 of Regulation D (“Regulation D”) promulgated under the Securities Act of 1933, as amended (the “Securities Act”) and (iii) it is acquiring the Casa de Auction 9% Preferred Series ‘A’ Units for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof. Subscriber further represents that Subscriber has knowledge and experience in business and financial matters and prior investment experience, including investment in securities that are non-listed, unregistered, and/or not traded on a national securities exchange or on The NASDAQ Stock Market and that Subscriber understands that (i) the Casa de Auction 9% Preferred Series ‘A’ Units have not been registered under the Securities Act, by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof or pursuant to Regulation D promulgated thereunder, (ii) the Casa de Auction 9% Preferred Series ‘A’ Units must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, (iii) the Casa de Auction 9% Preferred Series ‘A’ Units will bear a legend to such effect, and (iv) Casa de Auction, LLC, will make a notation on its transfer books to such effect. The subscriber has delivered the completed "Accredited Investor Certification" to Casa de Auction, LLC, along with any subscription made hereunder.

(e) No Public Market. Subscriber understands that there is no public market for the Casa de Auction 9% Preferred Series ‘A’ Units and that no market may develop. The Subscriber understands that even if a public market develops for the Casa de Auction 9% Preferred Series ‘A’ Units Rule 144 promulgated under the Securities Act requires for non-affiliates, among other conditions, a one-year holding period prior to the resale (in limited amounts) of securities acquired in a non-public offering without having to satisfy the registration requirements under the Securities Act. The Subscriber understands and acknowledges that Casa de Auction, LLC, is under no obligation to register the Casa de Auction 9% Preferred Series ‘A’ Units under the Securities Act or any state securities or “blue sky” laws. The Subscriber acknowledges that at such time, if ever, as the Casa de Auction 9% Preferred Series ‘A’ Units are registered, sales of such securities will be subject to state securities laws and that any sales must comply in all respects with all applicable state securities laws, including those of the state in which the Subscriber resides, which may require any securities sold in such state to be sold through a registered broker-dealer or in reliance upon an exemption from registration.

(f) Access to Information. The Subscriber represents that the Subscriber has been furnished by Casa

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de Auction, LLC, during the course of this transaction with the PPM and all information regarding Casa de Auction, LLC, which the Subscriber has requested or desired to know, has been afforded the opportunity to ask questions of and receive answers from duly authorized officers of Casa de Auction, LLC, concerning the terms and conditions of the Private Placement and has received any additional information which the Subscriber has requested. The Subscriber has relied solely upon the information provided by Casa de Auction, LLC, in this Agreement in deciding to invest in the Casa de Auction 9% Preferred Series 'A' Units. The Subscriber disclaims reliance on any other statements made or information provided by any person or entity in the course of the Subscriber's consideration of the purchase of the Casa de Auction 9% Preferred Series 'A' Units

(g) Risk. SUBSCRIBER UNDERSTANDS THAT THIS INVESTMENT IN THIS COMPANY IS ILLIQUID AND INVOLVES A HIGH DEGREE OF SPECULATIVE RISK. The Subscriber recognizes that the purchase of the Casa de Auction 9% Preferred Series 'A' Units involves a high degree of risk in that, among other things, (i) Casa de Auction, LLC, is an early-stage business with a limited operating history and may require funding in addition to the proceeds of the Private Placement, which may be done through additional equity issuances which may cause additional dilution, (ii) investment in Casa de Auction, LLC, is highly speculative, and only an investor who can afford the loss of the Subscriber's entire investment should consider investing in Casa de Auction, LLC, and the Casa de Auction 9% Preferred Series 'A' Units (iii) the Subscriber may not be able to liquidate the Subscriber's investment, and (iv) in the event of a disposition, the Subscriber could sustain the loss of the entire investment.

(h) No Commissions or FINRA Affiliation. The subscriber has not paid or received any commission or other remuneration in connection with the Private Placement. The Subscriber is not associated with a FINRA-registered firm.

(i) No Brokers or General Solicitation. Neither the Subscriber nor any of its officers, directors, employees, agents, stockholders or partners, if any, has either directly or indirectly, including through a broker or finder engaged in any general solicitation, or (ii) published any advertisement in connection with the offer and sale of the Casa de Auction 9% Preferred Series 'A' Units The Subscriber represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction and agrees to indemnify and to hold harmless Casa de Auction,

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LLC, from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Subscriber or any of its officers, directors, employees, agents, stockholders or partners, if any, is responsible.

