

**North Frisco - Prosper Opportunity Fund, L.P.**

**THIS LIMITED PARTNERSHIP AGREEMENT** (the "Agreement") is made and entered into as of \_\_\_\_\_, 20\_\_, between NORTH FRISCO - PROSPER OPPORTUNITY FUND GP, INC., as General Partner (the "General Partner"), and the other persons listed on Exhibit "A" hereto as limited partners (collectively the "Limited Partners").

**WITNESSETH:**

WHEREAS, the General Partner and Michael Beaty (as "Initial Limited Partner") have previously formed a partnership under the name "North Frisco - Prosper Opportunity Fund, L.P.", and the General Partner and the Initial Limited Partner now desire to admit additional Limited Partners as such hereunder, and

WHEREAS, the General Partner and Limited Partners desire to form a limited partnership under the Texas Revised Limited Partnership (the "Act"), upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual benefits, covenants and agreements set forth herein, the parties hereto hereby agree as follows:

**ARTICLE I**

**NAME; PLACE OF BUSINESS; PURPOSE; TERM**

**1.1 Name.** The name of the Partnership is North Frisco - Prosper Opportunity Fund, L.P. (the "Partnership")

**1.2 Principal Office and Name and Address or Registered Agent.** The address of the principal office of the Partnership shall be 2440 E. Prosper Trail Suite 80, Prosper TX 75078, unless hereafter changed by the General Partner. The name and address of the registered agent of the Partnership in the State of Texas shall be Prosper 83 NEC Commerical GP, Inc., 2440 E. Prosper Trail, Suite 80, Prosper TX 75078, unless hereafter changed by the General Partner.

**1.3 Purposes.** The purposes of the Partnership shall be as follows:

(a) The Partnership will acquire real estate, discounted first-lien debt positions and/or notes, or interests in other entities who own real estate, for residential, office, multi-family and/or commercial lot and pad development and will own, manage, develop, build, lease, encumber, sell and otherwise dispose of such real estate, or such interests in such other entities, before or after development, and will acquire, sell, lease, encumber and otherwise dispose of and deal with personal property in connection with its development activities; and will enter into joint venture or other business arrangements with other persons or entities for joint ownership and development of real estate; and will borrow money in such amounts as deemed appropriate by the General Partner in connection, with the Partnership's real estate acquisition, ownership, development and management activities and pledge the Partnership's property as collateral for; such loans upon such terms and conditions as the General Partner deems appropriate.

(b) The Partnership will be operated for the purpose of making a profit

(c) The Partnership will also have the power to transact such other business, take such other actions and do such other things as are lawfully permitted by a limited partnership pursuant to the Act in furtherance of the foregoing.

**1.4 Term.** The Partnership shall continue in full force and effect for a period of five years following Initial Closing of the offering of Units by the Partnership to prospective Limited Partners. If an additional term of operation is deemed necessary by the General Partner to fully liquidate the assets of the Partnership, such term shall not exceed two periods of two years each, unless earlier dissolved in accordance with this Agreement or the Act.

**1.5 Certificate.** The Partners hereby acknowledge that the General Partner has previously filed a certificate of limited partnership in the office of the Secretary of State of the State of Texas.

**1.6 Certain Definitions.** As used herein, the following terms shall have the following meanings:

“Adjusted Capital Account Deficit,” means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant taxable year, after giving effect to the following adjustments:

- (a) Credit to such Capital Account any amounts which such Partner is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and
- (b) Debit to such Capital Account the items described in paragraphs (4), (5) and (6) of Treasury Regulations Section 1.704-1(b)(2)(ii)(d).

**The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.701-1 (b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.**

“Capital Accounts” The Capital Account of the Partners, which are determined in accordance with-Section 2.3.

“Capital Contributions” means the gross amount of contributions to the capital of the Partnership by a Partner or all Partners as set forth on Exhibit “A” attached hereto and incorporated herein by this reference. Loans to the Partnership by any Partner shall not be considered a Capital Contribution.

“Capital Event” A transaction pursuant to which the Partnership refinances loans secured by a lien encumbering an asset of the Partnership, a sale, exchange, abandonment or other disposition of a portion (which is less than substantially all) of the assets of the Partnership or any other transaction which, in accordance with generally accepted accounting principles, is considered capital in nature, other than a Disposition.

“Code” means the Internal Revenue Code -of 1986, as amended

"Cumulative Unpaid Preference" The amount of the Preference not paid to the Limited Partners during any taxable year (or portion thereof) out of 100% of the Net Cash Flow from Operations, 100% of the Net Cash Flow from Capital Events or 100% of the Net Cash Flow from Disposition, reduced by the sum of all Net Cash Flow from Operations, Net Cash Flow from Capital Events and Net Cash Flow from Disposition distributed to the Limited Partners in respect to such Cumulative Unpaid Preference. The amount of Cumulative Unpaid Preference shall bear interest at an annual rate of 12%.

"Deductible Expenses" All items of expense or deduction available to the Partnership for the period in question for federal income tax purposes (including depreciation and any expense or deduction attributable to a capital transaction or a termination of the Partnership).

"Disposition" A sale, exchange, involuntary conversion or other disposition, whether by foreclosure, abandonment or otherwise, of all or a substantial portion of the then remaining assets of the Partnership and/or a transaction which will result in a termination and dissolution of the Partnership.

"Expenses" All ordinary and necessary business expenses of any kind incurred by the Partnership, including, but not limited to, salaries, rent, taxes, insurance, supplies, utilities, escrow payments, repair and maintenance expenses, required principal and interest payments under Partnership loan documents, expenditures made for capital improvements (to the extent required by applicable governmental ordinances, regulations, laws and any other similar laws) and replacements (including reasonable reserves for replacements), accountants', attorneys' and other professional fees, and any management or other fees (including incentive fees) payable to Partners in connection with the ownership, operation, development, maintenance or sale of the Property.

"Final Closing" The closing of the sale of Units representing the Maximum Subscriptions of \$20,000,000 (or such lesser amount of Units that may have been sold after the Initial Closing) pursuant to the offering, which must occur on or before January 31, 2010.

"Final Termination Date" means January 31, 2010.

"Gross Income" The sum of all items includable in gross income for federal income tax purposes for the period in question and any income of the Partnership exempt from federal income tax for such period, including gross income from operations and items attributable to a Capital Event and/or a Disposition.

"Gross Receipts" All cash receipts of the Partnership from the conduct of its business during the period in question, but not the cash proceeds from a Capital Event, Disposition, loan, advance or Capital Contribution of the Partners or loan to the Partnership by third parties.

"Initial Closing" The closing of the sale of Units representing the Minimum Subscriptions of \$1,000,000 pursuant to the offering, which must occur on or before October 1, 2009.

"Initial Termination Date" means October 1, 2009

"Interest" is defined at Section 2.3

"Maximum Subscriptions" Subscriptions for 4,000 Units.

"Minimum Subscription" Subscriptions for 200 Units.

"Net Cash Flow from Capital Events" The net cash proceeds received by the Partnership, after retirement, of applicable mortgage debt or any portion thereof, upon the occurrence of any Capital Event, including (but not limited to) (i) receipt of any insurance payment or damage recoveries paid to the Partnership for the condemnation or taking of less than all or a substantial portion of the assets of the Partnership, and (ii) receipt of any proceeds derived from financing or refinancing any Partnership mortgage loan less any expenses incurred in connection with the receipt or collection of any such proceeds, not applied or set aside for the reduction of Partnership liabilities or the repair, restoration or improvement of Partnership property.

"Net Cash Flow from Disposition" The net cash proceeds received by the Partnership resulting from a Disposition of Partnership assets, after payment by the Partnership of all debt secured by Partnership assets or relating to Partnership operations; and all other liabilities relating to the Partnership.

