



FGC Distressed Asset Investment #1

Memorandum Number 2010-01

**Confidential Private Placement Memorandum**

FGC Distressed Asset Investment #1 LLC

**\$5,000,000** (Five Million Dollars) – (8)% **NOTES**

Minimum purchase – One Promissory Note - \$100,000

8% Annual rate of Return, Interest Paid Quarterly

Maturity Date: 12 months

Investor receives 65% of the profits for their batch, minus the interest paid  
100% Secured

**This Confidential Private Placement Memorandum relates to an offering by FGC Distressed Asset Investment #1 LLC , a Delaware Limited Liability Company (hereafter referred to as the "Company" or "(FGC" ), of 50 notes at an offering cost of \$100,000 per note. COMPANY reserves the right to increase or decrease the number of value of individual notes or number of notes. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable state securities laws, pursuant to registration thereunder or exemption from such registration requirements.**

The Promissory Notes are being offered and sold in a private placement (the "Offering") pursuant to an exemption from the registration requirements of the Securities Act of 1933 as amended, (the "Securities Act") and applicable state security laws. In order to participate in this Offering, each investor must execute and deliver to the company a subscription agreement (the "Subscription Agreement") and an investor questionnaire (the "Investor Questionnaire"), each in the form contained in Exhibit B hereof in which, among other matters, each investor will represent and warrant to the Company that the investor is acquiring the Notes for the investor's own account only, for investment purposes with no present intention of distributing any of such Notes and that no arrangement or understanding exists with any other person regarding the distribution of the Notes. This Offering is being conducted on a "reasonable efforts, all or none" basis as to the Minimum Offering and a "reasonable efforts" basis for all amounts in excess of the Minimum Offering, and to date, no selling agent has been engaged to assist with the Offering.



**Investing In The Notes Involves Risk.**

**See “Risk Factors” Beginning On Page 12.**

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.**

	Price to Investors	Selling Commissions (1)	Proceeds to Company (2)
Per Note	\$100,000	\$7,000	\$93,000
Total Minimum	\$100,000	\$7,000	\$97,000
Total Maximum	\$5,000,000	\$350,000	\$4,650,000

- (1) The company may pay selling commissions not to exceed 7% of the price paid by an investor and to be paid only to federally registered and state-licensed broker-dealers which are members of the Financial Industry Regulatory Authority (FINRA). As of the date hereof, no selling agent has been engaged to assist with the Offering. (See note “A” below)
- (2) Before all expenses of Offering and sale. Expenses of the Offering are estimated to be approximately \$50,000 and may include professional fees, printing, and other expenses.
- (3) This chart assumes all notes offered are sold. There is no minimum number of notes that must be sold in the Offering and then the Company may use proceeds from the sale of Notes when received.

The minimum investment is \$100,000. The company may, in its sole discretion, accept subscriptions for a lesser amount.

The date of this Confidential Private Placement Memorandum is September 15<sup>th</sup>, 2010



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**This Confidential Private Placement Memorandum (the “Memorandum”) has been prepared solely for the use of persons interested in the Offering described herein and may not be used for any other purpose. Any reproduction of this Memorandum in whole or in part or the disclosure of its contents without the express prior written consent of the company is prohibited. By accepting delivery of this Memorandum, the recipient agrees to return it to the Company or its selling agent in the event that the recipient determines not to purchase securities.**

**No person has been authorized to give any information or to make any representation with respect to this Offering which is not contained in this Memorandum, and, if given or made, written or oral, which does not conform to those contained in this Memorandum, such representation must not be relied upon as having been authorized by the company.**

**This Memorandum does not constitute an offer by anyone in any jurisdiction in which the person making such offer is not qualified to do so, to any person to whom it is unlawful to make such offer or in any jurisdiction where such offer would be unlawful prior to registration or qualification of the securities.**

**The securities described in this Memorandum are being offered subject to prior sale, acceptance or rejection of any offer to purchase for any reason, and to withdrawal or cancellation of the Offering without notice.**

**No representations or warranties of any kind are intended or should be inferred with respect to the economic return that may accrue to any person as a result of an investment in the Company. Any financial projections should not be construed as forecasts of actual operations; rather, they are hypothetical, based entirely upon assumptions. They are not a guarantee of future performance. Information contained herein has been prepared on the basis of assumptions and hypotheses. Future operating results may differ from actual results and those differences may be material.**

**Prospective purchasers are not to construe the contents of this Memorandum or any prior or subsequent communications from the Company or any of its officers or employees, as legal, tax, or financial advice. Prior to investing, a prospective purchaser should consult with his or her attorney, personal business and financial advisors to determine the consequences of this investment and arrive at their own evaluation of the investment.**

**Purchasers of the securities being offered hereby may not resell or otherwise transfer the securities unless the offer and resale thereof are either registered and/or qualified as provided in the Securities Act of 1933 and the applicable securities laws of any state having jurisdiction or are exempt from such registration and/or qualification.**



**There is no public market for these securities, and there can be no assurance that any such public market will develop. The securities should be purchased only for long-term investment and only by investors who have no need for liquidity. The offering price has been arbitrarily determined and bears no relationship to any applicable criterion of value.**

**The delivery of this Memorandum at any time does not imply that the information herein is correct at any time subsequent to its date. The Company expressly disclaims any duty to update any statements made in the Memorandum.**

**This offering involves a high degree of risk and is suitable only for investors of substantial means who, in addition to qualifying as accredited investors, have no need for liquidity and who can afford to lose their entire investment. (See “risk factors” below).**

**The Company has agreed to make available to any offeree the opportunity to ask questions of and to receive answer from the Company concerning the Company’s plans, the securities described herein, and the terms and conditions of this offering.**

**The Company reserves the right, in its sole discretion and for any reason whatsoever, to modify, amend, or withdraw all or any portion of this offering or to accept or reject, in whole or in part, any prospective investment in the notes or to allot to any offeree less than the amount of notes that such offeree desires to purchase. The company shall have no liability whatsoever to any offeree or investor in the event that any of the foregoing occurs.**

#### **NASAA LEGEND**

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES MAY BE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER FEDERAL AND STATE SECURITIES LAWS. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**



**Notice to residents of all states**

The securities interests offered hereby have not been registered under the Securities Act or the securities laws of any state, and they are being offered and sold in reliance on exemptions from the registration requirements of the Securities Act and such state laws. The securities interests are subject to restriction on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and such state laws pursuant to the registration qualification requirements of such laws or an exemption therefrom. The security interests 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 this Offering or the accuracy or adequacy of the Memorandum. Any representation to the contrary is unlawful.

**SPECIAL NOTICE TO FOREIGN INVESTORS**

If you live outside the United States, it is your responsibility to fully observe the laws of any relevant territory or jurisdiction outside the United States in connection with any purchase of our securities, including obtaining required governmental or other consents or observing any other required legal or other formalities.



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## **SUMMARY OF THE OFFERING**

*You should read the following summary together with the more detailed information and financial statements and notes thereto appearing elsewhere in this Memorandum and in the materials delivered as exhibits to this Memorandum. This summary is qualified in its entirety by express reference to this Memorandum and the materials referred to and contained herein. Each prospective subscriber should carefully review the entire Memorandum and all materials referred to herein and conduct his or her own due diligence before subscribing for any securities. References to “we,” “us” or “the Company” refer to FGC Distressed Asset Investment #1 LLC; references to “you” refer to prospective investors.*

### **The Company**

FGC Distressed Asset Investment #1 LLC was formed in State of Delaware on May 20, 2010 for the purpose of acquiring distressed assets from sources that include banking institutions, investment firms, and pay day lenders.

### **The Offering**

We are offering to sell up to 50 notes at \$100,000 per note. The minimum subscription per investor is \$100,000. We may, in our sole discretion accept subscriptions for a lesser amount. The notes are being offered on a “best efforts, no minimum” basis, without escrow or refund provisions. Therefore, we may use proceeds from the sale of Notes immediately as sales are made.

### **Description of Securities**

The notes we will sell in this Offering will be “restricted” securities under the Securities Act, and consequently they may not be resold unless they are subsequently registered, qualified, or unless an exemption from such registration or qualification requirements is available.

There is no public market for our common or preferred stock. We do not anticipate that such a market will develop in the near future, if ever.

### **Subscription**

The notes must be paid in cash at the time of subscription by submitting a check or wire transfer made payable to FGC Distressed Asset Investment #1 LLC. Investors must also complete and return to the company all documents contained in the Subscription Package, which includes a Confidential Investor Questionnaire and a Subscription Agreement (see Exhibit B). You may not revoke your subscription once the items described in this paragraph have been delivered to us. We reserve the right, in our sole discretion, to reject any subscription or to allot any purchase less than the total number of notes subscribed for. If we reject your subscription in whole or in part we will return any excess



funds to you, without interest and less any fees or expenses.

**Closing**

Closing takes place as to any subscription on the date we accept the subscription and the funds from such subscriptions will then become immediately available to us at that time. There is no minimum number of notes that must be purchased in this offering.

**Offering Period**

The Offering will commence on the date hereof and will expire on the earlier of (a) 360 days from the date of this Memorandum (subject to extension in the discretion of the Company for one or more 60 day periods, (b) on the date when subscriptions for \$5,000,000, totaling 50 notes in securities are accepted by the company, or (c) upon the Company's unilateral decision to terminate the Offering, providing that the Offering may be extended by the Company without notice.

**Use of Proceeds**

After payment of expenses (including fees, commissions, if any, and professional fees) of the Offering, we intend to use the proceeds of the Offering for acquiring distressed assets from sources that include banking institutions, investment firms, and pay day lenders. Proceeds from each subscription for notes will be available as we accept the subscription.

**Investor Suitability**

Investors will be required to make certain representations with respect to their status and business experience and to represent, among other things, that they have received a copy of this Memorandum and understand the terms of this Offering. The Company is offering securities to Accredited Investors, and to Persons who, either alone or together with one or more purchaser representatives, have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the prospective investment, and who meet the suitability standards established by the Company. Prospective investors will be required to complete an Investor Questionnaire in order to permit the Company to determine their suitability.

**Risk Factors**

Investment in our Company involves a high degree of risk. You should be advised of and understand the risks associated with an investment in our notes and be able to withstand the loss of your entire investment.

**Securities Outstanding**

As of June 30, 2010, there are 3,500 units outstanding.



**Selected Financial Information**

Selected Financial Data

As of June 30, 2010

Current Assets	\$ 301,000
Current Liabilities	\$ -0-
Working Capital (deficit)	\$ 301,000
Total Assets	\$ 301,000
Total Liabilities	\$ -0-
Stockholders Equity (deficit)	\$ 301,000
Revenues (from inception)	\$ -0-
Expenses	\$ -0-
Net Income (loss)	\$ -0-

For financial accounting purposes, we are an early stage company only having recently commenced operations and we will commence operations upon funding.

**Additional Information**

We will make available to you, prior to your purchase of any notes, the opportunity to ask questions and receive answers concerning the *COMPANY* and the terms and conditions of this Offering. You will also have the opportunity to obtain any additional information that we can acquire without unreasonable effort or expense that you feel is necessary to verify the accuracy of the information contained herein. This includes additional descriptive information on our Company contained in our Summary Business Plan (Exhibit C).

Our executive offices are located at 1250 Connecticut Ave NW, Suite 200, Washington, DC 20036. Our telephone number is: (888) 391-1525, our fax is: (888) 391-3904. Our web site can be found at [www.futuregenco.com](http://www.futuregenco.com).

There is no public market for investment and we do not anticipate that such a market will develop in the near future, if ever.