(j) Address. The Subscriber represents that the address of the Subscriber furnished on the signature page hereof is (i) the Subscriber's principal business address if the Subscriber is not a natural person or (ii) the Subscriber's principal residence if the Subscriber is a natural person.

(k) Foreign Subscribers. If the Subscriber is not a United States person (as defined by Section 7701(a) (30) of the Internal Revenue Code of 1986, as amended), the Subscriber hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Casa de Auction 9% Preferred Series 'A' Units or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Casa de Auction 9% Preferred Series 'A' Units (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Casa de Auction 9% Preferred Series 'A' Units. The Subscriber's subscription and payment for and continued beneficial ownership of the Casa de Auction 9% Preferred Series 'A' Units will not violate any applicable securities or other laws of the Subscriber's jurisdiction.

(l) Operating Agreement. The Subscriber acknowledges and agrees that (i) the Casa de Auction 9% Preferred Series 'A' Units are subject to substantial restrictions on transfer and voting pursuant to the Operating Agreement, (ii) the Casa de Auction 9% Preferred Series 'A' Units will bear a legend to such effect, and (iii) Casa de Auction, LLC, will make a notation on its transfer books to such effect.

(m) SAFEKEEPING OF PROCEEDS. All funds will be deposited and held in a company non-operating bank account until the company meets the minimum offering amount or refund to an investor in the event the company fails to raise the minimum amount required to complete the offering within 12 months of the offering date.

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(4) Miscellaneous.

(a) Expenses, Etc. Each party hereto will pay its own expenses in connection with the transactions contemplated by this Agreement, whether or not such transactions shall be consummated

(b) Survival of Agreements. All covenants, agreements, representations, and warranties made herein shall survive the execution and delivery of this Agreement and the issuance, sale, and delivery of the Casa de Auction 9% Preferred Series 'A' Units pursuant hereto.

(c) Parties in Interest. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto, whether so expressed or not, except for transferees in a Public Sale. For the purposes of this Agreement, "Public Sale" means any sale of Casa de Auction 9% Preferred Series 'A' Units to the public pursuant to an offering registered under the Securities Act or to the public pursuant to the provisions of Rule 144 (or any successor or similar rule) adopted under the Securities Act.

(d) Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given, delivered, and received upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next day or next business day delivery, with written verification of receipt. All communications shall be sent to, if to the Subscriber, such Subscriber's address as set forth on the signature page hereto, or, if to Casa de Auction, LLC, to the principal office of Casa de Auction, LLC, and the attention of the John Smith - Member Manager, or such facsimile number or address as subsequently modified by written notice given in accordance with this Section 5(d), with an email copy to John Smith at JohnSmith@Casadeauction.com.

(e) Entire Agreement; Modifications. This Agreement, together with the Private Placement

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Memorandum dated February 1, 2026, constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be amended or modified nor any provisions waived except in a writing signed by Casa de Auction, LLC, and Subscriber.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(g) Governing Law. This agreement, the performance of this Agreement, and any and all matters arising directly or indirectly herefrom or therefrom, including the legal relations among the parties, shall be governed by and construed and enforced in accordance with the laws of the State of California, without regard to its conflict of laws rules. The parties hereto hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the State of California, and not in any other state or federal court in the United States of America or any other country, (ii) consent to submit to the exclusive jurisdiction of the State courts for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of the venue of any such action or proceeding in a State court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the State court has been brought in an improper or inconvenient forum.

**FEDERAL INCOME TAX MATTERS**

**Treasury Department Circular 230 Notice**

To ensure compliance with Circular 230, prospective investors and the Unitholders are hereby notified that (a) any discussion of Federal tax issues contained or referred to in this Memorandum or in any supplements or annexes is not intended or written to be used, and cannot be used, by prospective investors and Unitholders for the purpose of avoiding penalties that may be imposed on them under the Internal Revenue Code; (b) such discussion is written in connection with the promotion or marketing by the Company of the transactions or matters addressed in this Memorandum or any supplements or annexes and (c) prospective investors and Unitholders should seek tax advice based on their particular circumstances from an independent tax advisor.