"Net Cash Flow from Operations" The Gross Receipts of the Partnership during the period in question computed on the cash basis reduced by (i) the Expenses of the Partnership during the period in question, (ii) such reasonable reserves for the foreseeable working capital needs of the Partnership as the General Partner determines to be advisable, and excluding cash proceeds from Capital Events and Disposition.

"Net Income" or "Net Loss" The Gross Income for any period less Deductible Expenses for such period.

"Net Cash Flow" means Gross Cash Receipts less Operating Expenses.

"Partner" The General Partner or any Limited Partner.

"Payout" occurs when the Limited Partners have received cash distributions from the Partnership equal to their Preference and their Capital Contributions and any Cumulative Unpaid Preference.

"Preference" The cumulative, compounded annual return for each taxable year (or portion thereof) on the Limited Partners' Unrecovered Capital Contributions equal to 12% per annum multiplied by the aggregate Unrecovered Capital Contributions of the Limited Partners to the Partnership, which shall commence accruing with respect to each Limited Partner at the time such Limited Partner is admitted to the Partnership and which shall be payable out of 100% of the Net Cash Flow from Operations, 100% of the Net Cash Flow from Capital Events and 100% of the Net Cash Flow from Disposition each taxable year (or portion thereof).

"Sharing Ratio" The ratio that each Limited Partner's Capital Contribution bears to the total Capital Contributions of all the Limited Partners. Any items allocable or distributable to the Limited Partners under the provisions of the Partnership Agreement

shall be shared among them in accordance with such Sharing Ratio unless otherwise specifically provided herein.

“Units” means an Interest in the Partnership represented by a Capital Contribution of \$5,000 provided the General Partner may, in its sole discretion, accept as Limited Partners persons contributing fractional Units.

“Unrecovered Capital Contributions” The aggregate amount of the Limited Partners' Capital Contributions at any point in time which has not been previously returned to the Limited Partners in distributions of Net Cash Flow pursuant to the provisions of Section 3.1(b) of the Agreement, other than distributions in respect of a Limited Partner's Preference, or Cumulative Unpaid Preference.

## **ARTICLE II**

### **PARTNER'S; CAPITAL**

#### **2.1 Names, Addresses, and Capital Contribution of Partners.**

(a) The General Partner and the Limited Partners, their respective addresses and the Capital Contributions to the Partnership by the Limited Partners are set forth on Exhibit "A" attached hereto, as such Exhibit "A" may be amended and updated from time-to-time after the Initial Closing and prior to the Final Closing. The Limited Partners shall not be required to make any additional Capital Contribution to the Partnership. The General Partner, as such, shall not be required to make any Capital Contribution to the Partnership, except as provided in Section 8.3 below.

(b) No Partner shall be entitled to the return of any part of its, his, or her Capital Contribution, except upon dissolution and termination of the Partnership in accordance with this Agreement and the Act. The General Partner shall have no liability for the repayment of the Capital Contributions of the Limited Partners. No interest shall be paid on any Capital Contribution to the Partnership, but the Limited Partners shall be entitled to the Preference on their Unrecovered Capital Contributions.

(c) After Capital Contributions representing at least 200 Units have been received and accepted by the Partnership, the General Partner may continue to offer Units up to a maximum of 4,000 Units and admit additional Limited Partners who subscribe for such Units, until the Final Termination Date. Such additional Limited Partners shall be added to Exhibit "A" and shall be deemed Limited Partners from the first day of the month during which the subscription is received on or before the 15<sup>th</sup> day of the prior month, or on the first day of the following month if received after the 15<sup>th</sup> day of the month.

**2.2 Loans.** If at any time the Partnership does not have sufficient funds available for the conduct of its business, the General Partner may, in its sole discretion, advance funds to the Partnership in the form of a loan. Any such loan to the Partnership shall bear interest, payable in such installments as the General Partner shall determine, calculated at a rate of interest per annum equal to (a) one percent, plus (b) the rate publicly announced by the Wall Street Journal from time to time while the loan is outstanding as the prime lending rate. Notwithstanding the foregoing, no Partner shall be required to lend any funds to the Partnership.

**2.3 Capital Accounts.** The Partnership shall establish and maintain a Capital Account for each of the Partners. On the date of admission to the Partnership, there shall be credited to the Capital Account of each Partner the amount of its initial Capital Contribution. Except as otherwise provided in this Agreement, the Capital Account of each Partner shall be credited (increased) with all additional Capital Contributions made by such Partner, if any, the fair market value of all property contributed (net of any liabilities of such Partner assumed by the Partnership and any liabilities to which any property contributed is subject), and all items of income and gain of the Partnership (including tax exempt income and gain) allocated to such Partner hereunder. The Capital Account of each Partner shall be debited (reduced) with all items of deduction and loss of the Partnership allocated to such Partner hereunder, the fair market value of property distributed to said Partner (net of liabilities assumed by such Partner and liabilities to which any distributed property is subject), the amount of cash distributed to such Partner and liabilities to which any distributed property is subject), the amount of cash distributed to such Partner, and the distributive share of such Partner of any expenditures of the Partnership described in Section 705(a)(2)(B) of the Code. In addition, a Partner's Capital Account may be adjusted as provided in Treasury Regulations Section 1.704-1(b)(2)(iv)(c)(2) or similar proposed or final regulation. Upon any transfer of all or part of a Partner's interest in the Partnership ("Interest"), as permitted by this Agreement, the transferee shall succeed to that portion of the transferor's Capital Account based upon the percentage interest of transferor's Partnership Interest acquired by the transferee. Loans or advances by any Partner shall not be considered contributions to the capital of the Partnership, except as required by Sections 704 and 752 of the Code. No Partner shall be entitled to interest on its Capital Account.

### **ARTICLE III ALLOCATIONS; DISTRIBUTIONS**

#### **3.1 Distributions.**

(a) No less frequently than quarterly, the General Partner will review the Partnership's assets and the revenues received, the cost and expenses incurred by the Partnership and the Partnership's future cash requirements, and will determine in its judgment whether funds are available for distribution. Whenever Partnership funds or assets are determined to be available for distribution to the Partners, distributions will be made to the Limited Partners in accordance with the terms of this Agreement.

(b) (i) During each taxable year (or portion thereof) the Limited Partners in the aggregate shall be entitled to 100% of Net Cash Flow from Operations until the Limited Partners in the aggregate have received during such taxable year (or portion thereof) the amount of their Preference, plus any Cumulative Unpaid Preference; and thereafter during the remainder of such taxable year (or portion thereof) the Limited Partners in the aggregate shall be entitled to 99% of Net Cash Flow from Operations, and the General Partner shall be entitled to 1% until Payout; and thereafter during the remainder of such taxable year (or portion thereof) the Limited Partners in the aggregate shall be entitled to 70% of Net Cash Flow from Operations and the General Partner shall be entitled to 30%.

(ii) During any taxable year (or portion thereof), the Limited Partners in the aggregate shall be entitled to 100% of Net Cash Flow from Capital Events until the Limited Partners have received during such taxable year (or portion thereof) the amount of their Preference,

plus any Cumulative Unpaid Preference; and thereafter during the remainder of such taxable year (or portion thereof) the Limited Partners in the aggregate shall be entitled to 99% of Net Cash Flow from Capital Events and the General Partner shall be entitled to 1% until Payout; and thereafter during the remainder of such taxable year (or portion thereof) the Limited Partners in the aggregate shall be entitled to 70% of Net Cash Flow from Capital Events and the General Partner shall be entitled to 30%. Net Cash Flow from Disposition shall be distributed to the Partners in accordance with their positive Capital Account balances after the allocation of Net Income and Net Loss required by Section 3.2 and the reflection in such Capital Accounts of any distributions pursuant to Section 3.1(b)(i) and (ii).