## **Business Plan**

A description of FGC Distressed Assets Investment #1, LLC intended business and certain forecasted financial information is included in our Summary Business Plan (Exhibit C) dated June 30, 2010. The Summary Business Plan is being furnished to each potential investor in this offering as an attachment to this Memorandum. While we believe that the financial and other information included in the Summary Business Plan is a reasonable estimate of the results that we might achieve in the future, and that the information is based on assumptions that we believe to be reasonable, the forecasted financial information and projections have not been examined by any accountant or other professional. The Summary Business Plan includes additional information about FGC Distressed Assets Investment #1, LLC, and the market for our investments, our business overview, and management of the Company. While the Summary Business Plan is reflective of our present plans and intentions, prospective investors are cautioned that there can be no assurance whatsoever that any of the stated objectives will be achieved, or that we will be able to implement our plan or achieve the levels of performance that we expect. We may revise the Summary Business Plan from time to time to optimize business opportunities and address changes as they occur. Therefore, investors should be aware that the Summary Business Plan is merely a summary of what our Company presently intends to achieve in the future based on present conditions and assumptions, all of which will be subject to a number of other factors, most of which are beyond the immediate control of the Company.

### **CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

This Memorandum and other materials attached contain certain forward-looking statements concerning our operations, economic performance and financial condition, including, in particular, the likelihood of our success in developing and expanding our business. Forward-looking statements can be identified by the use of forward-looking terminology, such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plan," "potential," "proposes," "should," "will," or comparable terminology, or by discussions of strategy. Such statements are subject to risks and uncertainties that could cause actual results to vary materially from those projected in the forward-looking statements. These statements are based on a number of assumptions and estimates, which are inherently subject to significant uncertainties and contingencies, many of which are beyond our control, and reflect future business decisions, which are subject to change. Some of these assumptions inevitably will not materialize, and unanticipated events will occur which will affect our business, financial condition and results of operations. Among those factors that could cause our actual operating results to differ materially from those described in the forward-looking statements is our failure to successfully acquire debt pools at a reasonable value and third-party collection problems, the loss of key personnel or the inability to recruit personnel, competition from other companies and other risks set forth under "Risk Factors" and elsewhere in this document. In light of the significant uncertainties inherent in the forward-looking statements; the inclusion of any such statement should not be regarded as



a representation by us or any other person, that our objectives or plans will be achieved. Any graphics or charts that depict forward-looking statements herein are subject to the same limitations.

## RISK FACTORS

*You should carefully consider the risk factors described below together with the information contained in the Subscription Agreement before making an investment decision to invest in our Securities. While we believe these risks and uncertainties are the most important for you to consider, they are not the only ones facing the Company. If any of the following risks actually occurs, our business, financial condition or results of operations may be negatively affected. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Under such circumstances, the value of our Securities could decline, and you may lose all or any part of your investment.*

*An investment in the units is a speculative investment and involves significant risks, and should be made only by persons or entities that can afford the loss of their entire investment. The following considerations do not constitute a complete discussion of the risks relating to the company. An accurate appraisal of the risks of an investment in the units of Units can only be gained through an investor's own due diligence.*

### Risks Related to Our Business

We are an early-stage Company and this makes it difficult to evaluate our Business and Future Prospects. We have only a limited operating history upon which to base an evaluation of our business and future prospects. For financial accounting purposes, our Company is in its early stage of development, and its operations will be subject to all the risks inherent in the establishment of a new business. Included in these risks are our limited capital, corporate infrastructure and marketing arrangements. Although our management team is experienced in debt purchasing and collection, our Company's total experience has had only limited debt buying and collection exposure. In addition, because of our limited operating history and because the debt purchasing market in general is relatively new and may rapidly evolve, we have limited insight into trends that may emerge and affect our business. Before investing, you should evaluate the risks, expenses and problems frequently encountered by companies such as ours that are in an early stage and that are entering new and potentially rapidly changing markets. Included are limited capital, corporate infrastructure and marketing arrangements. Although our management team is experienced in its intended field, the likelihood that we will continue to succeed must be considered in light of the problems, expenses, and delays frequently encountered in connection with the expansion of businesses.

Our Company has generated limited revenues to date. Most of the time our management and limited resources have been spent testing our investment model, preparing our business plan and model, selecting professional advisors and consultants, and seeking capital for this investment opportunity.



We anticipate a significant expansion of our revenues. Although our Company has successfully generated revenues since inception, we have not generated revenues to the extent anticipated assuming the successful completion of this offering. We believe that our operating expenses will be limited as we grow our business.

We may face significant competition from companies serving our industry. We face competition from other companies that offer similar products, ranging from small private equity funds to large multinational hedge funds. Some of our potential competitors may have longer operating histories, greater brand recognition, larger client bases and significantly greater financial, technical and marketing resources than we do. These advantages may also allow them to engage in more extensive research and development, undertake extensive far-reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to potential customers, employees and strategic partners. We believe that our current and anticipated business model are, and will be, sufficiently different from existing competition. Few of these organizations are purchasing debt in the configuration we are proposing. As a result, it is possible that our potential competitors may have or may rapidly acquire significant market share. Increased competition may result in price increase in cost, reduced gross margin and loss of market share. We may not be able to compete successfully, and competitive pressures may adversely affect our business, results of operations and financial condition.

Although we believe that our method of business will provide competitive advantages, there can be no assurance that we will be able to compete successfully. We consider it to be critical that we have a lead-time ahead of our expected competition in order to establish a meaningful market share. Such a head start will make it much easier for us to establish market penetration.

We currently rely and will continue to rely on other parties for several key aspects of our Business and Operations. We rely on other parties for certain portions of our debt purchasing business and will rely on other parties to develop key business relationships. In addition, we rely heavily on third-party collection firms. Due to the complexity of the technology we need to operate our business, we are and will continue to be reliant on others to continuing maintenance and technical support for our products and services. We plan to rely on others to design, develop and implement certain portions of our products and improvements to our services to ensure effective operations. In addition, we will depend on relationships with other parties including suppliers and providers. We currently have agreements with all anticipated or potentially necessary providers and suppliers in our industry, and we are able to enter into any such agreements. If we fail to enter into agreements with any of these parties, our business may suffer and we may never become profitable.

We are currently working on agreements to purchase debt directly from financial institutions. FGC Distressed Asset Investment #1, LLC is currently seeking contractual obligations to purchase forward flow of debt from various financial institutions. There is a risk of not being able to secure such contracts limiting our ability to operate.



We are subject to government regulation. We must comply with the Fair Debt Collection Act. Some of our Company's products and many of our services are the subject of federal, state and local government regulation. Our Company is currently aware of many of these regulations requiring governmental approval and believes that our products/services comply with such regulations and requirements. However, no assurance can be given that this awareness can be maintained or approvals gained on future products/services. The effects of regulating bodies might delay our Company's marketing efforts for a considerable time and ultimately could prevent distribution of some of its products/services. (See "BUSINESS")

We are subject to governmental regulations. At various times and under varying circumstances, our Company's operations are or maybe subject to existing governmental and regulations. The Company is currently aware of many of these regulations requiring approval and believes that its operations will comply with such regulations and requirements. However, no assurance can be given that this awareness can be maintained or approvals gained on future operations

We have a dependence on our current management. We will be substantially dependent upon our officers, specifically, Mr. Lawrence Schmidt and Mr. Richard Carter, who have experience in our business, to carry out our business plan.

Mr. Schmidt and Mr. Carter have entered into employment agreements with a major member FutureGen Company and they have agreed to be the key personnel as the loss of these persons could have substantial adverse effect on the Company.

We have not obtained any key man life insurance relating to Mr. Schmidt and Mr. Carter.

The time devoted by our management. It is anticipated that the Company's key officers will devote substantially all of their time to the business of the Company.

We are dependent upon highly qualified collection personnel, and the loss of such personnel is a risk to our success. We are highly dependent upon the efforts of management and technically skilled personnel, and our future performance will depend in part upon the ability of management to manage growth effectively and to retain the services of these experts. Because competition for management, technical and marketing personnel is intense, we may be unable to retain our key employees or attract other highly qualified employees in the future. The loss of the services of any of our management team or the failure to attract and retain additional key employees could have a material adverse effect on our business, financial condition and results of operations.

We may have conflicts of interest and have engaged in transactions with our officers and directors and have entered into several agreements that were not negotiated at arm's length. Our Company has engaged and may in the future engage in transactions with our Officers, Directors and principal members or persons or entities affiliated with them. These transactions may not have been on terms as favorable to the Company as could have been obtained from non-affiliated persons. While an effort has been made and will continue to be made to obtain services from



affiliated persons at rates as favorable as would be charged by others, there will always be an inherent conflict between the interest of our Company and those of the Directors, principal members, and affiliates. (See “CERTAIN PARTY RELATED TRANSACTIONS”)

### Industry Specific Risk Factors

If we fail to accurately predict, respond or adapt to rapid change in our industry, our business model may become obsolete. Our business is characterized by rapid change. The industry pricing on debt portfolios is changing constantly. If the prices rise faster than our recovery rate, our business model and existing debt/s could be rendered obsolete and unmarketable. Our future success will depend in part on our ability to respond effectively to rapidly changing pricing, technologies, industry standards and customer requirements by adapting and improving the performance features and reliability of our debt purchases.

- We face intense competition in our industry and we may not be able to successfully compete in our industry. Competition in our industry is intense, which can lead to, among other things, price reductions or increases, longer recovery cycles, lower product margins, loss of market share and additional working capital requirements. If our competitors offer significant premium on certain debt portfolios, we may need to increase our prices or offer other more favorable terms in order to compete successfully. Any such changes would likely reduce margins and could materially adversely impact our operating results. Any broad-based changes to our prices and pricing policies could cause losses or delay our investment result. Some of our competitors may bundle certain products and services at higher returns for promotional purposes or as a long-term pricing strategy. These practices could significantly reduce demand for our products or services or make further purchases unsustainable.

Our inability to manage growth may have a material adverse effect on our Company. We believe that upon closing of this Offering, we will be entering a period of significant growth, although there can be no assurance that we will experience such growth. This growth, if effectuated, will expose our Company to increased competition, greater overhead, marketing and support costs and other costs associated with entry into new markets and solicitation of new customers. To manage growth effectively, we will need to continue to improve and expand our operational, financial and management information systems and to expand, train, motivate and manage our employees and distributors. Should we be unable to manage growth effectively, the results of our operations could be adversely affected.

Any acquisitions of debt we undertake could limit our ability to manage and maintain our business. We may acquire other debt buying companies and acquire collection firms/technologies. Acquisitions may become critical to our business operations and growth strategy, but also involve the risks that the assets acquired may prove to be less valuable than we expected and/or that we may assume unknown or unexpected liabilities, costs and problems. While we expect to carefully analyze all potential transactions before committing to them, we cannot assure that any transaction that is completed will result in long-term benefits to us or our



members. Moreover, integrating any newly acquired companies/technologies could be expensive and time-consuming. If we cannot effectively manage these aspects of our business strategy, our business may not succeed.

Furthermore, acquired businesses may not perform as projected, which could result in impairment of acquisition-related intangible assets, which would adversely affect our financial results. Accordingly, in any acquisition there will be uncertainty as to the achievement and timing of projected synergies, cost savings and performance levels for acquired debts. All of these factors can impair our ability to forecast, meet revenues and earnings targets and effectively manage our business for long-term growth. We cannot assure that we can effectively meet these challenges.

We have a significant growth factor. We believe that upon closing of this Offering, we will be entering a period of significant growth, although there can be no assurance that we will experience such growth. This growth, if effectuated, will expose our Company to increased competition, greater overhead, marketing and support costs and other costs associated with entry into new markets and solicitation of new customers. To manage growth effectively, we will need to continue to improve and expand our operational, financial and management information systems and to expand, train, motivate and manage our employees and distributors. Should we be unable to manage growth effectively, the results of our operations could be adversely affected.

We depend upon certain financial institutions and collection agencies. The success of our Company will depend on our ability to develop contractual service agreements with both. Our target market will focus on developing relationships with large financial institutions and collection agencies. To date, we do not have any such agreements in place with financial institutions; however, we are currently in negotiations for an agreement with various financial institutions for forward debt flow. No assurance can be given that we will be successful in obtaining any of these agreements. The Company has agreements in place for third-party collection. No assurance can be given that the collection agencies will be successful or negotiate higher pricing making their services obsolete.