**Each prospective investor is therefore urged to consult his or her tax advisor with respect to the tax consequences arising from an investment in the Company. No ruling from the Service regarding the tax aspects of the Company has been or will be requested.**

## **General**

The following is a general discussion of certain federal income tax consequences of the purchase, ownership, and disposition of the Units based upon the relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations thereunder, existing judicial decisions and published rulings. Future legislative, judicial, or administrative changes or interpretations, which may or may not be retroactive, could affect the federal income tax consequences to the Unitholders or the Company. The discussion below does not purport to deal with the federal income tax consequences applicable to all categories of investors, some of which may be subject to special rules. The discussion focuses primarily upon investors who will hold the Units as "capital assets" within the meaning of the Code. You are advised to consult your own tax advisers with regard to the federal income tax consequences of acquiring, holding, and disposing of the Units, as well as state, local, and other tax consequences resulting from an investment in the Units.

### **INVESTMENTS BY QUALIFIED PLANS AND INDIVIDUAL RETIREMENT ACCOUNTS.**

Certain investors in the Company may be subject to the fiduciary responsibility and prohibited transaction requirements of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or related provisions of the Code. The following is a summary of some of the material fiduciary investment considerations that may apply to such investors under ERISA and the Code. This summary is based on the fiduciary responsibility provisions and prohibited transaction restrictions of ERISA, relevant regulations and opinions issued by the U.S. Department of Labor and court decisions thereunder, and on the pertinent provisions of the Code, relevant regulations, published rulings and procedures of the Service, and court decisions thereunder.

This summary does not include all of the fiduciary investment considerations relevant to investors subject to ERISA and/or Section 4975 of the Code. It should not be construed as legal advice or a

legal opinion. Prospective investors should consult with their own counsel on these matters.

1. In considering an investment in the Units of any assets of a qualified plan, a fiduciary, taking into account the facts and circumstances of such a qualified plan, should consider, among other things:
2. whether the investment is in accordance with the documents and instruments governing such a qualified plan;
3. the definition of plan assets under ERISA (“Plan Assets”);
4. whether the investment satisfies the diversification requirements of Section 404(a)(1)(C) of ERISA;
5. whether the Company, the Management or any of their affiliates is a fiduciary or a party in interest to the qualified plan;
6. whether an investment in the Units may cause the qualified plan to recognize unrelated business taxable income, “UBTI”; and
7. the possibility that, in certain circumstances, pursuant to the terms and conditions of the Subscription Agreement, a portion of the assets may have to be liquidated from the Qualified Plan and invested in the Units in an individual name.

The prudence of a particular investment must be determined by the responsible fiduciary (usually the trustee, plan administrator, or investment manager) for each Qualified Plan, taking into account all relevant facts and circumstances of the investment.

Tax-exempt investors in the Company may be subject to the tax on UBTI with respect to certain income of the Company. In general, UBTI does not include interest, rents from real property which are not dependent upon the income or profits of the lessee or gain from disposition of non-inventory property. In general, the Company's income would constitute UBTI since its income is derived from

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operating a trade or business rather than from interest, rent from real property, or gains from the disposition of assets. If UBTI is generated, Form 990-T must be prepared and filed, along with the appropriate amount of tax paid, as required by the IRS tax code. It is the Plan owner's responsibility to file and report taxes on Form 990-T.

In addition to the foregoing, gain from the sale or other disposition of property other than (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the end of the year or (ii) property held primarily for sale to customers in the ordinary course of business ("dealer property") is exempt from the tax on UBTI. Whether the property is dealer property depends on all of the facts and circumstances with respect to such property.

In addition, tax-exempt entities, in general, are subject to UBTI on otherwise exempt income derived from "debt-financed property," which is property subject to "acquisition indebtedness," including indebtedness incurred after, but reasonably foreseeable at the time of, the acquisition or improvement of the property. Tax-exempt entities must consult their own tax counsel regarding the tax consequences that could arise in connection with the acquisition of an interest in the Company.