(iii) The Limited Partners in the aggregate shall be entitled to 100% of Net Cash Flow from Disposition until the Limited Partners have received during such taxable year (or portion thereof) the amount of their Preference, plus any Cumulative Unpaid Preference; and thereafter the Limited Partners in the aggregate shall be entitled to 99% of Net Cash Flow from Disposition and the General Partner shall be entitled to 1% until Payout; and thereafter the Limited Partners in the aggregate shall be entitled to 70% of Net Cash Flow from Disposition and the General Partner shall be entitled to 30%. Net Cash Flow from Disposition shall be distributed to the Partners in accordance with their positive Capital Account balances after the allocation of Net Income and Net Loss required by Section 3.2 and the reflection in such Capital Accounts of any distributions pursuant to Section 3.1(b)(i) and (ii).

**3.2 Allocation of Net Income or Net Loss.** For accounting and federal, state and local income tax purposes, all income, credit, and gain, and all deductions, allowances, and losses shall be credited and charged to the Capital Accounts of, and shall be allocated to, the Partners as follows:

(a) Net Income. Net Income, if any, of the Partnership each taxable year (or portion thereof) other than the year in which a Disposition occurs shall be allocated to the Partners in the same ratio as cash distributed to the Partners in such year, and if no cash is distributed, then Net Income shall be allocated 99% to the Limited Partners and 1% to the General Partner before Payout, and 70% to the Limited Partners and 30% to the General Partner after Payout. Net Income, if any, of the Partnership for the taxable year in which a Disposition occurs shall be allocated as follows and in the following order of priority;

(i) First, Net Income shall be allocated to the Partners having negative Capital Account balances, pro rata in the same proportion as such Partners' negative Capital Account balances bear to one another, to the minimum extent necessary to cause the balance in each such Partner's Capital Accounts to be increased to zero as quickly as possible;

(ii) Next, Net Income shall be allocated 100% to the Limited Partners to the extent necessary to cause the positive balance of each Limited Partner's Capital Account, as determined after giving effect to this and the preceding provisions of this Section 3.2, to be equal to the sum of such Limited Partner's Preference, Cumulative Unpaid Preference, and Unrecovered Capital Contribution. If there is insufficient Net Income to cause the balances in each Limited Partner's Capital Account to be equal to such sum, then the Net Income allocated to the Limited Partners in the aggregate pursuant to this Section 3.2(a)(ii) shall first be allocated to cause the Limited Partners' Capital Accounts to be in the same ratio as the sums of their Preferences, Cumulative Unpaid Preferences and Unrecovered Capital Contributions bear to each other, and the balance of such Net Income shall be allocated to the Limited Partners, pro rata in accordance with the ratio that such sums bear to one another; and

(iii) Finally, any remaining Net Income shall be allocated 70% to the Limited Partners and 30% to the General Partner.

In connection with the foregoing, gain, if any, recognized pursuant to Sections 1245 and 1250 of the Code or successor provisions of the Code then in effect shall be deemed to be recognized by the Partners in the same proportions that the depreciation deductions giving rise to such gains or recapture benefited such Partners and their predecessor in interest.

(b) Net Losses. Net Losses shall be allocated among the Partners pro rata in accordance with their Partnership Interests; provided, however, that Net Losses allocated pursuant to this Section 3.2(b) shall not exceed the maximum amount of Net Losses that can be so allocated without causing any Limited Partner to have an Adjusted Capital Account Deficit at the end of any taxable year (or portion thereof). In the event some but not all of the Limited Partners would have Adjusted Capital Account Deficits as a consequence of an allocation of Net Losses pursuant to this Section 3.2(b), the limitation set forth in this Section 3.2(b) shall be applied on a Limited Partner by Limited Partner basis so as to allocate the maximum permissible Net Loss to each Limited Partner under Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations. All Net Losses in excess of the limitation set forth in this Section 3.2(b) shall be allocated to the General Partner.

(c) 704(b) Compliance. Notwithstanding any other provision of this Agreement, the General Partner shall have the full power and authority to amend any provision of this Agreement to conform, in the sole judgment of the General Partner, the provisions of this Agreement with regulations of the Treasury Department relating to Section 704(b) of the Code.

(d) Other Tax Compliance. Notwithstanding any other provisions hereof, (i) the General Partner shall be allocated Partnership tax items to the extent necessary to cause its interest at all times during the existence of the Partnership, in each material item of Partnership income, gain, loss, deduction or credit, to be at least equal to one percent (1%); and (ii) a creditor who makes a nonrecourse loan to the Partnership must not have, or acquire, at any time as a result of making the loan, any direct or indirect interest in the profits, capital, or property of the Partnership other than as a secured creditor.

**3.3 Right to Distributions.** Each Partner shall look solely to the assets of the Partnership for all distributions with respect to the Partnership, its, his or her Capital Contributions and its, his or her share of profits and losses of the Partnership and, except as provided in Section 8.3 below, shall have no recourse therefore, upon dissolution or otherwise, against any Partner.

## **ARTICLE IV**

### **RIGHTS, POWERS, AND DUTIES OF THE PARTNERS**

**4.1 Duties of the General Partner.** The General Partner shall have the exclusive management and control of the business of the Partnership and shall use its best efforts to carry out the purposes of the Partnership. The General Partner shall devote such time to the business of the Partnership as may be necessary to conduct it for the greatest advantage of the Partnership and shall render to the Partners, upon reasonable request, a just and faithful account of all dealings and transactions of the Partnership. The General Partner shall file in a timely manner the Partnership tax returns, the certificate of limited partnership and any amendments, the certificate of cancellation, and other documents that are required to be filed with a governmental body by the Partnership.

**4.2 Powers of the General Partner.** Subject to the provisions of this Agreement and the Act, the General Partner shall have all requisite power to carry out the purposes, business and objectives of the Partnership, including, without limitation, the right and power to:

- (a) Sign checks in the name, and on, behalf, of the Partnership;
- (b) Open and close accounts with banks and other financial institutions in the name, and on behalf, of the Partnership;
- (c) Put into effect resolutions and agreements of the Partners adopted under or pursuant to this Agreement;
- (d) Retain, supervise and discharge all employees, agents, consultants and other persons necessary or appropriate to carry out the business of the Partnership;
- (e) Take reasonable and prudent steps to assure that the Partnership maintains insurance to protect the interests of the Partnership and the Partners;
- (f) Acquire real property or interests in entities that own real property for purposes of developing the real property for residential lot development and re-sale and to take any and all actions necessary or convenient to accomplish the foregoing;
- (g) Negotiate, approve and execute legal instruments and contracts to which the Partnership is to be a party;
- (h) Incur trade payables and other expenses necessary or convenient to carry out the purpose and business, of the Partnership;
- (i) Keep, and maintain all books of account and other records of the Partnership;
- (j) Sell or dispose of Partnership assets and acquire -replacements therefore and acquire such equipment, assets, supplies and property necessary or convenient to the operation of the business of the Partnership;
- (k) Retain and rely on the advice of legal, accounting and other consulting professionals;
- (l) Borrow money on behalf of the Partnership from any person, firm, or corporation, for any Partnership purpose on whatever terms and conditions that the General Partner deems advisable, subject to Section 2.2;
- (m) Encumber or hypothecate Partnership property or assets of whatever kind for any Partnership purpose by mortgage, deed of trust, pledge or otherwise;
- (n) Compromise, participate in mediation, submit to arbitration, release with or without consideration, extend time for payment or otherwise adjust any claims in favor of or against the Partnership;
- (o) Commence or defend any litigation with respect to the Partnership or any Partnership property, at the expense of the Partnership;

(p) Abandon any Partnership asset that the General Partner deems advisable; and

(q) Take such actions as the General Partner reasonably deems necessary to assure that the Partnership complies with all present and future laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments, courts, departments, commissions, boards, and officers, which may be applicable to the Partnership and its business. The enumeration of powers in this Agreement shall not limit the general or implied powers of the General Partner provided by law.