We have no control over general economic conditions. The financial success of our Company may be sensitive to adverse changes in general economic conditions in the United States, and other countries where we may operate, such as recession, inflation, unemployment, and interest rates. Such changing conditions could reduce demand in the marketplace for our Company's FGC Distressed Asset Investment #1. In addition, because of our limited operating history and because the market for debt purchasing/collection in general is relatively new and may rapidly evolve, we have limited insight into trends that may emerge and affect our business. Before investing, you should evaluate the risks, expenses and problems frequently encountered by companies such as ours that are in an early stage and that are entering new and potentially rapidly changing markets. Management believes that FGC Distressed Asset Investment #1 that we market and our extensive research and experience will insulate us from excessive reduced demand. Nevertheless, we have no control over these changes.



## Risks related to Our Industry

**If we Fail to Accurately Predict, Respond or Adapt to Rapid Change in our industry, our Services may become Obsolete.** Our business is characterized by rapid change. The introduction of services embodying new technologies, the emergence of new industry standards and changing user needs and preferences could render our business services and existing unmarketable. Our future success will depend in part on our ability to respond effectively to rapidly changing technologies, industry standards and customer requirements by adapting and improving the performance features and reliability of our services. Our services may contain flaws or other defects that limit its marketability, or we could experience technical difficulties that could delay or prevent the successful development, introduction or marketing of our services. We could incur substantial costs to modify our business or our infrastructure to adapt to rapid change in our industry.

**We face intense Competition in our Industry and we May Not be able to Successfully Compete in our industry.** Competition in our industry is intense, which can lead to, among other things, price increase for debt purchases, longer collection cycles, lower margins, loss of market share and additional working capital requirements. If our competitors offer significant higher prices on certain debt portfolios, we may need to increase our cost or offer other favorable terms in order to compete successfully. Any such changes would likely reduce margins and could materially adversely impact our operating results. Any broad-based changes to our cost and purchasing policies could cause new collection net revenues to decline.

**Our Inability to Manage Growth May Have a Material Adverse Effect on Our Company.** We believe that upon closing of this Offering, we will be entering a period of significant growth, although there can be no assurance that we will experience such growth. This growth, if effectuated, will expose our Company to increased competition, greater overhead, marketing and support costs and other costs associated with entry into new markets and solicitation of new debit portfolios. To manage growth effectively, we will need to continue to improve and expand our operational, financial and management information systems and to expand, train, motivate and manage our employees and distributors. Should we be unable to manage growth effectively, the results of our operations could be adversely affected.

**We have a Broad Range of Proposed Activities.** As discussed in this Offering Memorandum, management of the Company proposes to undertake an aggressive acquisition campaign of additional Demand Deposit Accounts and Payday Advance Debts or other unrelated debts (such as student loans, etc.), primarily through negotiation.

**We have a Narrow Proposed Product Line, which results in a Lack of Company Diversification.** The Company does not intend to engage in any business other than what is described in this Memorandum. Our focus on one narrow area of service development will impair our ability to pursue other product or service offerings. Therefore, the Company will be subject to the risks associated with lack of diversification. See "BUSINESS."



**We have No Control over General Economic Conditions.** The financial success of our Company may be sensitive to adverse changes in general economic conditions in the United States, and other countries where we may operate, such as recession, inflation, unemployment, and interest rates. Such changing conditions could reduce demand in the marketplace for our Company's projected services. Management believes that the project niche services that we market and our extensive expanded debt line and the uniqueness of our offerings will insulate us from excessive reduced demand. Nevertheless, we have no control over these changes.

### **Risks Related to This Offering**

**This Offering does not have a Minimum Offering Size.** The notes are being offered on a "best efforts, no minimum" basis, without escrow or refund provisions. If we accept a subscription, we will deposit the funds directly into our bank account and we may use the funds immediately. No one has made a commitment to purchase any of the notes being offered. Consequently, none of the notes may be sold. Because there is no minimum Offering amount, we may not raise sufficient funds in this offering to successfully execute our business plan.

**Non-Subordination of Notes.** Our Note Agreements are secured by a first security interest in all of our Company's inventory, accounts receivable, debt accounts and all proceeds thereof. Consequently, we are limited in our ability to incur additional debt.

**Profit Windfall Sharing of Gross Net Proceeds.** Our Note Agreement offers you a fixed return on your note purchase of 8% (eight percent) per year. We have also agreed in terms that you are to receive 65% (sixty-five percent) of the gross net profits as a bonus at the end of cycle of your batch. Depending on the collection rates of our third party collection, there may be no gross net profit and all you receive is the interest assigned to your note.

**We have not Established a Sinking Fund.** There will be no sinking fund reserve for the payment of interest or other debt service provisions established for our notes. The ability of the Company to retire its indebtedness under the terms of the notes will be completely dependant upon the success of its business model and Management's ability to match the maturity dates of such interest and principle payments. To the extent that the Company has no other funds available to it at such maturity dates of these notes, a default may then exist. Due to the numerous risks described herein, there can be no assurance that the Company will be able to pay the interest rate on the face value of the Notes, or any or all of the entire portion of the principal amount of the Notes. In this event, Note holders may have to resort to legal means to collect the principal balance and any interest from the Company.

**We have Arbitrarily Established the Offering Price.** There has been no prior market for the securities of our Company. The offering price of the Notes has been arbitrarily determined by our Company's management, and bears no relationship to the assets or book value of our



Company or any other recognized criteria of value, and should not be considered to be an indication of the actual value of our Company. In arbitrarily determining the offering price of the Notes, management considered such matters as the nature of our Company's assets, estimates of the business potential of our Company, the amount of equity or control desired to be retained by the present shareholders, the amount of dilution to investors, and the general condition of the securities market. (See "TERMS OF THE OFFERING.")

**There is No Commitment to Purchase Our Securities.** No one has made a commitment to purchase any of the Notes being offered hereby. Consequently, the Notes possibly will not be sold. No subscriptions for the notes shall be escrowed pending the receipt and acceptance of a minimum number of subscriptions, as the securities are being offered and may be sold on a "best effort no minimum basis." Accepted subscriptions will be deposited into a bank account of the Company and will be subject to claims of general creditors of the Company. (See "TERMS OF THE OFFERING.")

**There is no Prior Market for our Capital Stock, and it is Possible no Market may ever Develop.** There has been no market for our capital stock and it is possible that no market will develop. Neither our Common stock nor our Preferred Stock is listed on any exchange, and it may never be eligible to be listed on any exchange. If you purchase notes of our Common Stock, you may not be able to resell those notes at or above your purchase price, if at all. (See "TERMS OF THE OFFERING.")

**Regarding Our Estimates of Future Results.** Furnished as "Exhibit C" to this memorandum is our Company's Summary Business Plan, which includes estimates and projections of possible financial results for future years. The projections have been prepared by us based upon assumed levels of operating results and estimates of potential markets for the services first expected to be developed. No assurances can be given that the results set forth in such estimates will occur; in fact, it is impossible to predict future results for the Company because future conditions are absolutely unknown. Therefore, no person should rely on the estimate of future results in making an investment decision. The estimates are included solely as an example of what financial results might be obtained based on the assumptions described therein and are not included for the purpose of predicting future financial results.

**It is Difficult to Predict our Financial Performance and it May Fluctuate.** We have not yet generated revenues and we may never do so. If we do, our quarterly results of operations are likely to vary significantly. A number of factors are likely to cause these variations, some of which are outside of our control. Some of these factors include:

- the acceptance by the (name of) industry of the products/services we offer;
- the acceptance by the consumer of the products we offer;
- the amount and timing of capital expenditures and other costs relating to the expansion of our business;



- the introduction of competing services;
- price competition or changes in the debt collection industry; and
- technical difficulties or economic conditions specific to our business.

Due to these and other factors, we believe that quarter-to-quarter comparisons of our operating results may not be meaningful. Our operating expenses are based on expected future revenues and are relatively fixed in the short term. If our revenues are lower than expected, or if we do not generate any revenues at all, we would incur greater than expected losses.

**Our Financial Statements and Financial Information have not been audited by Independent Certified Public Accountants, and therefore may not all be Accurate.** We have not had our financial statements or other financial information of the Company audited or reviewed by an independent certified public accountant. Consequently, there can be no guarantee of the accuracy or adequacy of such financial information. Additionally, our Company's Forecasted Statements of Revenues, Expenses, and Retained Earnings, attached as a component of the Summary Business Plan (Exhibit-C) to this Memorandum, have been prepared by internal personnel of the Company and do not purport to be in compliance with generally accepted accounting principles. Future operating results are very difficult to predict and no representation of any kind is made with respect to the accuracy or completeness of the forecasts or other financial information of our Company.

**Because we do Not have an Audit or Compensation Committee, Investors will have to rely on the Entire Board of Directors, all/some of which are Not Independent, to Perform these Functions.** We do not have an audit or compensation committee comprised of independent directors. Indeed, we do not have any audit or compensation committee. These functions are performed by the board of directors as a whole. All members of the board of directors are not independent directors. Therefore, there is a potential conflict in that board members who are management will participate in discussions concerning management compensation and audit issues that may affect management decisions.

**There are Restrictions on the Resale of our Securities.** The securities offered hereby are "restricted securities" as that term is defined in Rule 144 under the Securities Act of 1933, as amended. Subject to various conditions, including approval of the Company, and its counsel, they may be resold in privately negotiated transactions or under Rule 144, in limited quantities. Additionally, the securities offered hereby are subject to restrictions on resale imposed by state security laws ("blue-sky laws") and rules and regulations promulgated under such blue-sky laws. The notes must be purchased for investment and not with a view to or for sale in connection with a distribution of the notes. There is presently no public market for the Company's common stock, and there is no assurance that a market for the common stock will develop. Accordingly, notes purchased in this offering will be subject to restriction on transfer, a restrictive legend will be imprinted on all certificates for notes, and purchasers in this offering may incur substantial difficulty in selling their notes should they desire to do so. (See "TERMS OF THE OFFERING.")



**We Do Not Maintain Indemnification Insurance.** The Company has limited capital and, therefore, does not currently have a policy of insurance against liabilities arising out of the negligence of its officers and directors and/or deficiencies in any of its business operations. Even assuming it obtained insurance, there is no assurance that such insurance coverage would be adequate to satisfy any potential claims made against the Company, its officers and directors, or its business operations or products. Any such liability which might arise could be substantial and may exceed the assets of the Company. However, the Articles of Incorporation and By-Laws of the Company provide for indemnification of officers and directors to the fullest extent permitted under Delaware State law. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officer and controlling persons, it is the opinion of the Securities and Exchange Commission that such indemnification is against public policy, as expressed in the Act, and is therefore, unenforceable.

**A Failure of Our Business Plan.** While our management has developed a business plan (See Exhibit C - "Summary Business Plan,") there can be no assurance that said plan will succeed in whole or part. As a part of the business plan, it is necessary for Management to have broad discretion in handling the expenditure of the net proceeds of the offering because of the consistently quick changes in the marketplace. However, this broad discretion also creates some risks.

**Unforeseen Risks.** Management's ability to identify all potential future risks is limited. An investor should recognize that additional and, as yet, unidentified risks could exist which could have an adverse impact on the viability of our Company.

FOR ALL OF THE AFORESAID REASONS, AND OTHERS SET FORTH HEREIN, THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK. ANY PERSON CONSIDERING AN INVESTMENT IN THE SECURITIES OFFERED HEREBY SHOULD BE AWARE OF THESE AND OTHER FACTORS SET FORTH IN THIS MEMORANDUM. THESE SECURITIES SHOULD ONLY BE PURCHASED BY PERSONS WHO CAN AFFORD TO ABSORB A TOTAL LOSS OF THEIR INVESTMENT IN THE COMPANY.



### USE OF PROCEEDS

If all notes offered are sold, the gross proceeds from the sale of the notes is expected to be approximately \$5,000,000 before deducting estimated offering expenses payable by us.