The risks of recognition of UBTI are particularly acute in respect of an investment by a charitable remainder trust ("CRT"). A CRT is a trust created to provide income for the benefit of at least one non-charitable beneficiary for life or a term of up to 20 years, with the property comprising the trust corpus then transferred to a charitable beneficiary upon the expiration of the trust. Upon the creation of a CRT, the grantor would normally be entitled to a charitable income tax deduction equal to the current fair market value of the remainder interest, which will ultimately pass to charity. A CRT is also exempt from federal income taxation if the trust is established and maintained in compliance with highly complex rules contained in the Internal Revenue Code and underlying Treasury Regulations. Among these rules is a provision imposing a 100% excise tax on any portion of income derived by a CRT that is deemed UBTI.

ERISA provides that Units may not be purchased by a qualified plan if the Company, the Company Management, or any of their affiliates, is a fiduciary or party in interest (as defined in Sections 3(21) and 3(14) of ERISA) to the plan unless such purchase is exempt from the prohibited transaction provisions of Section 406 of ERISA. Under ERISA, the fiduciary responsible for purchasing the Units

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is responsible for not engaging in such transactions. Section 4975 of the Code imposes similar restrictions on transactions between disqualified persons and qualified plans or IRAs, which could result in the imposition of excise taxes on the Company unless and until such a prohibited transaction is corrected.

In the case of an IRA, if the Company, the Company Member Manager, or any of their affiliates, is a disqualified person with respect to the IRA, the purchase of the Units by the IRA could instead cause the entire value of the IRA to be taxable to the IRA sponsor. Penalties arising out of prohibited transactions can also rise to a 100% tax on the amount involved.

Section 406 of ERISA and Code Section 4975 also prohibit qualified plans from engaging in certain transactions with specified parties involving Plan Assets. Code Section 4975 also prevents IRAs from engaging in such transactions. One of the transactions prohibited is the furnishing of services between a plan and a “party in interest” or a “disqualified person.” Included in the definition of “party in interest” under Section 3(14) of ERISA and the definition of “disqualified person” in Code Section 4975(e)(2) are “persons providing services to the plan.” If the Company, the Company Manager, the Sponsor Managers or certain entities and individuals related to them have previously provided services to a benefit plan investor, then the Company, or the Company Member Manager, could be characterized as a “party in interest” under ERISA and/or a “disqualified person” under the Code with respect to such benefit plan investor. If such a relationship exists, it could be argued that the Company or affiliate of the Company or the Company’s Management is being compensated directly out of Plan Assets for the provision of services (i.e., establishment of the Offering and making it available as an investment to the qualified plan). If this were the case, absent a specific exemption that applies to the transaction, a prohibited transaction could be determined to have occurred between the qualified plan and the affiliate of the Company or the Company Manager.

Another type of transaction prohibited by ERISA and the Code is one in which fiduciaries of a qualified plan or the person who establishes an individual retirement account engage in self-dealing or in co-investment with the plan or account. Accordingly, affiliates of the Company and the Company Member Manager are not permitted to purchase the Units with assets of any benefit plan investor if they: (a) have investment discretion with respect to such assets or (b) regularly give individualized investment advice which serves as the primary basis for the investment decisions made with respect

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to such assets. In addition, no fiduciary of a qualified plan or owner of an individual retirement account should purchase the Units both individually and with assets of the benefit plan investor.

With respect to an investing IRA, the tax-exempt status of the account could be lost if the investment constitutes a prohibited transaction under Code Section 408(e)(2) by reason of the affiliate of the Company or the Company's Management engaging in the prohibited transaction with the IRA or the individual who established the IRA or his beneficiary. If the IRA were to lose its tax-exempt status, the entire value of the IRA would be considered to be distributed and taxable to the IRA sponsor.