**4.3 Limitations on the General Partner.** Notwithstanding any other provision of this Agreement, the General Partner shall have no authority to:

(a) Take any action in violation of this Agreement or of any applicable law or regulation;

(b) Use Partnership property for a non-Partnership purpose;

(c) Admit a person as a General Partner, except as provided in Article VI of this Agreement;

(d) Confess a judgment against the Partnership without the written consent vote of Limited Partners owning at least a majority of the Units; or

(e) Take any action to dissolve the Partnership except in compliance with Section 8.1.

**4.4 Payment of Compensation; Reimbursement of Expenses.** The General Partner shall be entitled to reimbursement from the Partnership of all direct expenses of the Partnership reasonably incurred and paid by it on behalf of the Partnership. The General Partner shall also be paid (i) an annual Management Fee equal to 2% of the total Capital Contributions of the Limited Partners during the first three years following Initial Closing, (ii) an annual Management Fee equal to 2% of Unrecovered Capital Contributions after the third anniversary of the Initial Closing, (iii) an Operations Fee equal to 1.5% of the total Capital Contributions of the Limited Partners and (iv) an acquisition fee equal to 1% of the aggregate purchase price paid by the Partnership for each Partnership real property (or interest in an entity owning real property) acquired, provided any acquisition fees paid to the General Partner by third parties will be credited against such 1% fee.

**4.4.1 Development Fee.** The Fund General Partner will contract with Mooreland Development to provide Land Development and Construction Management services at a rate not to exceed 5% of total project hard and soft costs, excluding land acquisition costs and interest.

**4.5 Limitations on Limited Partner.** The Limited Partners shall not participate in the management or control of the Partnership's business, nor shall they transact any business for the Partnership, nor shall they have the power to sign any agreement or document in the name of the Partnership or to otherwise, bind the Partnership. The liability of the Limited Partners for losses, debts, liabilities and obligations of the Partnership shall be limited to their Capital Contributions.

**4.6 Limitation of Liability; Indemnification.**

(a) Neither the General Partner nor any of its employees, agents or affiliates shall be liable to the Partnership or the Limited Partners for any act or omission by such person in good faith and in a manner reasonably believed by it to be within the scope of such person's authority and in the best interests of the Partnership; provided, however, that nothing in this Agreement shall relieve any such person for liability for fraud, willful misconduct or gross negligence. For purposes of this Section 4.6(a) and Section 4.6(b) below, any action or omission on advice of counsel for the Partnership (based on a complete and accurate statement of the relevant facts) shall be deemed to have been taken in good faith.

(b) The Partnership shall indemnify and hold harmless any person made a party to, any claim, action or proceeding (an "Action") because such person is a Partner, employee or agent of the Partnership, against any losses, claims, damages or liabilities incurred by such person in the Action; provided that:

(i) The person's conduct was in good faith; and

(ii) The person reasonably believed: (x) in the case of conduct in the person's capacity as a Partner, that the person's conduct was in the best interests of the Partnership, and (y) in all other cases, that the person's conduct was at least not opposed to the best interests of the Partnership; and

(iii) In the case of a criminal Action, the person either: (x) had reasonable cause to believe the Person's conduct was lawful, or (y) had no reason to believe the person's conduct was unlawful.

The indemnification provided by this Section 4.6(b) shall be recoverable only out of the assets of the Partnership.

**4.7 Other Activities of General Partner.** During the continuation of the Partnership, the General Partner and any affiliate, may, notwithstanding the existence of this Agreement, engage in any activities they choose, without having or incurring any obligation to offer any interest in such activities to the Partnership or any party hereto. Neither this Agreement nor the activity undertaken pursuant hereto shall prevent the General Partner or any affiliate from engaging in such activities, or require such General Partner to permit the Partnership or any Limited Partner to participate in such activities, and, as a material part of the consideration for the General Partner's execution hereof, each Limited Partner waives, relinquishes and renounces any such right or claim of participation.

## **ARTICLE V BOOKS AND RECORDS; FINANCIAL MATTERS**

### **5.1 Books and Records.**

(a) As required by the Act, the Partnership shall keep at its principal office:

(i) A current list of the full name and last known mailing address of each Partner;

(ii) A copy of the Partnership's certificate of limited partnership and all certificates of amendment thereto, together with executed copies of any powers of attorney pursuant to which any certificate has been executed;

(iii) Copies of the Partnership's federal, state and local tax returns and reports, if any, for the three most recent fiscal years;

(iv) Copies of this Agreement and any future amendments or restatements hereof; and

(v) Any financial statements of the Partnership for the three most recent fiscal years.

(b) Records kept under this section 5.1 shall be subject to inspection and copying at the reasonable request, and at the expense, of any Partner during ordinary business hours.

## **5.2 Financial Information.**

(a) Within 60 days after the end of each fiscal year, the General Partner shall deliver to each Partner a good faith estimate of such Partner's taxable income for such fiscal year and; within 90 days after the end of each fiscal year, shall deliver to each Partner all information reasonably necessary for the preparation by such Partner of his, her or its federal tax return.

(b) Within 60 days after the end of each fiscal year, the General Partner shall prepare and deliver to each Partner a financial report of the Partnership for such fiscal year (which need not be audited), containing at a minimum a balance sheet as of the last day of such fiscal year and an income statement for such fiscal year.

**5.3 Tax Matters Partner.** The General Partner is hereby designated the "Tax Matters Partner" of the Partnership, as that term is defined in Section 6231 of the Code.

## **ARTICLE VI CHANGES IN THE GENERAL PARTNER**

**6.1 Restrictions on Withdrawal or Transfer by General Partner.** The General Partner shall not be entitled to withdraw from the Partnership or to sell, assign, pledge, encumber or otherwise transfer (each, a "Transfer") all or any part of its Interest, except to a person who has been (or, upon consummation of the Transfer, will be) admitted as a general partner in accordance with Section 6.2 below. Any attempted or purported Transfer by the General Partner of all or any part of its Interest in violation of this Article VI shall be void and of no force and effect.

**6.2 Admission of Additional or Substitute General Partner.** The General Partner may Transfer all or any part of its Interest to one or more persons designated by the General Partner to become an additional or substitute general partner, provided, that each of the following conditions are satisfied:

(a) 75% of the Partners shall have consented in writing to the Transfer to such person; and

(b) Such person shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart hereof, and such documents as may be required or appropriate in order to effect the admission of such person as a general partner of the Partnership shall have been executed and filed (or such person shall have agreed to the execution and filing of such documents promptly following the consummation of the Transfer).

Upon the consummation of such Transfer in accordance with all of the terms of this Article VI, such person shall be deemed a "General Partner" of the Partnership for all purposes of this Agreement.

**6.3 Removal of General Partner.** The General Partner may be removed only for fraud, gross negligence, or willful misconduct, and only by written agreement or vote of Limited Partners owning at least 80% of the Units. If at the time of removal the General Partner is the sole general partner of the Partnership, such removal shall be effective only upon the admission of a substitute general partner, who shall be appointed by the Limited Partners only upon the written agreement or vote of Limited Partners owning at least 80% of the Units, and upon such appointment shall be entitled to continue the business of the Partnership.

## **ARTICLE VII**

### **ASSIGNMENT OF LIMITED PARTNERSHIP INTERESTS**

**7.1 Restrictions on Transfer by Limited Partners.** The Limited Partners may not transfer all or any part of their Interests, except in accordance with Section 7.2 below. Any attempted or purported Transfer by the Limited Partners of all or any part of their Interests in violation of this Article VII shall be void and of no force and effect.