	<u>\$Minimum</u>	<u>All Sold</u>
Demand Deposit Accounts	\$ 47,380	\$2,369,000
Payday Advance Debts	\$ 44,620	\$2,231,000
3 <sup>rd</sup> Specific use	\$ 1,000	\$ 50,000
Sales & Marketing	\$ 7,000	\$ 350,000
General & Administrative	<u>\$ 0</u>	<u>\$XXX</u>
Total	\$100,000	\$5,000,000

The foregoing represents our best estimate as to the application of the proceeds if all Notes offered are sold. We may also use part of the proceeds for payments of up to 7% of the gross proceeds to one or more sales agents who are registered with the Financial Industry Regulatory Authority (FINRA) and the appropriate state authorities. No selling agent has been engaged to assist with the Offering at this time. Management will use broad discretion to allocate the proceeds among our projects and needs. Pending the application of the net proceeds actually raised as described above, the net proceeds may be invested in short-term, interest-bearing and investment grade securities, including certificates of deposit and money-market instruments.

No one has made a commitment to purchase any of the notes being offered. Consequently, none of the notes may be sold. We may not raise sufficient funds through this Offering or through subsequent offerings to enable us to achieve our business plan as it is currently conceived. If we are unable to achieve our business plan as it is currently conceived, our business may fail.



### **RESTRICTIONS ON RESALE**

The notes are being offered in a private placement, exempt from registration with the SEC. In order for this Offering to qualify for exemption from registration pursuant to Section 3(b) of the Securities Act and the provisions of Regulation D, Rule 505 thereunder we must exercise reasonable care to assure that purchasers of the notes offered hereby are not underwriters themselves within the meaning of Section 2(11) of the Securities Act. In order to fulfill this requirement, we will:

- make reasonable inquiry to confirm that each Investor is acquiring the notes for its own account and not on behalf of other persons;
- specifically advise each Investor that the notes purchased shall be deemed to have the same status as if they had been acquired in a transaction pursuant to Section 3(b) 505 of the Securities Act and the provisions of Regulation D, Rule 505 of the Securities Act and cannot be resold without registration under the Securities Act or exemption therefrom;
- place a legend on the certificates evidencing the notes stating that they have not been registered under the Securities Act and cannot be resold without registration or exemption therefrom; and
- obtain from each Investor a signed written agreement that these notes will not be sold without such registration under the Securities Act or an exemption therefrom.

The notes are "restricted securities" as that term is defined under the Securities Act. In the future, the notes may be sold in compliance with Rule 144 under the Securities Act.



## **CAPITALIZATION**

The following table shows our capitalization as of June 30, 2010 on an actual basis and as adjusted to reflect the sale of units of Units in this Offering. You should read this table in conjunction with the financial information contained elsewhere in this Memorandum.

There is no minimum size for the Offering and the Company has the right to increase or decrease the number of units offered. Therefore, the as-adjusted information presented below may not be indicative of the actual impact of the Offering on our capitalization.

There currently no financials available as this is a start up, but financials will be every three months to all registered members.

FGC Distressed Asset Investment #1 LLC will be contributing over \$300,000 towards growth of this investment. We have opened bank accounts with Bank of America for this account.



## **BUSINESS**

FGC Distressed Assets Investment #1, LLC is in the business of purchasing pools of charged-off debt from various sources and industries. The main areas of focus for the Distressed Asset fund are: Demand Deposit Accounts (DDA) from banking institutions, Pay Day Loan Accounts (PDL) from pay day lenders, and Stafford Student Loans (SSL) from various sources.

FGC Distressed Assets Investment #1, LLC purchases the debt at a deep discount and uses third-party collectors to liquidate accounts for a return on investment. The typical debt purchased ranges from \$.05 - \$.08 on the dollar. The collection liquidation rates average in the double digits for a substantial profit.

The model is to purchase debts that are low-balance to avoid debtors that are overwhelmed financially. Typically a debtor will pay down smaller portions of debt versus a bankruptcy route due to the expense and time. Debtors are conditioned to pay down smaller debts before tackling the larger credit card balances that exist in today's environment.

The collection process is made up of multiple collection agencies to create a champion/challenger scenario. This strategy is set-up for multiple reasons: competition, pricing and safety are the most important.

### **History**

The debt buying industry in the United States began as a result of the savings and loan crisis of the 1980's. During this time banks were closing at an alarming rate and the Federal Deposit Insurance Corporation (FDIC), which insures deposits up to a certain amount, received the assets of the bank to cover the expenses associated with repaying the closed banks depositors.

When the FDIC, and eventually the Resolution Trust Corporation (RTC) took control of the assets they had to find institutions, organizations and private investors that would be willing to purchase the assets of closed banks including both performing and non-performing (delinquent or charged-off) accounts.

The RTC held auctions around the country allowing various organizations to bid for portfolios of mixed assets. At these auctions the bidders were not able to evaluate the assets prior to bidding and most purchasers had no idea what they had purchased until they had left the auction.

The availability of these assets to the general public was the fuel used to launch the debt buying industry.



## **Demand Deposit Account Debt (DDA)**

**DDA** collections have risen dramatically as a result of the country's economic downturn. With ever-increasing job layoffs and unemployment, consumers are straining to make ends meet. Because of this, banks, credit unions, and other lenders are grappling with more and more unpaid debt.

Loan defaults, credit card delinquencies and charge-offs, as well as the shrinking value of their mortgaged real estate portfolios are some of the issues facing national and local banks and credit unions. Another major problem, although less talked about in the media are banks' growing demand deposit account collections. These are the checking accounts, and ATM/check cards that consumers love because of the convenience they offer.

The ease of quick access to cash 24/7 offered at thousands of ATM's across the country and around the world is something we take for granted. The problems for banks arise because those demand deposit accounts can be easily overdrawn. Consumers who don't keep accurate account balances, or balance their checkbooks often can find their accounts depleted, and in the negative. This is especially true when writing paper checks.

While most account members are good at managing their checking accounts, the problem is great enough that these demand deposit accounts cost banks and credit unions millions annually in uncollected overdraft NSF and other fees.

- **Internal Collections Problems**

Another problem is the difficulty, time-consuming and costly aspect of trying to collect these DDA accounts internally. Many banks give greater priority and attention to delinquent loans and credit card debts, because of the larger balances they represent. Since DDA accounts tend to be much smaller balances, they tend to fall by the wayside. Many are simply written off as a loss.

While a typical demand deposit account charge-off may not be a lot of money, their combined amounts represent and make up a substantial portion of a bank's total delinquent debt portfolio.

## **Pay Day Loan Accounts (PDL)**

**PDL** Loans are short-term loans to individuals that have current employment. The loan is to bridge the gap between pay periods. The loans are very popular for individuals faced with extraordinary expenses and times of need.

There are many other names for payday loans, cash advances, payroll advances, deferred deposit loans, payday advances and paycheck advances just to name a few.

Payday loans are short term loans that are usually due the next time that you get paid. A lender



charges a fee, in exchange for loaning you money until your next payday. Most storefront locations require debtors to provide them with a physical check as security for the payday loan. Online payday loan companies simply take an ACH (Automated Clearing House) authorization to secure the loan, the same process your employer uses to directly deposit your paycheck each month. In addition, online lenders save debtors the time and hassle of having to drive to a location and then wait in long lines when they are busy.

The key with Pay Day Loans is the information provided by the debtor. The collection process is eased by the data provided. The more data makes finding the debtor easier which equates into higher liquidation rates.

### **Stafford Student Loan Accounts (SSL)**

Delinquent **SSL** debt is a student loan that is currently non-performing. The student has been unable to make current payments and banks are ill-equipped to collect such loans.

SSL debt is much different from any DDA/ PDL accounts because it is treated similar to IRS debt. The debt never goes away as debtors cannot wipe out SSL debt with bankruptcy. The collection process has a longer recovery cycle, but liquidation rates are higher. The Supreme Court allows social security checks to be garnished for delinquent SSL debt.

The key is SSL debt will always liquidate when a student loan debtor passes away. The required forms plus death certificates are filed by third-party collectors upon death and paid by state agencies within 60 days.

### **Market Description and Analysis**

Debt Purchasing is a \$110 Billion a year business. Businesses and Government survive because they are able to sell their delinquent or written-off debt. Consumer debt has grown at 8% annually for the past 30 years and is purchased by banking institutions, hedge funds, private-equity, and small business.

People are accustomed to living beyond their means and that shows little signs of ending. The economy has slowed credit card consumption, but it has picked up in other areas such as over drawn checking accounts and pay day loan use.

Selling charged-off accounts can improve the corporate bottom line with an infusion of cash from previously unproductive accounts. The liquidation of distressed accounts facilitates recovery goals, reduces costs and limits liability.

More and more businesses are exploring the sale of non-performing assets. The industry will only be limited if credit is destroyed and world economies revert back to cash or gold.



## Competition

The debt purchasing and collection industry is made up of major banking institutions, hedge funds, public companies, private companies all the way down to Mom and Pop operations. Debt buyers typically have an area of expertise. The large buyers focus on large pools of debt that have a reliable liquidation rate such as credit cards and medical debt. The balances are large and liquidate fairly constant with significant historical data.

FGC Distressed Assets Investment #1, LLC has a smaller scope of investment. This specialized focus keeps us away from competing with much larger competition. The goal is to be extremely efficient with smaller pools where pricing is less competitive. This allows for significantly higher returns.

The main competition will be small hedge funds and small collection law firms. The volume of debt that is available allows for attractive pricing as well as selection. The portfolio must fit our strict criteria for consideration.

## MANAGEMENT

### Directors and Executive Officers

The directors and executive officers of the company, their positions and ages are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Lawrence P. Schmidt	49	President
Richard D. Carter	41	Vice President
Richard Regal	48	Corporate Treasurer
Hazel Cunanan	25	Corporate Secretary

We have a provision in our Certificate of Formation and our by-laws to limit the liability of directors of the company to the fullest extent allowed by Delaware law. Each of the persons listed above serves from the date of his/her election until resignation, removal or until a successor is qualified and elected by the Company's members.

Except as otherwise noted below, all organizations by which each officer and director has been previously employed are non-affiliates of the company. Set forth below are brief descriptions of the recent employment and business experience of the officers and directors of our company.

Set forth below are brief descriptions of the recent employment and business experience of our officers and directors:



***Lawrence P. Schmidt, Managing Member***

*Mr. Schmidt offers over 20 years of experience as a Business Development Director for U.S. and European companies. In addition, he spent 10 years as the Chief Operations Officer for real estate development and mortgage companies in Atlanta, Georgia, Tampa, and Jacksonville, FL. Mr. Schmidt has also held positions with Extreme Mortgage of America, CWS, Frohling Developments, and Leadership Mortgage Corporation, and served as the President of Pilatus Financial Services.*

*Since joining Commercial Equity Partners in May 2008, Lawrence has taken responsibility for the Tax Lien/Deed department. He took over as the company President and Chairman of the firm in January 2010.*

***Richard D. Carter, Managing Member***

*Mr. Carter offers 18 years of experience in all facets of investment banking including financing, capital raising and business development. Mr. Carter was instrumental in building one of the largest independent brokerage firms in the United States. Since 2004, Mr. Carter has been involved in the purchase of various pools of distressed debt ranging from Student Loans, Demand Deposit Accounts and Payday Loan portfolios.*

***Hazel Cunanan, Secretary***

*Ms. Cunanan has background in real estate investment portfolio management and administrative functions. In 2008, Ms. Cunanan has been responsible for servicing a portfolio of \$6,000,000 in tax liens and deeds for Commercial Equity Partners.*

The Company is in the process of assembling a group of individuals to assist management in evaluating, recommending and monitoring various aspects of our Company and its operations. Advisory Board members are neither elected nor are they employees of the Company. Members will agree to serve in a consulting capacity only. The Company will furnish biographies of the Advisory Board members upon request.