#### **Definition of Plan Assets**

ERISA and the Code impose various duties and restrictions with respect to the investment, management, and disposition of plan assets. ERISA and the Code do not, however, define the term "plan assets," particularly in the context of pooled investment funds and other vehicles in which a plan may invest. The U.S. Department of Labor has, however, published the Plan Asset Regulation which generally provides that when a plan, including an individual retirement account ("IRA"), acquires an equity interest in an entity that is neither a "publicly-offered security" nor security issued by an investment partnership registered under the Investment Company Act of 1940, as amended, the plan's assets will include both the equity interest in the entity and an undivided interest in each of the underlying assets of the entity (the "Look-Through Rule") unless it is established that, as relevant to the Company, ownership of each class of equity interests in the entity by benefit plan investors" has a value in the aggregate of less than 25% of the total value of such class of equity interests that are outstanding (not counting interests held by the general partner of the entity and its affiliates). A benefit plan investor is defined to include not only plans that are subject to ERISA but also other employee benefit and retirement arrangements (e.g. government plans, foreign employee benefit plans, and IRAs), as well as entities that hold plan assets (e.g. group trusts and certain funds of funds). In certain circumstances, an investment by an insurance company of the assets of its general account or of a separate account may be treated as an investment by a benefit plan investor, to the extent the assets held in such accounts are attributable to employee benefit plans. For purposes of the 25% limit, ownership by benefit plan investors is required to be tested immediately after each acquisition of an equity interest in the entity.

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If the assets of the Company are deemed to be "plan assets" of a plan that is a Unitholder, Subtitle A and Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code will extend to investments made by the Company. This would result, among other things, in (i) the application of the prudence and other fiduciary standards of ERISA (which impose liability on fiduciaries) to investments made by the Company, which could materially affect the operations of the Company; (ii) potential liability for persons having investment discretion over the assets of an ERISA-covered plan investing in the Company should investments made by the Company not conform to ERISA's prudence and fiduciary standards under Part 4 of Subtitle B of Title I of ERISA unless certain conditions are satisfied; and (iii) the possibility that certain transactions that the Company might enter into in the ordinary course of its business might constitute "prohibited transactions" under ERISA and the Code. A prohibited transaction, in addition to imposing potential personal liability upon fiduciaries of employee benefit plans, may also result in the imposition of an excise tax under the Code upon disqualified persons with respect to the employee benefit plans.

The Company intends to limit investment by benefit plan investors to less than 25% of any class of Units so that it will qualify for an exemption from the Plan Asset Regulation's Look-Through Rule. As discussed above, by limiting the investment in the Company by benefit plan investors to less than 25%, the underlying assets of the Company will not be treated as plan assets and the Look-Through Rule will not apply to the Company by virtue of such investment. The Company may, in its sole and absolute discretion, reject subscriptions for Units made by benefit plan investors and/or prevent transfers of Units, each to the extent that the investment or transfer would result in the Company exceeding this 25% limit. In addition, because the 25% limit is to be calculated upon every subscription to or transfer, withdrawal, or redemption from the Company, the Company has the authority to require the redemption of all or some of the Units held by any benefit plan investor if the continued holding of such Units, in the opinion of the Company Manager, in its sole and absolute discretion, would result in the Company being subject to ERISA. Such redemption could result in a lower than expected return on any such redeemed benefit plan investor's investment in the Company.

Qualified plans and other tax-exempt entities should consult their own tax advisors with regard to the tax issues unique to such entities, including, but not limited to, issues relating to classification of the underlying properties of the Company as plan assets, unrelated business taxable income, and

required distributions. We can offer no assurance that the IRS will not take positions adverse to the Company on these or any other issue.

### **Considerations for Foreign Investors**

The Company is required to withhold tax with respect to a Unitholder's allocable portion of the Company's "effectively connected taxable income" within the United States if the Unitholder is a foreign person or entity. In general, the amount of tax to be withheld is the applicable percentage equal to the highest appropriate tax rate. The Company can be exempt from such withholding if the foreign Unitholder certifies under penalty of perjury that it is not a foreign person as defined in the Code of Regulations.

Additional issues may arise pertaining to information reporting and backup withholding for foreign Unitholders. Foreign Unitholders should consult their tax advisers with regard to U.S. information reporting and backup withholding.

### **State and Local Taxes**

The Company may be subject to state and local income, franchise, property, or other taxes in states and localities in which we do business or own property. Our tax treatment (and the tax treatment of our Unitholders) in state and local jurisdictions may differ from the federal income tax treatment described above. The discussion in this Offering does not attempt to describe state and local tax effects applicable to the Company or the Unitholders. Potential investors should consult their own tax advisors regarding these matters.