**7.2 Permitted Transfers.** Except as may otherwise be required by applicable securities laws, a Limited Partner may assign his, her or its Interest in the Partnership provided:

(i) The Interest assigned may not be less than the total Interest of a Limited Partner in the Partnership unless, in the opinion of the General Partner, the Limited Partner's Interest is of such size as to allow for a meaningful division of such Interest for assignment purposes;

(ii) The Limited Partner has provided the General Partner with an opinion of counsel (acceptable to the General Partner) regarding the legality of such transfer under applicable state and federal securities laws;

(iii) The Limited Partner has delivered to the General Partner written notification of the reason for the transfer;

(iv) Reasonable costs of the Partnership in connection with such transfer are prepaid by the Limited Partner to the Partnership;

(v) The Limited Partner provides to the General Partner such other documentation related to such transfer as the General Partner may reasonably request;

(vi) The General Partner consents in writing to the assignment (the General Partner may refuse to consent to an assignment for any reason, including specifically without limitation the General Partner's opinion that such assignment would jeopardize the status of the Partnership as a partnership for federal income tax purposes); and

(vii) The General Partner has received from the assignor a certified copy of such assignment in form satisfactory to the General Partner.

For all purposes hereunder, the Transfer shall be effective as of the first day of the calendar month succeeding the month in which all of the foregoing conditions have been met.

### **7.3 Effect of Transfer.**

(a) Upon the Transfer by a Limited Partner of all of its, his or her Interest in accordance with all of the terms of this Article VII, the Limited Partner shall cease to be a limited partner of the Partnership, provided, that unless and until a limited partner is admitted in its, his or her stead, the Limited Partner shall retain the statutory rights and liabilities of an assignor of a limited partnership interest under the Act. Upon the consummation of such Transfer in accordance with all of the terms of this Article VII, such person shall be deemed a "Limited Partner" of the Partnership for all purposes of this Agreement.

(b) A transferee of all or any part of the Limited Partner's Interest who does not become a limited partner of the Partnership and who desires to make a further Transfer of all or any part of the Limited Partner's Interest transferred to such person shall be subject to all of the provisions of this Article VII to the same extent and in the same manner as a Limited Partner would be in the Transfer of such Limited Partner's own Interest.

## **ARTICLE VIII** **DISSOLUTION AND LIQUIDATION**

**8.1 Events of Dissolution.** The Partnership shall be dissolved upon the first to occur of the following events (each, an "Event of Dissolution"):

(a) The removal, bankruptcy, dissolution, death, adjudication of incompetence or withdrawal of the General Partner if, at such time, the General Partner is the sole general partner of the Partnership and, within 90 days thereafter, all of the remaining Partners agree in writing (i) to continue the business of the Partnership and (ii) to the appointment of a substitute general partner satisfying the standards set forth in Article VI hereof;

(b) After Payout, the election by the General Partner to dissolve the Partnership;

(c) Before Payout, the vote of the General Partner and 75% in interest of the Limited Partners;

(d) The expiration of the term of the Partnership specified in Section 1.4 hereof as extended, if applicable; or

(e) Any other event causing dissolution of the Partnership under the laws of the state of Texas, unless the General Partner and all Limited Partners elect to continue the Partnership.

**8.2 Distribution and Winding Up.** Upon the occurrence of an Event of Dissolution, the General Partner shall promptly wind up the Partnership's affairs and proceed to liquidate all Partnership assets; provided, however, if for any reason there is no General Partner, or if it refuses to serve, or is incapable of serving, Limited Partners owning a majority of the Units may appoint or designate a "Trustee in Liquidation" who shall serve to wind up the affairs of the Partnership; and, provided, further, that the Trustee in Liquidation need not be a commercial corporate trustee, does not have to be bonded, and may be a Limited Partner. The General Partner, or the Trustee in Liquidation if the General Partner is not available, shall apply and distribute the proceeds of such liquidation in the following order;

(i) All of the valid and binding debts and obligations of the Partnership and the expenses of its termination and the settlement of its affairs (including loans, if any, owed to any Partner) shall be paid or adequately provided for within the period which the General Partner (or Trustee in Liquidation) shall deem advisable (but not exceeding the later of (i) the end of the taxable year in which the liquidation occurs or (ii) 90 days after the date of such liquidation); provided, however, that nothing contained herein shall be construed as an agreement of the Partnership or the Partners to pay any debt, liability, or obligation which pursuant to the terms of the instrument(s) creating such debt, obligation, or liability, it and its Partners have no personal liability to pay; and-

(ii) Subject to any reserves which the General Partner (or the Trustee in Liquidation) shall deem reasonably necessary to provide for any contingent or unforeseen liabilities or obligations of the Partnership, the remaining assets of the Partnership, including cash, liquid investments, notes, bonds, obligations of third parties, other receivables, if or to the extent owned by the Partnership on the date of dissolution, shall then be allocated and distributed in kind to the Partners in accordance with Capital Account balances (after Capital Accounts have been adjusted to reflect all profits and loss allocations).

**8.3 Deficit Capital Account Balance.** If the General Partner shall have a deficit balance in its Capital Account following the liquidation of the Partnership, the General Partner shall, within 90 days after the date of such liquidation, contribute the lesser of (a) an amount equal to its aggregate negative Capital Account balance, or (b) an amount equal to 1.01 percent of the Capital Contributions of the Limited/Partners, less any amounts or the value of any property previously contributed by the General Partner to the capital of the Partnership.

**8.4 Termination.** The Partnership shall be terminated when (a) all property owned by the Partnership shall have been disposed of and (b) the net proceeds, if any, after satisfaction of liabilities to creditors, shall have been distributed among the Partners. The establishment of any reserves in accordance with Section 8.2 above shall not extend the term of the Partnership.

**ARTICLE IX**  
**REPRESENTATIONS AND WARRANTIES OF LIMITED PARTNERS**

Each Limited Partner warrants and represents the following:

(a) That such Limited Partner recognizes that Section 4(2) of the Securities Act of 1933, as amended (the "Act"), exempts the issue and sale of securities from registration under the Act in transactions not involving any public offering, and that such Limited Partner is purchasing such Limited Partner's Unit for such Limited Partner's own account, for investment, and with no present intention of distributing, reselling, pledging, or otherwise disposing of such Limited Partner's Unit.

(b) That such Limited Partner is a citizen of the United States of America and that such Limited Partner is the beneficial owner of the Unit standing in such Limited Partner's name.

(c) That such Limited Partner is an "accredited investor," as that term is defined under Regulation D promulgated under the Act, and is otherwise a sophisticated investor and the nature and amount of the Capital Contributions such Limited Partner agrees to make hereunder is consistent with such Limited Partner's investment program and that such Limited Partner understands the Partnership is proposing a start-up business and that there is a risk that such Limited Partner could experience a loss of such Limited Partner's entire investment in the Partnership.

(d) That such Limited Partner has been furnished with sufficient written and oral information about the Partnership, the General Partner, and the Partnership's business to allow such Limited Partner to make an informed investment decision prior to purchasing a Unit in the Partnership, and has been furnished access to any additional information that such Limited Partner may require.

(e) That such Limited Partner is fully familiar with the business proposed to be conducted by the Partnership and with the Partnership's use and proposed use of the proceeds of the sale of the Partnership Units.

(f) That such Limited Partner has either (i) had experience in business enterprises or investments entailing risk of a type or to a degree substantially similar to those entailed in an investment in the Partnership; or (ii) has obtained independent financial advice with respect to such Limited Partner's investment in the Partnership.

(g) That such Limited Partner has been advised that such Limited Partner's Partnership Unit may not be sold, transferred or otherwise disposed of in the absence of either an effective registration statement covering said Unit under the Act and applicable state securities laws, or an opinion of counsel satisfactory to the Partnership and its counsel that registration is not required under the Act and applicable state securities laws, and that such Limited Partner will have no rights to require registration of such Limited Partner's Unit under the Act and applicable state securities laws, and, in view of the nature of the transaction, registration is neither contemplated nor likely.

(i) That such Limited Partner; agrees to hold the General Partner, the Limited Partners or any person controlling the Partnership and their respective successors, assigns, or other controlling persons harmless and to indemnify them against all liabilities, costs, and expenses incurred by them as a result of any breach by the Limited Partner of any of the foregoing representations, warranties and covenants. All representations, warranties, and indemnities made by such Limited Partner with reference to the Act shall be deemed equally applicable in connection with the securities law of the State of Texas or any other state of the United States of America.