***Barry Kotzen - Collection Manager, Sterling Funding, LLC***

*Mr. Kotzen's career has been overseeing collection firms. His specialty is reviewing collection practices and streamlining operations.*

***Kyle Arneson – Principal, Recovery Solutions Group***

*Mr. Arneson heads a private equity group specializing in debt purchase/sales/collections. He started with Shearson Lehman in Beverly Hills, CA and has spent the last 14 years purchasing debt for collection.*



NOTE: After reviewing the background of the Company's Officers, Directors and key persons, potential investors should consider whether or not these persons have adequate background and experience to develop and operate this Company. In this regard, the experience and ability of management are often considered the most significant factors in the success of the business.

PRINCIPAL MEMBERS

The following table sets forth the information, as of the date of this Memorandum, with respect to the beneficial ownership of the company's capital stock by each person known to the Company to be the beneficial owner of 5% or more of the outstanding units of the Company's capital stock, and each person who is a director, executive officer and all persons who are directors and officers of the Company as a group. To the best of our knowledge, the persons named have sole voting and investment power with respect to such units, except as otherwise noted. The table gives the percentage of units held by each such person or group as of the date of this Memorandum and as adjusted to give effect to this Offering.

Beneficial Ownership of the units of FGC Distressed Assets Investment #1 LLC

Beneficial Owners	Units of Units Owned	Percent of Class
FutureGen Company	4,800	96.00%
Lawrence Schmidt	100	2.0%
Richard Carter	100	2.0%
Total owned by officers, directors, and 5% members as a group	200	4.00%

Beneficial Owners	Units Owned	Percent of Class Prior to Offering	Percent of Class after Minimum Offering	Percent of Class after Maximum Offering
Lawrence Schmidt	100	2%	2%	2%
Richard Carter	100	2%	2%	2%
FutureGen Company	4,800	96%	96%	96%



### CERTAIN RELATED-PARTY TRANSACTIONS

In addition to the stockholdings and transactions noted under “PRINCIPAL MEMBERS,” the Company is party to the following transactions as pertains to certain executive officers, officers, directors, key employees, members of its advisory board and principal members.

On June 2010, the Company issued (200) units of its common/preferred stock to its Directors, Officers and Key Employees for consideration of \$(0.00) per share for a total of \$0.00.

The Company believes that all of the transactions set forth above were made on terms no less favorable to the Company than could otherwise be obtained from unaffiliated third parties. The Company anticipates that all future transactions, including loans, between the Company and its officers, directors, principal members and affiliates will be approved by a majority of the Board of Directors and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

### DESCRIPTION OF SECURITIES

#### **The Notes**

The following summary is subject to and qualified in its entirety by reference to the provisions of the form of the Secured Promissory Note, attached hereto in Exhibit “D,” and made a part hereof.

*General.* The Company is offering up to \$5,000,000 aggregate principal amount of Notes pursuant to this Offering. As of the date of the Offering, no Notes were outstanding.

*Maturity and Interest.* The Company will issue up to \$5,000,000 aggregate principal amount of Notes. The Notes are due twelve months from the date of issuance, however, the Company, at its option, may extend the maturity date an additional twelve months. The principal amount will be paid at maturity, unless earlier redeemed, and interest will be accrued and paid annually, on Jan 20th, commencing the first year after issuance, until maturity at the rate of 8.0% (eight percent) per annum, with a payout of 65% (sixty-five percent) bonus of the gross net profit from your batch when your batch is closed out. (The 8% will be subtracted from your 65% bonus.)

*Security Interests.* The loan will be secured by debt account purchased with the funds and/or a first security interest in all of the Company’s assets.

*Prepayment.* The Company shall have the right to prepay the Notes ratably at any time after a batch closes out. If the Company prepays the Notes prior to maturity, Note holders shall receive their principal, and accrued and unpaid interest thereon, together with a payout of 65% (sixty-



five percent) bonus of the gross net profit from your batch of the principal amount of the Note if the prepayment occurs during the first 12 months of the subscription.

*Batch.* The term batch refers to the debt we purchase with your funds. When you purchase the notes we will be purchasing Payday Advance Debts and/or Demand Deposit Accounts with your funds. We then place these debts for collections and the collection period will run from 9 months to 12 months. Once we sell the remaining debts that we did not collect on we consider a batch or your batch closed out. At that time we will account for the income received from collections, plus the sale of the remaining debt, minus your principal and this what the GNP (Gross Net Profit) is based off for your 65% of the GNP.

### Capital Units

The Company's authorized of 10,000,000 units, par value \$.01. 3,500,000 of these units are voting units and 6,500,000 units are non-voting.

*Voting Units* - The members with voting units are entitled to one vote for each unit held of record on all matters submitted to a vote of members. Subject to preferences that may be applicable to any outstanding units, the members of outstanding units are entitled to receive ratably the dividends, if any, that may be declared from time to time by the board of directors out of funds legally available for such dividends. The Company has never declared a dividend and does anticipate doing so on annual basis. The Units have no preemptive or other subscription rights and is not subject to any future calls or assessments. There are no conversion rights or redemption or sinking fund provisions applicable to units. All of the outstanding units fully paid and nonassessable.

*Non-Voting Units* – The member with non-voting units are not entitled to vote on matter submitted to a vote of members.

*Dividends.* Members of the Units are entitled to receive such dividends when and as declared by the board of directors. The Company has not paid any dividends on its Units and but does anticipate paying dividends in the future. Non-Voting Members are entitled to 65% of declared dividends (see above)

*Restrictions and Limitations.* In addition to any vote required by law, the consent of at least 51% (or a majority) of the voting members of the then-outstanding voting units shall be required to (i) redeem, purchase or otherwise acquire any share of non-voting units, (ii) increase or decrease (other than by redemption or conversion) the total number of authorized units of voting or non-voting units; or (iii) amend the Certificate of Formation of the company if such amendment would change any of the rights, preferences or privileges of the voting and non-voting units.

*Preemptive Rights.* Members of the non-voting units do not have preemptive rights. No members of units of the Company shall have a preemptive right because of his/her holdings to have first offered to him/her any part of the presently authorized units of the Company Thus, any



and all Units of the Company presently authorized and not already issued, may at any time be issued, optioned and contracted for sale or sold or otherwise be disposed by the Board of Directors of the Company to such persons and upon such terms and conditions as the Board of Directors deem proper and advisable without first offering such units or any part thereof to existing unit members

*Voting/Board of Directors Composition.*

Each share of Voting Units is entitled to one vote per share in all votes that come before a vote of the unit members. Members of the Board of Directors are elected by a majority vote of the outstanding units of the Voting Units.

*Resale of the units.*

The units offered herein are not registered with the Securities and Exchange Commission, have not been qualified under the laws of any state, and are being offered pursuant to exemptions from the registration requirements of the Securities Act and such state ("blue sky") securities laws. The units must be held indefinitely unless such units are subsequently registered under the Securities Act and registered or qualified under such state securities laws or an exemption from such registration or qualification is available. The Company is under no obligation to register the units or to assist a unit holder in complying with any exemption from registration under the Securities Act or any state securities laws.

*Limitations on Deductions*

The Company and its members will not file an "S" election. Therefore, if the Company has losses, members will not be eligible to deduct their share of such losses on their income tax returns. If individual purchasers incur debt to purchase Units, the deduction of interest on such debt may be limited by Section 163(d) of the Internal Revenue Code of 1986, as amended. Purchasers should consult their own tax advisors regarding any individual tax consequences of their purchase of Units.

*Transfer Agent*

The Company plans to function as its own transfer Agent and Registrar for the Company's units until such time, if ever, as it completes an initial public offering. All units of members which may be issued as a result of this Offering will be "restricted securities" and may not be transferred except in compliance with applicable federal and state securities laws.

*Reports to Members*

The Company intends to provide reports to members containing unaudited quarterly and unaudited annual financial statements and such additional interim reports as determined by management.



### *Dividend Policy*

The Company has not paid any dividends on its units. The Company intends to declare dividends on an annual basis.

### **TERMS OF THE OFFERING**

Purchase of the securities involves a number of significant risks and is a suitable investment only for certain investors. See "Risk Factors."

Only persons of adequate financial means who have no need for present liquidity with respect to this investment should consider purchasing the Securities offered hereby because: (i) an investment in the Securities involves a number of significant risks (See "Risk Factors"); and (ii) no market for the Securities exists and none is likely to develop in the reasonably foreseeable future (See "Restrictions on the Transfer of Securities"). This Offering is intended to be a private offering that is exempt from registration under the Securities Act and applicable state securities laws.

The company is offering \$5,000,000 Notes pursuant to the exemptions from registration contained in Section 4(2) - 505 of the Securities Act of 1933 and Rule 505 promulgated thereunder. The purchase price is \$100,000 per note. The securities are being offered in denominations of \$100,000 of note and any larger subscriptions in increments of \$25,000. Subscriptions for less than \$100,000, and increments of less than \$25,000, may be accepted in the discretion of the company. Given the high-risk nature of the notes being offered by means of this Memorandum, the company believes those individuals or other potential investors who are unable or unwilling to invest at least \$100,000 for the purchase of the Notes offered hereby may not be appropriate investors. To subscribe, complete and sign the Loan Agreement (Exhibit B) from this Memorandum, and deliver it with a check or wire transfer in the full amount of the securities subscribed for, payable to "FGC Distressed Asset Investment #1, LLC" or its representatives.

All subscriptions shall be irrevocable. No minimum subscriptions must be reached and no other events or contingency must occur before the proceeds of any subscription are paid to the Company. Accordingly, subscriptions that are accepted by the Company will be deposited into the Company's bank account and may be drawn upon immediately, and there are no escrow or refund provisions for the Offering. The Company reserves the right to refuse or limit subscriptions. The Offering will terminate 360 days from the date of this Memorandum (subject to extension in the discretion of the Company for one or more 60 day periods), or on the date when subscriptions for \$5,000,000, in securities are accepted by the company, or upon the Company's unilateral decision to terminate the Offering, whichever is first to occur.



### **LITIGATION**

The Company is not a party, nor is its property subject, to any pending legal proceedings. To the knowledge of the Company, no legal proceedings are contemplated or threatened against the company.

### **INDEMNIFICATION**

The Company's Certificate of Formation, By-Laws and other contracts provide for indemnification of its officers, directors, agents, fiduciaries and employees. These provisions allow the Company to pay for the expenses of these persons in connection with legal proceedings brought because of the person's position with the Company, if the person is not ultimately adjudged liable to the Company for misconduct in the action. Generally, no indemnification may be made where the person has been determined to have intentionally, fraudulently or knowingly violated the law.

### **LEGAL**

Spiegel & Utrera P.A., 9 East Loockerman Street, Suite 3A, Dover DE 19901

### **ACCOUNTANTS**

Wendroff & Associates LLC, 901 S Highland Street, Suite 329, Arlington, VA 22204

### **EXPERTS**

The Company has prepared the unaudited financial statements of the Company, as of June 30<sup>th</sup>, 2010, included in this offering memorandum.

The Company can give no assurance that, upon audit by an independent Certified Public Accounting firm, other adjustments will not be necessary to properly reflect the Company's financial situation under generally accepted accounting principles. The Company is considered a development stage company, and as such, special accounting rules are applicable.



## **CERTAIN MATERIAL TAX CONSEQUENCES**

Prospective investors consequences to them of purchasing Notes in the Company. Foreign investors should consult their own advisors with regard to the U.S. and foreign tax consequences of an investment in the Notes.

Prospective investors should not view the following analysis as a substitute for careful tax planning, particularly since the U.S. federal income tax consequences of an investment in companies such as the Company are often uncertain and complex. Also, such income tax consequences will not be the same for all taxpayers. In addition, state income tax consequences may vary according to the state or country of residence of each investor. Prospective investors should be aware that this Memorandum does not discuss all details that might significantly adversely affect some prospective investors. Finally, investors might be faced with substantial legal and accounting costs in resisting a challenge by the Internal Revenue Service (the "IRS") to the tax treatment of an investment in Notes, even if the challenge of the IRS proves unsuccessful.