### **Administrative Matters**

The Company intends to furnish to each Unitholder within ninety (90) days after the close of our taxable year, certain tax information, including a Schedule K-1, which sets forth each Unitholder's allocable share of our income, gain, loss, deductions, and credits. The federal income tax information returns the Company files may be audited by the Service. Adjustments resulting from any such audit may require each Unitholder to file an amended tax return and possibly may result in an audit of the Unitholder's own return. Any audit of a Unitholder's return could result in

adjustments of non-Company as well as Company items.

### **Possible Changes in Tax Laws**

The statutes, regulations and rules with respect to all of the foregoing tax matters are constantly subject to change by Congress and/or by the Department of the Treasury, and the interpretations of such statutes, regulations, and rules may be modified or affected by a judicial decision or by the Department of the Treasury. Because significant amendments have been made to the Code in recent years, and because of the continual changes made by Congress, the Department of the Treasury, and the courts with respect to the administration and interpretation of the tax laws, no assurance can be given that the foregoing opinions and interpretations will be sustained or that tax aspects summarized herein will prevail and be available to the Unitholders.

### **Need for Independent Advice**

The tax matters relating to the Company and its proposed transactions are complex and subject to various interpretations. The foregoing is not intended as a substitute for careful tax planning, particularly since the tax consequences of an investment in the Company may not be the same for all investors. Accordingly, the Company urges potential investors to consult their tax advisors prior to investing in the Company.

## **REPORTS**

The Company will furnish the following reports, statements, and tax information to each Unitholder:

*Tax Information:* Except as may otherwise be required by applicable law, within ninety (90) days after the last day of each calendar year, the Company intends to send to each Bondholder such tax information as shall be necessary for the preparation of federal income tax returns, state income tax returns, and any other tax returns required by any other applicable jurisdiction, if any.

**Restrictions Imposed by the USA PATRIOT Act and Related Acts**

- In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended (the “USA PATRIOT Act”), our Units may not be offered, sold, transferred, or delivered, directly or indirectly, to any “Unacceptable Investor,” which means anyone who is:
  - a “designated national,” “specially designated national,” “specially designated terrorist,” “specially designated global terrorist,” “foreign terrorist organization” or “blocked person” within the definitions set forth in the Foreign Assets Control Regulations of the U.S. Treasury Department;
  - acting on behalf of, or an entity owned or controlled by, any government against whom the U.S. maintains economic sanctions or embargoes under the regulations of the U.S. Treasury Department;
  - within the scope of Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001;
  - subject to additional restrictions imposed by the following statutes or regulations and executive orders issued thereunder: the Trading with the Enemy Act, the Iraq Sanctions Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran, and Libya Sanctions Act of 1996, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act and the Foreign Operations, Export Financing, and Related Programs Appropriation Act or any other law of similar import as to any non-U.S. country, as each such act or law has been or may be amended, adjusted, modified, or interpreted from time to time; or
  - designated or blocked, associated or involved in terrorism, or subject to restrictions under laws, regulations, or executive orders as may apply in the future, similar to those set forth above.

THE CASA DE AUCTION 9% PREFERRED SERIES 'A' UNIT'S BEING SOLD HEREUNDER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION, OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE CASA DE AUCTION 9% PREFERRED SERIES 'A' UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE CASA DE AUCTION 9% PREFERRED SERIES 'A' UNITS 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. SUBSCRIBERS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

SUBSCRIBER SHOULD CONSULT ITS OWN LEGAL COUNSEL, ACCOUNTANT, AND BUSINESS AND FINANCIAL ADVISERS AS TO ALL LEGAL, TAX, AND RELATED MATTERS CONCERNING ANY INVESTMENT IN CASA DE AUCTION, LLC.

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IN WITNESS WHEREOF, John Smith and the Subscriber have executed this Agreement.

**CASA DE AUCTION, LLC, LLC**

BY: \_\_\_\_\_ DATED: \_\_\_\_\_

Name: John Smith

Title: Member Manager

**SUBSCRIBER:**

BY \_\_\_\_\_ DATED: \_\_\_\_\_

Name: \_\_\_\_\_

Please print

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Addendum C

Soc. Sec or FEIN #: \_\_\_\_\_

Number of Casa de Auction 9% Preferred Series 'A' Units \_\_\_\_\_

Total Purchase Price: \$ \_\_\_\_\_