## ARTICLE X

### MEETINGS

**10.01 Meetings.** Meetings of the Partnership may be called by the General Partner and shall be called by him upon the written request of Limited Partners then holding at least a majority of the Units. The call shall state the nature of the business to be transacted. Any such meeting shall be held at such place as may be designated by the General Partner. Notice of any such meeting shall be delivered to all Partners within ten (10) days after receipt of such request and no fewer than fifteen (15) days nor more than sixty (60) days before the date of any meeting. The notice shall state the place, date, hour and purpose or purposes of the meeting. A list of the names and addresses of all Limited Partners (and the Units held by each Limited Partner) shall be maintained as part of the books and records of the Partnership.

**10.02 Quorum; Adjournment.** The presence in person or by proxy of Limited Partners holding at least a majority of the Units shall constitute a quorum at all meetings of the Limited Partners; provided that if there be no such quorum, Limited Partners represented at the meeting (or their proxies) may adjourn the meeting from time to time without further notice, until a quorum shall be obtained.

**10.03 Manner of Voting.** Each Limited Partner may authorize any person or persons to act for him by proxy in all matters in which a Limited Partner is entitled to participate. Every proxy must be signed by the Limited Partner or his attorney-in-fact (other than the General Partner). No proxy shall be valid after the expiration of six (6) months from the date thereof. Every proxy shall be revocable by the Limited Partner executing it if such Limited Partner or his representative is present at the meeting(s) in connection with which such proxy was given.

**10.04 Action Without Meeting.** Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if written consents setting for the action to be taken is signed by Partners entitled to vote and owning the requisite percentage of Units. This consent shall have the same force as a vote of the Partners at a meeting. The original signed consents shall be placed in the Partnership Minute Book and kept with the Partnership records.

## ARTICLE XI

### MISCELLANEOUS AND GENERAL

**11.01 Amendment.** This Agreement shall not be amended or modified except in a written instrument executed by or on behalf of Limited Partners owning at least 80% of the Units, and as agreed by the General Partner.

**11.02 Notices.** Except as may be otherwise specifically provided in this Agreement, all notices required or permitted in this Agreement shall be in writing and shall be effective three calendar days after deposit in the United States mail postage prepaid, registered or certified mail, return receipt requested, properly addressed to the intended recipient at the address shown in the Partnership records. Notice given in any other manner shall be effective only if and when received

by the addressee. A Partner may change its, his, or her address by giving notice to the General Partner as provided in this Paragraph.

**11.03 Texas Law to Apply.** This Agreement shall be construed in accordance with the laws of the State of Texas.

**11.04 Other Instruments.** The Partners shall execute any other instruments that are or may become necessary, appropriate, or convenient to carry out the business of the Partnership. A Partner may execute any instrument related to the Partnership by means of a power of attorney if an original executed copy of the power of attorney is provided to a General Partner to be kept with the Partnership records.

**11.05 Parties Bound.** This Agreement shall be binding upon and inure to the benefit of the parties who execute this Agreement and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as otherwise provided in, this Agreement. The death, disability, or other change in circumstances relating to a Partner shall not affect the rights and obligations of the Partner or the Partner's legal representative or successor.

**11.06 Headings.** The headings used in this Agreement are used for convenience and shall not be considered in construing the terms of this Agreement.

**11.07 Prior Agreements Superseded.** This Agreement contains the entire agreement between the Partners and supersedes any prior understandings or written or oral agreements between the parties relating to the subject matter of this Agreement, except as may be otherwise provided in this Agreement.

**11.08 Legal Construction.** If any of the provisions in this Agreement are held to be invalid, illegal, or unenforceable in any respect for any reason, such invalidity, illegality, or unenforceability shall not affect any other provision and this Agreement shall be construed as if the invalid, illegal, or unenforceable provision had not been included in the Agreement.

**11.09 Attorney's Fees.** If there is any action, suit, arbitration, or other proceeding between Partners relating to the Partnership or between the Partnership and one or more Partners relating to the Partnership business, the prevailing party shall be entitled to recover reasonable attorney's fees in addition to any other relief ordered.

**11.10 Counterparts.** This Agreement may be executed in any number of counterparts and each counterpart shall be deemed to be an original for all purposes.

**11.11 Gender.** Wherever the context requires, all words in this Agreement in the male gender shall be deemed to include the female or neuter gender, and vice versa, all singular words shall include the plural, and all plural words shall include the singular.

**11.12 Power of Attorney.** By the execution of this Agreement each Limited Partner and any assignee or transferee of such Limited Partner's Interest does irrevocably constitute and appoint the General Partner such Limited Partner's true and lawful attorney-in-fact and agent to execute, acknowledge, verify, swear to, deliver, record and file in that Limited Partner's or assignee's name, place and stead, all documents which may from time to time be required by any federal or state law including the execution, verification, acknowledgment; delivery, filing and recording of this Agreement as well as all authorized amendments thereto, all assumed name certificates, documents, bills of sale, assignments and other instruments or conveyances, leases, contracts, loan documents and/or counterparts thereof and all other documents which may be required to effect a continuation

of the partnership and which the General Partner deems necessary or reasonably appropriate. The power of attorney granted herein shall be deemed to be coupled with an interest, shall be irrevocable and survive the death, bankruptcy, incompetency or legal disability of a Limited Partner and shall extend to that Limited Partner's heirs, successors and assigns. Each Limited Partner hereby agrees to be bound by any representations made by the General Partner acting in good faith pursuant to the power of attorney, and each Limited Partner hereby waives any and all defenses which may be available to contest, negate, or disaffirm any action of the General Partner taken in good faith under this power of attorney.

**IN WITNESS WHEREOF**, this Agreement has been executed by the parties hereto effective as of the date first written above for those persons who were admitted as Partners on such date, and effective upon the admission of subsequent Partners following such date.

**GENERAL PARTNER:**

**MOORELAND FUND GENERAL PARTNER,  
INC.**

By: \_\_\_\_\_  
Michael Beaty, President

**LIMITED PARTNERS:**

(As listed on Exhibit "A" and included on the attached signature pages)

**INITIAL LIMITED PARTNER:**

\_\_\_\_\_  
Michael Beaty

**EXHIBIT " A "**

**North Frisco – Prosper Opportunity Fund, L.P.**

**NAME AND ADDRESS**

**CAPITAL  
CONTRIBUTION**

**GENERAL PARTNER:**

North Frisco – Prosper Opportunity Fund GP, INC.  
2440 E. Prosper Trail

Suite 80  
Prosper, TX 75078

**INITIAL LIMITED PARTNER:**

Michael Beaty  
2440 E. Prosper Trail  
Suite 80  
Prosper, TX 75078

**LIMITED PARTNERS:**

**Exhibit "B"**

**SUBSCRIPTION AGREEMENT  
AND  
DUPLICATE SIGNATURE PAGE OF PARTNERSHIP AGREEMENT**

North Frisco - Prosper Opportunity Fund, L.P.  
c/o Mooreland Development Partnership  
2440 E. Prosper Trail  
Suite 80  
Prosper, TX 75078

Gentlemen:

I have received the Confidential Private Offering Memorandum dated February 1st, 2009 together with all attachments thereto (collectively, the "Private Offering Memorandum"), pertaining to an offering of a minimum of 200 and a maximum of 4,000 Units of Limited Partnership Interests (the "Units") in North Frisco - Prosper Opportunity Fund, L.P., a Texas limited partnership (the "Partnership"), with a minimum investment of one Unit, subject to the discretion of the Partnership to authorize a lesser subscription, and I hereby subscribe for the number of Units set forth on the execution page hereof.

I make the following representations and warranties:

A. By executing this Subscription Agreement and Duplicate Signature Page of Partnership Agreement (the "Subscription Agreement"), I have committed myself to become a Limited Partner in the Partnership as set forth within the Private Offering Memorandum.