Investors should be aware that new legislative, administrative or judicial action could significantly change the tax aspects of the Company. Furthermore, many tax bills that could affect the tax treatment of an investment in the Company authorize the Treasury Department to issue extensive substantive regulations on such provisions, but few have been issued to date.

There is uncertainty concerning certain of the tax aspects discussed herein, and there can be no assurance that some of the deductions claimed or positions taken by the Company will not be challenged by the IRS. An audit of the Company's information return may result in an increase in the Company's gross income, in the disallowance of certain deductions and in an audit of the income tax returns of the investors which could result in adjustments to items of income, deduction or credit unrelated to an investment in the company. In addition, state tax authorities may audit the Company's tax returns, which could result in unfavorable adjustments for investors.



### **ADDITIONAL INFORMATION**

We have agreed to make available to each prospective Investor, prior to the sale of any security, the opportunity to ask questions of, and receive answers from, officers concerning the terms and conditions of the offering and to obtain any additional information, to the extent we possess such information or can acquire it without unreasonable effort or expense, which may be necessary to verify the accuracy of the information set forth herein. You may be required to sign a confidentiality agreement if you wish to receive additional information that we deem proprietary. Prospective investors and their advisors are encouraged to contact Richard Carter, Vice-President, for any additional information or questions. He can be contacted at:

FutureGen Company dba FutureGen Capital  
875 N Michigan Ave, Suite 3100  
Chicago, IL 60611  
888.391.1525 Ext 140 Fax 888.391.3904

e-mail: [rcarter@futuregenco.com](mailto:rcarter@futuregenco.com)

Our Web site can be found at – [www.futuregenco.com](http://www.futuregenco.com)



## **EXHIBIT A**

### **FINANCIAL INFORMATION**

Unaudited Balance Sheet as of June 30 <sup>th</sup> , 2010	Exhibit A-1
Unaudited Statement of Operations for the period since inception until June 30 <sup>th</sup> , 2010	Exhibit A-2

THE FOLLOWING FINANCIAL INFORMATION IS AN INTEGRAL PART OF THIS PRIVATE PLACEMENT MEMORANDUM FOR COMPANY, INC. AND IS TO BE READ IN CONJUNCTION WITH THE MEMORANDUM.

Balance Sheet and Profit and Loss Statements from inception to June 30<sup>th</sup>, 2010 are Unaudited and were prepared by management for discussion and analysis purposes. The Company believes that all material items that would affect these statements have been entered within. However, the Company can give no assurance that, upon audit by an independent Certified Public Accounting firm, other adjustments will not be necessary to properly reflect the Company's financial situation under generally accepted accounting principles. The Company is considered a development stage company, and as such, special accounting rules are applicable.



## Exhibit A-1

### FGC DISTRESSED ASSETS INVESTMENT #1 LLC

#### Balance Sheet

June 30, 2010

#### ASSETS

##### Current Assets

Regular Checking Account \$ 1,000.00

Special Account \$ 300,000.00

Total Current Assets \$ 301,000.00

Other Assets \$ -

Total Other Assets \$ -

Total Assets \$ 301,000.00

#### LIABILITIES AND CAPITAL

Total Current Liabilities \$ -

Total Long-Term Liabilities \$ -

Total Liabilities \$ -

##### Capital

Member's Contribution \$ 301,000.00

Net Income \$ -

Total Capital \$ 301,000.00

Total Liabilities & Capital \$ 301,000.00



**Exhibit A-2**

At this time there were no revenues, this page will be updated every 90 days.



## **EXHIBIT B**

### **SUBSCRIPTION DOCUMENT PACKAGE**

1. Subscription Agreement
2. Confidential Investor Questionnaire for Individuals
  1. Confidential Investor Questionnaire for Organizations

### **SUBSCRIPTION AGREEMENT PRIVATE PLACEMENT OF NOTES**

FGC Distressed Asset Investment #1, LLC  
1250 Connecticut Ave NW, Suite 200  
Washington, DC 20036

The Company will issue up to \$5,000,000 aggregate principal amount of Notes. The Notes are due (twelve) 12 months from the date of issuance, however, the Company, at its option, may extend the maturity date an additional 12 months. The principal amount will be paid at maturity, unless earlier redeemed, and interest will be accrued and paid quarterly January 10th, April 10<sup>th</sup>, July 10<sup>th</sup>, and October 10th commencing the first quarter after issuance, until maturity at the rate of 8.0% (eight percent) per annum, with a payout of 65% (sixty-five percent) bonus of the gross net profit from your batch when your batch is closed out. (The 8% will be subtracted from your 65% bonus.)

This Subscription Agreement (this “*Agreement*”) has been executed by the undersigned in connection with the purchase of the Notes (“Notes” or “Securities”) of FGC Distressed Asset Investment a Delaware Company (the “*Company*”). The undersigned (sometimes herein referred to as the “*Investor*”) hereby represents and warrants to, and agrees with, the Company as follows:

#### **1. Agreement to Subscribe; Payment; Subscription Irrevocable**

The undersigned hereby subscribes to purchase two Note(s) in the Company in a subscription amount of \$100,000. Each Note is priced at 100,000 per Note. The Company may, in its discretion, accept subscriptions from investors of fractional Notes in \$25,000 increments. The undersigned understands that, except as expressly provided herein, this Agreement, upon its execution and delivery, constitutes an enforceable agreement between the undersigned and the Company and that such parties are subject to the terms and conditions of this Agreement.



The Undersigned Understands That This Investment In The Company Is Illiquid And Involves A High Degree Of Speculative Risk.

## 2. Qualifications of Investor

(a) Accredited Investor Status. The undersigned hereby represents and warrants to the Company that the Investor is an accredited investor inasmuch as the Investor is:

(Please check all applicable descriptions)

- A bank or saving and loan association, as defined in the Securities Act, whether acting in its individual or fiduciary capacity.
- A broker or dealer registered pursuant to the Securities Exchange Act of 1934.
- An insurance company, as defined in the Securities Act, as amended.
- An investment company registered under the Investment Company Act of 1940.
- A business development company, as defined in the Investment Company Act of 1940.
- A Small Business Investment Company licensed by the U.S. Small Business Administration.
- A plan established and maintained by a state, its political subdivisions, or an agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such a plan has total assets in excess of \$5,000,000.
- An employee benefit plan within the meaning of Title I of the Employment Retirement Income Security Act of 1974 (ERISA), of the investment decision with respect to this investment decision is made by a plan fiduciary, as defined in ERISA, which is either a bank, insurance company, or registered investment advisor, if the employee benefit plan has total assets in excess of \$5,000,000.
- A private business development company, as defined in the Investment Advisors Act of 1940.
- A tax exempt organization defined in Section 501(c)(3) of the Internal Revenue Code, or a corporation, or similar business trust, or partnership, not formed for the specific purpose of acquiring the Securities, with total assets in excess of \$5,000,000.
- A director or executive officer of the Company.
- A natural person whose individual net worth (or joint net worth with that person's spouse) exceeds \$1,000,000.



( ) A natural person who had an individual income in excess of \$200,000 in each of the two most recent years and who reasonably expects an income in excess of \$200,000 in the current year.

( ) A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 505(b)(2)(ii) under the Securities Act.

( ) An entity all the equity owners of which may respond affirmatively to any of the preceding paragraphs.

( ) None of the above.

(b) Sophisticated Investor Status. The undersigned hereby represents and warrants to the Company that:

(Please check if applicable)

( ) Alone, or with his purchaser representative, if any, the Investor has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of this transaction and of an investment in the Company as provided for in the Memorandum.

(c) Investor Suitability; Illiquidity; Ability to Bear Complete Loss of Investment. The Investor has a net worth of at least \_\_\_\_\_ (exclusive of home, furnishings and automobiles), or during the past taxable year the Investor had, and during the present taxable year the Investor will have, an annual gross income of at least \_\_\_\_\_ and a net worth of at least \_\_\_\_\_ (exclusive of home, furnishings and automobiles).

( ) The overall commitment of the undersigned to securities which are not readily marketable is not disproportionate to the Investor's net worth, and his investment in the Securities will not cause his overall commitment to become excessive.

( ) The undersigned has adequate means of providing for his current needs and personal contingencies, has no need for liquidity in his investment in the Securities, and can sustain a complete loss of his investment in the Securities.

(d) Entity Investors. If the undersigned is other than a natural person, the undersigned represents and warrants that:

i) The undersigned has not been formed, reformed or recapitalized for the specific purpose of purchasing the Securities;

ii) The undersigned has been duly formed and is validly existing in good standing under the laws of the jurisdiction of its formation, with full power and authority to enter into the transaction contemplated by this Agreement; and



iii) This Agreement has been duly and validly authorized, executed, and delivered by the undersigned and when executed and delivered by the Company, will constitute the valid, binding and enforceable agreement of the undersigned.

### 3. **Access to Information; Independent Investigation**

(a) Private Placement Memorandum. The undersigned has received a Private Placement Memorandum, but has made an independent investigation of the company, its management, its business plan and other related investment information it deems appropriate.

(b) Independent Investigation; Access. The undersigned, in making the decision to purchase the Securities subscribed for, has relied upon independent investigations made by him and his purchaser representatives (if any), and the undersigned and such representatives (if any) have, prior to any sale to him, been given access and the opportunity to examine all material books and records of the Company, all material contracts and documents relating to this offering and an opportunity to ask questions of, and to receive answers from, the Company or any persons acting on its behalf concerning the terms and conditions of this offering and to obtain any additional information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information provided to Investor or Investor's representative.

The undersigned and the undersigned's advisors, if any, have been furnished with all materials relating to the business, finances and operation of the Company and materials relating to the offer and sale of the Securities. The undersigned and the undersigned's advisors, if any, have received complete and satisfactory answers to any such inquiry.

(c) Adequacy of Investigation. The undersigned acknowledges that the undersigned is subscribing for the Securities after what the undersigned deems to be adequate investigation of the business, finances and prospects of the Company by the undersigned and the undersigned's advisors, if any.

(d) No Governmental Recommendation or Approval. The undersigned understands that no federal, state or other United States agency has made any recommendations or endorsement of the Securities.

### 4. **Investment Representations**

(a) Securities Not Registered; Indefinite Holding. The Undersigned has been advised by the Company, and understands, that the undersigned must bear the economic risk of an investment in the Securities for an indefinite period of time because the Securities have not been registered under the Securities Act of 1933, as amended (the "*Securities Act*"), and the Company is under no obligation to register the Securities. Therefore, the Securities must be held by the undersigned unless they are subsequently registered under the Securities Act or an exemption from such registration is available for the transfer of the Securities.



(b) Purchase for Own Account. The undersigned represents that the Securities are being acquired solely for the undersigned's own account for investment and not with a view toward, or for the resale in connection with, any "distribution" (as that term is used in the Securities Act and the Rules and Regulations thereunder) of all or any portion thereof.

(c) No Disposition of Securities Without Securities Law Compliance. The undersigned agrees not to subdivide the Securities or to offer, sell, pledge, hypothecate or otherwise transfer or dispose of any of the Securities in the absence of an effective registration statement under the Securities Act covering such disposition, or an opinion of counsel, satisfactory to the Company and its counsel, to the effect that registration under the Securities Act is not required in respect of such transfer or disposition.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT, OR AN AVAILABLE EXEMPTION UNDER FEDERAL AND, OR STATE SECURITIES LAWS.

(d) "Private Offering" Exemption; Reliance on Representations. The undersigned further understands that the Securities sold in this offering are sold without registration under the Securities Act of 1933 in reliance on a "private offering" exemption.

The undersigned further understand that other investors are making their investment in reliance on the representations, warranties, statements and agreements contained herein (as the undersigned is making this investment in reliance on theirs) and the undersigned invites both the Company and other investors so to rely.