B. 1. The undersigned represents and warrants to the Partnership that the undersigned is an "accredited investor" as such term is defined in Regulation D adopted by the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Act of 1933, as amended (the "1933 Act"). The undersigned understands that the following information is being furnished to determine whether sales of the Units may be made to the undersigned pursuant to Section 4(2) of the 1933 Act, and Regulation D adopted there under, and applicable state securities laws. The undersigned understands that (i) the information contained herein will be relied upon for purposes of such determination and (ii) the Units will not be registered under the 1933 Act in reliance upon the exemption from registration provided by Section 4(2) of the 1933 Act and Regulation D adopted there under. The undersigned represents and warrants to the Partnership and its General Partner and its officers, directors, agents and employees that (i) the information contained herein is complete and accurate and may be relied upon by such parties and (ii) the undersigned will notify the Partnership immediately of any change in any of such information occurring prior to the closing of the purchase of any Units by the undersigned. All information furnished herein or hereby is for the sole use of the Partnership and the Partnership's representatives and counsel and will be held in confidence by such persons, except that this Subscription Agreement may be furnished to, such parties as may be deemed desirable to establish compliance with federal or state securities laws.

2. The undersigned has adequate net worth and means of providing for the undersigned's current needs and possible personal contingencies, and the undersigned has no need, and anticipates no need in the foreseeable future, to sell the Units for which the undersigned hereby subscribes. The undersigned is able to bear the economic risks of this investment and, consequently, without limiting the generality of the foregoing, the undersigned is able to hold the undersigned's Units for an indefinite period of time and has a sufficient net worth to sustain a loss of the

undersigned's entire investment in the Partnership in the event such loss should occur. The overall commitment by the undersigned to investments that are not readily marketable is not disproportionate to the undersigned's net worth, and the undersigned's acquisition of the Units will not cause such overall commitment to become excessive. In this regard, the undersigned represents that the undersigned's investment in the Units does not exceed 10% of the undersigned's net worth.

3. The undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risks of an investment in the Partnership and of making an informed investment decision, and (a) does not require a Purchaser Representative; or (b) has relied upon the advice of a Purchaser Representative (who is not affiliated with the Partnership, or any of its affiliated parties) in evaluating the merits and risks of an investment in the Units, as evidenced by the execution of the Acknowledgment of Use of Purchaser Representative (to be furnished by the Partnership upon request by the undersigned) and the execution by the Purchaser Representative of the Purchaser Representative Questionnaire (to be furnished by the Partnership upon request by the undersigned).

4. The Units for which the undersigned hereby subscribes will be acquired for the undersigned's own account for investment and not with the view toward resale or redistribution in a manner which would require registration under the 1933 Act or applicable state securities laws, and the undersigned does not now have any reason to anticipate any change in the undersigned's circumstances or other particular occasion or event which would cause the undersigned to sell the undersigned's Units.

5. (i) The undersigned's Purchaser Representative (if any) and the undersigned have each been furnished, prior to the date hereof, a copy of the Private Offering Memorandum, (ii) the Partnership has made available to the undersigned and the undersigned's Purchaser Representative (if any) the opportunity to ask questions of, receive answers and to obtain any additional information necessary to satisfy the undersigned as to the accuracy of the information set forth in the Private Offering Memorandum, and the undersigned's Purchaser Representative (if any) and the undersigned did receive all such information from the Partnership concerning the terms and conditions of the offering, and (iii) the undersigned's Purchaser Representative (if any) and the undersigned together have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of this investment.

6. The undersigned is acquiring the Units without having been furnished any offering literature other than the Private Offering Memorandum.

7. The undersigned recognizes that an investment in a limited partnership of this nature involves a very high degree of risk.

8. The undersigned has been advised to consult with the undersigned's own attorney regarding legal matters concerning the Partnership and to consult a tax advisor regarding the tax consequences of participating in the Partnership.

9. The undersigned understands that the Units have not been registered under the 1933 Act, or under any state securities act, and that transferability and sale of the Units is restricted as set forth, in the Partnership Agreement, including a restriction against transfer without registration under the 1933 Act and applicable state securities laws, or an exemption there from.

10. The undersigned represents that the undersigned has not distributed the Private Offering Memorandum to anyone other than the undersigned's Purchaser Representative(s),

if any, and that no one other than the undersigned's designated Purchaser Representative(s) and the undersigned have used the Private Offering Memorandum.

11. All information that the undersigned has provided to the Partnership concerning the undersigned, the undersigned's financial position and the undersigned's knowledge of financial and business matters is correct and complete as of the date set forth at the end hereof, and if there should be any material change in such information the undersigned will immediately provide the Partnership with such information.

**12. No assurances are or have been made regarding the likelihood of success of the Partnership's business as a commercially feasible project or the tax advantages which may inure to the benefit of the Limited Partners of the Partnership, nor has any assurance been made that existing tax laws, and regulations and judicial and administrative interpretations thereof, will not be modified in the future, thus denying to the Limited Partners of the Partnership all or a portion of the tax benefits which may presently be available under existing tax laws, regulations, and judicial and administrative interpretations thereof.**

13. The undersigned understands that no commissioner of securities of any state has made any finding or determination relating to the fairness of an investment in the Units and that no commissioner of securities of any state has recommended or endorsed the Units.

14. The undersigned, if a corporation, partnership, association, joint stock Partnership, trust or incorporated organization, represents and warrants that such entity was not organized for the specific purpose of acquiring the Units subscribed to herein and has other investments or business activities, unless the undersigned has indicated to the contrary to the Partnership and specified in writing the number of beneficial owners thereof, and the Partnership has consented in writing thereto, and the undersigned, if an individual, represents and warrants that he or she is not acquiring the Units as nominee, trustee, agent or representative for any other person, unless the undersigned indicated the contrary to the Partnership and specified the number of beneficial owners thereof, and the Partnership has consented in writing thereto.

15. If the undersigned is a corporation, partnership, association, joint stock Partnership, trust or incorporated organization, it represents that: (i) it is duly organized, validly existing and in good standing under the laws of the State in which it was formed and has all the requisite power and authority to invest in the Units as provided herein; (ii) such investment does not result in any violation of, or conflict with, any term of the charter or by-laws of the undersigned or any instrument to which it is bound or any law or regulation applicable to it; (iii) such investment has been duly authorized by all necessary action on behalf of the undersigned; (iv) this Subscription Agreement has been duly executed and delivered on behalf of the undersigned and constitutes a legal, valid and binding agreement of the undersigned; and (v) the undersigned is a resident of the State set forth on the signature page hereof.

16. If the undersigned is an individual, he/she represents that he/she is at least 21 years of age, a citizen of the United States and a resident of the State set forth on the signature page hereof.

17. It is understood that all documents, records and books, pertaining to this investment have been made available for inspection by the undersigned's attorney and/or accountant and/or Purchaser Representative (if any) and the undersigned, and that the books and records of the

Partnership will be available upon reasonable notice, for inspection by investors during reasonable business hours at the Partnership's principal place of business.

I. EXECUTION PAGE TO SUBSCRIPTION AGREEMENT  
AND DUPLICATE SIGNATURE PAGE OF PARTNERSHIP AGREEMENT

The undersigned subscribes for \_\_\_\_\_ (\_\_\_\_) Units (One Unit per minimum investment) and tenders \$\_\_\_\_\_ (\$5,000 per Unit) in cash as the Capital Contribution required upon subscription.