## 5. **Indemnification**

The undersigned agrees to indemnify and hold the Company, its officers, directors and stockholders or any other person who may be deemed to control the Company harmless from any loss, liability, claim, damage or expense, arising out of the inaccuracy of any of the above representations, warranties or statements or the breach of any of the agreements contained herein, and this indemnification shall survive the purchase and sale of the Securities subscribed for herein.

## 6. **Closing Date**

The date of the closing of the sale of the Notes (the "*Closing Date*") shall be the date specified in the Private placement Memorandum. The Closing shall take place at the offices of the Company, or at such other place as may be designated by the Company in the above notice and shall be at such time specified in such notice.

## 7. **Conditions of the Company's Obligation to Sell**

Investor understands that the Company's obligation to sell the Notes is conditioned upon:



- (a) the receipt and acceptance by the Company of a satisfactory Subscription Agreement; and
- (b) the offering not being sooner terminated by the Company pursuant to Section 9 hereof.

**8. Conditions to Investor’s Obligation to Purchase**

Investor’s obligation to purchase the Notes in accordance with the terms of this Subscription Agreement is unconditional.

**9. Termination of the Offering**

Investor acknowledges that the offering of the Notes can be terminated at any time by the Company prior to the Closing regardless of whether this Subscription Agreement had theretofore been accepted by the Company. In the event of such termination, the Promissory Note shall remain in full force and effect in accordance with its terms.

**10. Governing Law**

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware.

**IN WITNESS WHEREOF**, this Subscription Agreement was duly executed on the \_\_\_\_th day of \_\_\_\_\_, 20\_\_\_\_.

SIGNATURE: \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TAX IDENTIFICATION NUMBER: \_\_\_\_\_

BUSINESS ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

RESIDENCE ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

ACCEPTED as of the day and year first written above

\_\_\_\_\_  
FGC Distressed Asset Investment #1, LLC



### SUBSCRIPTION RECAP

Dollar Amount of Notes Subscribed for: \_\_\_\_\_

Name of Entity\*: \_\_\_\_\_

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Subscriber's social Security or Tax Identification Number)

Purchaser Representative, if any: \_\_\_\_\_

Subscriber's Principal Address:

Subscriber's Mailing Address  
if different from Principal Address:

\* If a trust, include name of trust, name(s) of trustee and include a copy of the trust instrument.

If a partnership, include a copy of the partnership agreement and written consent of all Shareholders authorizing the Subscription.

If a Company, include a copy of articles/certificate of incorporation (articles of organization) Company and certified corporate resolution authorizing the Subscription.

The Subscriber:

- A. is a:  Company  
 partnership  
 trust  
 employee benefit plan, or  
 other: \_\_\_\_\_

(Describe)

B. state or jurisdiction of organization:



## FGC Distressed Asset Investment #1, LLC

### **CONFIDENTIAL PURCHASER QUESTIONNAIRE FOR INDIVIDUALS**

#### **Purpose of this Questionnaire**

Certain securities (the “Securities”) of **FGC Distressed Asset Investment #1, LLC** (the “Company”), are being offered for sale to certain qualified investors without registration under the Securities Act of 1933, as amended (the “Act”) in reliance on the private offering exemptions contained in Sections 3(b), 4(2) and/or 4(6) of the Act, and in Regulation D of the General Rules and Regulations under the Act (“Regulation D”). The Company must determine that an individual meets certain suitability requirements before offering or selling Securities to such individual. This Questionnaire does not constitute an offer to sell or a solicitation of an offer to buy Securities or any other security of the Company.

THE COMPANY WILL NOT DISCUSS THE OFFER OR RESALE OF ANY SECURITIES TO ANY INVESTOR WHO HAS NOT DULY COMPLETED A CONFIDENTIAL PURCHASER QUESTIONNAIRE, OR BASED UPON THE INFORMATION SET FORTH THEREIN THE COMPANY HAS CONCLUDED THAT THE INDIVIDUAL IS NOT AN “ACCREDITED INVESTOR.”

#### **Instructions**

One (1) copy of this Questionnaire should be completed, signed, dated and delivered to

FutureGen Company – 1250 Connecticut Ave NW, Suite 200, Washington, DC 20036  
888.391.1525, Fax 888.391.3904 , [www.futuregenco.com](http://www.futuregenco.com)

Please contact Richard Carter – Email: [rcarter@futuregenco.com](mailto:rcarter@futuregenco.com) 888.391.1525 Ext 140 if you have any questions with respect to the Questionnaire.



PLEASE ANSWER ALL QUESTIONS. If the appropriate answer is “None” or “Not Applicable,” please state so. Please print or type your answers to all questions. Attach additional sheets if necessary to complete your answers to any item.

Your answers will be kept strictly confidential at all times. However, the Company may present this Questionnaire to such parties as it deems appropriate in order to assure itself that the offer and sale of the Securities will not result in a violation of the registration provisions of the Act or a violation of the securities laws of any state.

1. Name and Address. Please provide the following personal information:

Name \_\_\_\_\_ Age \_\_\_\_\_

Residence Address  
(including Zip Code) \_\_\_\_\_

Business Address  
(including Zip Code) \_\_\_\_\_

Telephone: Res.: \_\_\_\_\_ Bus.: \_\_\_\_\_

Preferred Mailing Address:  Residence  Business

Email address - \_\_\_\_\_

2. Accredited Investor Status. ALL ACCREDITED INVESTORS MUST INITIAL THE FOLLOWING LINE: \_\_\_\_\_ I understand that the representations contained in this Section 2 are made for the purpose of qualifying me as an “Accredited Investor” as that term is defined by the Securities and Exchange Commission for the purpose of inducing a sale of securities to me. I hereby represent that I am qualified as an Accredited Investor as a result of an affirmative response to either of Questions 2(i) through 2(iii) below. I understand that a false representation may constitute a violation of law, and that any person who suffers damages as a result of a false representation may have a claim against me for damages. Please answer Question 2 by making the appropriate box in the margin. Question 2(iii) need only be answered if all of the answers to Questions 2(i) and 2(ii) were “No.”



(i) Did your individual annual income during each of the last two years exceed \$200,000 and do you expect your annual income<sup>1</sup> during the current year to exceed \$200,000, or did your joint annual income (together with your spouse) during each of the last two years exceed \$300,000 and do you expect your joint annual income during the current year to exceed \$300,000?

Yes                       No

(ii) If the answer to the preceding question was “No,” does your individual or joint (together with your spouse) net worth exceed \$1,000,000?

Yes                       No

(iii) If your answer to Questions 2(i) and 2(ii) was “No,” are you an executive officer or director of the Company?

Yes                       No

3. Citizenship. If you are not a citizen of the United States of America, please indicate your citizenship: \_\_\_\_\_.

4. FINRA Affiliation (Please include the firm name and address of each Financial Industry Regulatory Authority (FINRA) member firm, if any, with which you are affiliated or associated, and the nature of your affiliation or association or, if none, please so indicate):

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5. By signing this Questionnaire I hereby confirm the following statements:

(i) I am aware that the offering of securities comprising the Securities will involve “Restricted Securities,” as said term is defined in Rule 144 of the Rules and Regulations promulgated under the Act, and that they, or any interest therein may not be sold or otherwise transferred unless they have first been registered under the Act and all applicable state securities laws or unless an exemption from such registration provisions is available with respect to any such resale or transfer.

(ii) I acknowledge that any delivery to me of offering materials relating to the Securities prior to the determination by the Company of my suitability as an investor shall not constitute an offer of the Securities until such determination of suitability shall

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be made and I agree that I shall promptly return the offering materials to the Company upon request.

(iii) My answers to the foregoing questions are true and complete to the best of my information and belief and I will promptly notify the Company of any changes in the information I have provided.

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
Signature

Date and Place Executed:

\_\_\_\_\_



## **FGC Distressed Asset Investment #1, LLC**

### **CONFIDENTIAL PURCHASER QUESTIONNAIRE FOR ORGANIZATIONS**

#### **Purpose of this Questionnaire**

Certain securities (the “Securities”) of FGC Distressed Asset Investment #1, LLC (the “Company”), are being offered for resale to certain qualified investors without registration under the Securities Act of 1933, as amended (the “Act”), in reliance on the private offering exemptions contained in Sections 3(b), 4(2) and/or 4(6) of the Act and in Regulation D of the General Rules and Regulations under the Act (“Regulation D”). The Company must determine that an individual meets certain suitability requirements before offering or selling Securities to such individual. This Questionnaire does not constitute an offer to sell or a solicitation of an offer to buy Securities or any other security of the Company.

THE COMPANY WILL NOT DISCUSS THE OFFER OR RESALE OF ANY SECURITIES TO ANY INVESTOR WHO HAS NOT DULY COMPLETED A CONFIDENTIAL PURCHASER QUESTIONNAIRE, OR BASED UPON THE INFORMATION SET FORTH THEREIN THE COMPANY HAS CONCLUDED THAT THE INDIVIDUAL IS NOT AN “ACCREDITED INVESTOR.”

#### **Instructions**

One (1) copy of this Questionnaire should be completed, signed, dated and delivered to

FutureGen Company – 1250 Connecticut Ave NW, Suite 200, Washington, DC 20036  
888.391.1525, Fax 888.391.3904 , [www.futuregenco.com](http://www.futuregenco.com)

Please contact Richard Carter – Email: [rcarter@futuregenco.com](mailto:rcarter@futuregenco.com) 888.391.1525 Ext 140 if you have any questions with respect to the Questionnaire.

**PLEASE ANSWER ALL QUESTIONS.** If the appropriate answer is “None” or “Not Applicable,” please state so. Please print or type your answers to all questions. Attach additional sheets if necessary to complete your answers to any item.

Your answers will be kept strictly confidential at all times. However, the Company may present this Questionnaire to such parties as it deems appropriate in order to assure itself that the offer and sale of the Securities will not result in a violation of the registration provisions of the Act or a violation of the securities laws of any state.

As used in this Questionnaire, the term “Organization,” unless otherwise indicated, refers to any corporation, trust, partnership or other association or similar entity which may purchase Securities.



1. Name and address. Please print or type the following information about the Organization:

Name of Organization \_\_\_\_\_

Address of Principal Office \_\_\_\_\_

(including Zip Code) \_\_\_\_\_

Telephone No. (\_\_\_\_) \_\_\_\_\_

Email Address \_\_\_\_\_

Type of Organization (e.g., corporation, trust, limited partnership, general partnership) \_\_\_\_\_

Date of Formation or Incorporation \_\_\_\_\_

State of Formation or Incorporation \_\_\_\_\_

2. Information regarding principals. Please provide the names, addresses, positions or titles, ages and citizenship of all executive officers, trustees or general partners authorized to act with respect to investments by the Organization generally.

<u>Name</u>	<u>Address</u>	<u>Position or Title</u>	<u>Age</u>	<u>Citizenship</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

3. Business description. Please describe the business of the Organization.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



4. Authority. Please provide the following information concerning the Organization's authority to subscribe for the purchase of Securities:

4.1. The name(s) of the officer(s), trustee(s) or partner(s) of the Organization who is (are) authorized to subscribe for the purchase of Securities and who will be effecting the purchase.

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4.2. Indicate by check mark whether permission or authorization from any person other than those listed in the answer to Question 4.1 is necessary in order for the Organization to effect the purchase of the Securities.

Yes No

4.3. If the answer to Question 4.2 is "Yes," please provide the following additional information:

4.3.1. Identify all such persons from whom such permission or authorization is necessary.

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4.3.2. Indicate by check mark whether such permission or authorization has been obtained.

Yes No

4.3.3. Indicate when such permission or authorization was obtained. (A copy of such authorization must be submitted not later than the date of execution of a Subscription Agreement relating to the purchase of Securities. In addition, the Company may, in its sole discretion, require that an opinion of counsel,



satisfactory to the Company, be submitted with respect to the authorizations referred to in this Question 4.)

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4.3.4. If the answer to Question 4.3.2 is “No,” indicate what steps are being taken to obtain such authorization.