The undersigned by execution of this Subscription Agreement also expressly adopts the Limited Partnership Agreement of North Frisco - Prosper Opportunity Fund, L.P. included, with the Private Offering Memorandum and by execution of this Execution Page hereby expressly assumes and agrees to be bound by the terms and conditions thereof as fully as if the undersigned had executed said Limited Partnership Agreement directly; and moreover the undersigned hereby directs the Partnership to affix a copy of this "Execution Page" to said Limited Partnership Agreement as evidence of the undersigned's execution and adoption of, and agreement to be bound by the terms and conditions of said Limited Partnership Agreement; provided, however, the undersigned hereby acknowledges and agrees that the undersigned shall not be deemed to be accepted as a Limited Partner of the Partnership until the subscription of the undersigned has been accepted by the Partnership and the Initial Closing described in the Limited Partnership Agreement has occurred.

EXECUTED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Subscriber's Signature

\_\_\_\_\_  
Signature of Subscriber's Spouse  
(Or Co-Owner)

\_\_\_\_\_  
Subscriber's Name (Print or Type)

\_\_\_\_\_  
Spouse's (or Co-Owner's Name)

\_\_\_\_\_  
Subscriber's Social Security or  
Tax Identification Number  
Number

\_\_\_\_\_  
Spouse's (Co-Owner's) Social  
Security or Tax Identification

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Address of Subscriber)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Address of Spouse (or Co-Owner))

APPROVAL AND ACCEPTANCE OF SUBSCRIPTION ON THE \_\_\_\_\_ DAY OF  
\_\_\_\_\_, 20\_\_

North Frisco - Prosper Opportunity Fund, L.P.

By: North Frisco - Prosper Opportunity Fund GP, Inc., General Partner

By: \_\_\_\_\_  
Michael Beaty, President

**Exhibit "C"**

**II. PURCHASER QUESTIONNAIRE**

**North Frisco - Prosper Opportunity Fund, L.P.**

North Frisco - Prosper Opportunity Fund, L.P.  
c/o Mooreland Development Partnership  
2440 E. Prosper Trail  
Suite 80  
Prosper, TX 75078

Re: Limited Partnership Units

Gentlemen:

The following information is furnished to you in order for you to determine whether the undersigned will be a qualified purchaser of limited partnership interests in the above referenced limited partnership (the "Units") pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"), and similar exemptions from applicable state securities laws. I understand that you will rely upon the following information for purposes of such determination, and that the Units will not be registered under the 1933 Act or applicable state securities laws in reliance upon the non-public offering exemptions from registration provided by Section 4(2) of the 1933 Act and similar exemptions provided by applicable state securities laws.

ALL INFORMATION CONTAINED IN THIS QUESTIONNAIRE WILL BE TREATED CONFIDENTIALLY. However, I agree that you may present this questionnaire to such parties as you deem appropriate if called upon to establish that the proposed offer and sale of the Units is exempt from registration under the Act and applicable state securities laws.

Number of Units: \_\_\_\_\_

Investment: \$\_\_\_\_\_(\$50,000 per Unit)

A. The following information is to be provided by all offerees:

1.\* Name: \_\_\_\_\_ Age: \_\_\_\_\_  
No. of Dependents: \_\_\_\_\_ Name of Spouse: \_\_\_\_\_  
Social Security Number: \_\_\_\_\_  
Federal I.D. Number (corporations, trust, estates and partnerships): \_\_\_\_\_

\* If Corporate Purchaser:  
Publicly Owned \_\_\_\_\_ or Privately Owned \_\_\_\_\_  
Jurisdiction of Formation: \_\_\_\_\_ Date of Incorporation: \_\_\_\_\_  
"S" Corporation: Yes \_\_\_\_\_ No \_\_\_\_\_

If Partnership Purchaser:  
Date of Formation: \_\_\_\_\_

Jurisdiction of Incorporation: \_\_\_\_\_

Fiscal Year End: \_\_\_\_\_

2. (a) Business Address: \_\_\_\_\_  
\_\_\_\_\_

(b) Residence \_\_\_\_\_ Address: \_\_\_\_\_

3. Firm Name: \_\_\_\_\_

Nature of Business: \_\_\_\_\_

Position: \_\_\_\_\_

Length of Time in Present Position: \_\_\_\_\_

Business Address (include street, city state  
and zip code): \_\_\_\_\_  
\_\_\_\_\_

Business Telephone Number (Area Code): (\_\_\_\_\_) \_\_\_\_\_

Is Firm: Publicly Owned \_\_\_\_\_ Privately Owned \_\_\_\_\_

Firm's Fiscal Year End: \_\_\_\_\_

4. Profession or business (and title, if applicable): \_\_\_\_\_

5. (a) Gross income during 2008 (check highest applicable amount):

_____	\$ 50,000 - \$ 75,000	_____	\$150,000 - \$200,000
_____	\$ 75,000 - \$100,000	_____	Over \$200,000
_____	\$100,000 - \$150,000	_____	Over \$300,000 with spouse

(b) Gross income during 2009 (check highest applicable amount):

_____	\$ 50,000 - \$ 75,000	_____	\$150,000 - \$200,000
_____	\$ 75,000 - \$100,000	_____	Over \$200,000
_____	\$100,000 - \$150,000	_____	Over \$300,000 with spouse

6. Estimated Gross Income during 2010 (check highest applicable amount):

_____	\$ 50,000 - \$ 75,000	_____	\$150,000 - \$200,000
_____	\$ 75,000 - \$100,000	_____	Over \$200,000
_____	\$100,000 - \$150,000	_____	Over \$300,000 with spouse

7. (a) Current net worth is not less than (check highest applicable amount):

_____	\$200,000	_____	\$300,000	_____
_____	\$1,000,000			

(b) The current value of my liquid assets (cash, freely marketable securities, cash surrender value of life insurance and other items easily convertible into cash) is sufficient to provide for my current needs and possible personal contingencies:

\_\_\_\_\_ Yes \_\_\_\_\_ No

(c) Do you have any other investments or contingent liabilities which you can reasonably anticipate could cause the need for sudden cash requirements in excess of cash readily available to you?

\_\_\_\_\_ Yes \_\_\_\_\_ No

If yes, explain:

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B. The following information is to be provided by offerees who are individuals, or by the person making the investment decision on behalf of corporations, partnerships, trust, or other entities:

8. (a) Residence \_\_\_\_\_ Address: \_\_\_\_\_

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(b) Telephone Number: (\_\_\_\_\_) \_\_\_\_\_

9. Please send all correspondence to:

(a) Residence Address: \_\_\_\_\_

(b) Business Address: \_\_\_\_\_

10. Business or Professional Education

School	Field of Study	Dates of Attendance	Degree
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11. Prior employment, positions, or occupations: (Please set forth employment history during at least the past five years, indicating employer, title, principal responsibilities and years of service.) \_\_\_\_\_

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\_\_\_\_\_

12. Detail of any training or experience in financial, business or tax matters not disclosed in items 10 and 11.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. Prior investments in private entities:  
(Please itemize each investment separately)

Name of Entity	Type of Investment (Real Estate, Oil, Equipment Leasing etc.)	Year of Investment	Amount Invested
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

14. I have made the following additional investments which may reflect my knowledge and experience in financial and business matters:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

15. I have previously purchased securities which were sold in reliance on the private offering exemption from registration under the Securities Act of 1933, as amended:

\_\_\_\_\_ Yes \_\_\_\_\_ No

16. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Partnership, and do not desire to utilize a purchaser representative in connection with evaluating such merits and risks. I understand, however, that the General Partner may request that I use a purchaser representative.

\*\* 1 \_\_\_\_\_ Yes \_\_\_\_\_ No

17. Bank Reference

Name of Bank: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
Phone: (\_\_\_\_\_) \_\_\_\_\_  
Person to Contact: \_\_\_\_\_ Title: \_\_\_\_\_

18. I represent to you that (a) the information contained herein is complete and accurate and may be relied upon by you and (b) I will notify you immediately of any material adverse change in any of such information occurring prior to the acceptance of my subscription. (Note: Signatures should conform to those used on the Subscription Agreement.)

\_\_\_\_\_  
Signature(s) of Prospective Investor(s) Please Print Name

\_\_\_\_\_  
Signature(s) of Prospective Investor(s) Please Print Name