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5. Accredited investor status. ALL ACCREDITED INVESTORS MUST INITIAL THE FOLLOWING LINE: \_\_\_\_ I understand that the representations contained in this Section 5 are made for the purpose of qualifying me or the entity on whose behalf I am acting as an Accredited Investor as that term is defined by the Securities and Exchange Commission for the purpose of inducing a sale of securities to me or it. I hereby represent that I am qualified as an Accredited Investor pursuant as a result of each of the statements below. I understand that a false representation may constitute a violation of law, and that any person who suffers damages as a result of a false representation may have a claim against me for damages. Please answer Question 5.1 by marking the appropriate box in the margin. As indicated below, questions 5.2, 5.3, 5.4 and 5.5, if applicable, need only be answered if the answer to 5.1 is “No.”

5.1. Does the organization qualify as (a) any of the types of entities as defined in Rule 501(a)(1) of Regulation D pursuant to the rules and regulations of the Securities and Exchange Commission, (b) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, or (c) an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership not formed for the specific purpose of acquiring the securities offered hereby, with total assets in excess of \$5,000,000?

Yes No

IF YOU ANSWERED “YES” TO QUESTION 5.1,  
PLEASE PROCEED TO QUESTION 7 ON PAGE 9.



5.2. If the Questionnaire is answered on behalf of a corporation, does each shareholder either (a) have an individual or joint (together with his spouse) net worth in excess of \$1,000,000 or (b) expect to have an annual income during the current year, and represent that he or she had an annual income<sup>2</sup> during each of the last two years, in excess of \$200,000 (or joint annual income in excess of \$300,000)?

Yes No

5.3. If the Questionnaire is answered on behalf of a trust, does each beneficiary of the trust either (a) have an individual or joint (together with his spouse) net worth in excess of \$1,000,000 or (b) expect to have an annual income during the current year, and represent that he or she had an annual income during each of the last two years, in excess of \$200,000 (or joint annual income in excess of \$300,000)?

Yes No

5.4. If the Questionnaire is answered on behalf of a trust, does the trust have total assets in excess of \$5,000,000 and was the trust not formed for the specific purpose of acquiring the securities offered hereby, whose purchase is directed by a “Sophisticated Person” as described in Question 6?

Yes No

5.5. If the Questionnaire is answered on behalf of a partnership, does each partner (including general and limited partners) either (a) have an individual or joint (together with his spouse) net worth in excess of \$1,000,000 or (b) expect to have an annual income during the current year, and represent that he or she had an annual income during each of the last two years, in excess of \$200,000 (or joint annual income in excess of \$300,000)?

Yes No

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<sup>2</sup> For this purpose, a person’s income is the amount of his or her individual adjusted gross income (as reported on a federal income tax return), increased by the following amounts: (a) any deduction for depletion (Section 611 et seq. of the Internal Revenue Code of 1986 (the “Code”); (b) any exclusion for interest on tax-exempt municipal obligations (Section 103 of the Code); and (c) any losses of a partnership allocated to the individual (as reported on Schedule E of Form 1040).



IF YOU ANSWERED “YES” TO ANY OF QUESTIONS 5.1, 5.2, 5.3 OR 5.5, PLEASE PROCEED TO QUESTION 7 ON PAGE 9. HOWEVER, IF YOU ANSWERED “YES” TO QUESTION 5.4 YOU MUST ANSWER ALL OF QUESTION 6.

6. Sophistication of Decision-maker. Each person whose name appears in the answer to Question 4.1 above must answer Questions 6.1, 6.2, 6.3 and 6.4. If more than one individual is named in the answer to Question 4.1, each individual should answer separately and such answers should be attached to this Questionnaire.

Name of Person Answering Question 6 \_\_\_\_\_

6.1. Please list all the educational institutions you have attended (including colleges, and specialized training schools) and indicate the dates attended and the degree(s) (if any) obtained from each.

From	To	Institution	Degree

6.2. Please provide the following information concerning your business experience:

6.2.1. Indicate your principal business experience or other occupations during the last ten years. (Please list your present, or most recent, position first and the others in reverse chronological order.)

From	To	Name of Employer	Position

6.2.2. Describe, in greater detail, your present or most recent business or occupation, as listed in your answer to Question 6.2.1. Please indicate such information as the nature of your employment, the principal business of your



employer, the principal activities under your management or supervision and the scope (e.g., dollar volume, industry rank, etc.) of such activities.

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6.2.3. Describe any significant business you engage in or intend to engage in other than as specified above.

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6.3. Please provide the following information concerning your financial experience:

6.3.1. Indicate by check mark which of the following categories best describes the extent of your prior experience in the areas of investment listed below:

	<u>Substantial Experience</u>	<u>Limited Experience</u>	<u>No Experience</u>
Marketable securities	_____	_____	_____
Government securities Municipal (tax-exempt) securities	_____	_____	_____
Stock options	_____	_____	_____
Commodities	_____	_____	_____
Real estate programs	_____	_____	_____





Yes No

Securities (margin) \_\_\_\_\_ Number of years \_\_\_\_\_  
Yes No

Commodities \_\_\_\_\_ Number of years \_\_\_\_\_  
Yes No

6.4. Please provide in the space below any additional information which would indicate that you have sufficient knowledge and experience in financial and business matters so that you are capable of evaluating the merits and risks of investing in restricted securities of an enterprise such as the Company.

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7. FINRA Affiliation (Please include the firm name and address of each Financial Industry Regulatory Authority (FINRA) member firm, if any, with which you are affiliated or associated, and the nature of your affiliation or association or, if none, please so indicate):

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8. By signing this Questionnaire the undersigned hereby confirms the following statements:

(i) I (We) am (are) aware that the proposed offering of the Securities will involve "Restricted Securities," as said term is defined in Rule 144 of the Rules and Regulations promulgated under the Act, and that they, or any interest therein may not be sold or otherwise transferred unless they have first been registered under the Act and all applicable state securities laws, or unless an exemption from such registration provisions is available with respect to any such resale or transfer.

(ii) I (We) acknowledge on behalf of the Organization named below that any delivery to such Organization of offering materials relating to the Securities prior



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to the determination by the Company of the suitability of the Organization as an investor shall not constitute an offer of the Securities until such determination of suitability shall be made, and that the offering materials shall be returned promptly to the Company upon request.

- (iii) The foregoing statements are true and accurate to the best of my (our) information and belief and the Company will be notified promptly of any changes in the foregoing answers.

If additional signature is required:

\_\_\_\_\_  
Print Name of Organization

By: \_\_\_\_\_  
Signature of Officer,  
Trustee or Partner

By: \_\_\_\_\_  
Signature of Officer,  
Trustee or Partner

\_\_\_\_\_  
Print Name of Officer, Trustee or Partner  
Partner

\_\_\_\_\_  
Print Name of Officer, Trustee or

Date and Place Executed:

Date: \_\_\_\_\_

Place: \_\_\_\_\_



## Exhibit C

### Business Plan Outline

**Goal** – To acquire Distressed Assets that consist of Demand Deposit Accounts (DDA) and Defaulted Payday Advance (PDA) Accounts.

**Objective** – In the unique world of account collections, lenders and collection companies consider the larger account balances as the ones to work. For lenders the risk is greater if they don't collect on the large balance accounts and to most collection companies the rewards appear to be greater.

Our findings show that most people with credit and bill paying issues will pay the small debts first as they feel like they are making head way. Therefore, we only purchase accounts that are small balance debts (in most cases under \$700.00) that have had no more than one attempt at collection.

Based on past performance by Rick Carter, Vice President of Distressed Asset Department, these collection rates have been from 9% to 24% of the account balances purchased, which can result in a 159% gross net return based on investment capital.

\$5,000,000 Maximum Capital

Minimum Investment \$100,000

Accredited Investor Requirement – 30 Exemptions

Funds will be invested primarily in the following areas:

- United States

This is for illustration purposes only. These numbers are based on past experience but no way guarantee future results.

\$4,625,000

Average Account:	\$608.33
Number of accounts	132,871
Value of Accounts:	\$74,596,774



Estimated Collection Rate:	19.0%
Estimated amount to be collected:	\$14,173,387
Results:	
Gross Revenue:	\$14,173,387
Collection Cost (43%)	\$ 6,094,556
Expenses:	<u>\$ 105,000</u>
Net Collection Revenue:	\$ 7,973,831
Resale of accounts:	<u>\$ 2,719,052</u>
Gross Net Revenue:	<u>\$10,692,883</u>
Capital:	\$ 5,000,000
Minimum Rate of Note (based on \$5,000,000):	\$ 400,000*
Estimated Return (net profit):	\$ 5,292,883
Estimated payout (65.0%):	\$ 3,440,374**
Fixed Return Payout:	8.00%
Estimated Profit Share Return:	68.8% (per 12 month cycle)**

\* This counts as an expense to the fund after collections, before splitting profit.

\*\* Please note that this projected return is just an estimate.

\*\*Break Down of Return

Interest Earned		\$ 400,000
Potential Share	***	<u>\$3,440,374</u>
Total Return		\$3,840,374

\*\*\* These may qualify as capital gains if paid after 12 months of investment, please check with your tax advisor.



### Cash Flow Breakdown – Based on Collection Rates

	Avg Acct	\$	608.33	Net Proceeds		\$ 4,625,000.00
				Value of Accounts		\$74,596,774.00
<b>Collection Rate</b>	19%		16%	14%	12%	10%
Est. Amt Collected	\$ 14,173,387.06	\$ 11,935,483.84	\$10,443,548.36	\$ 8,951,612.88		\$ 7,459,677.40
<b>Results</b>						
Gross Revenue	\$ 14,173,387.00	\$ 11,935,483.00	\$10,443,548.00	\$ 8,951,612.00		\$ 7,459,677.00
Collection Cost	\$ (6,094,556.41)	\$ (5,132,257.69)	\$ (4,490,725.64)	\$(3,849,193.16)		\$(3,207,661.11)
Expenses	\$ (105,000.00)	\$ (105,000.00)	\$ (105,000.00)	\$ (105,000.00)		\$ (105,000.00)
Net Collection Revenue	\$ 7,973,830.59	\$ 6,698,225.31	\$ 5,847,822.36	\$ 4,997,418.84		\$ 4,147,015.89
Resale of Accounts	\$ 2,719,052.00	\$ 2,819,758.00	\$ 2,886,895.00	\$ 2,954,032.00		\$ 3,021,169.00
Gross Net Revenue	\$ 10,692,882.59	\$ 9,517,983.31	\$ 8,734,717.36	\$ 7,951,450.84		\$ 7,168,184.89
Interest Payout	\$ (400,000.00)	\$ (400,000.00)	\$ (400,000.00)	\$ (400,000.00)		\$ (400,000.00)
Repayment of Capital	\$ (5,000,000.00)	\$ (5,000,000.00)	\$ (5,000,000.00)	\$(5,000,000.00)		\$ (5,000,000.00)
Net Profit	\$ 5,292,882.59	\$ 4,117,983.31	\$ 3,334,717.36	\$ 2,551,450.84		\$ 1,768,184.89
Investor's Bonus Payment	\$ 3,440,373.68	\$ 2,676,689.15	\$ 2,167,566.28	\$ 1,658,443.05		\$ 1,149,320.18
Total Earning by Investor	\$ 3,840,373.68	\$ 3,076,689.15	\$ 2,567,566.28	\$ 2,058,443.05		\$ 1,549,320.18
Estimated Return	76%		62%	51%	41%	31%



**Exhibit D**

**FGC Distressed Asset Investment #1, LLC**

**PROMISSORY NOTE**

**THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OF THE UNITED STATES OR UNDER THE SECURITIES OR BLUE SKY LAWS OF ANY STATE. NEITHER THIS NOTE NOR ANY PORTION HEREOF MAY BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, UNLESS SUCH OFFER, SALE OR DELIVERY IS EITHER REGISTERED PURSUANT TO OR EXEMPT FROM REGISTRATION UNDER THE 1933 ACT AND ANY APPLICABLE STATE SECURITIES OR BLUE SKIES LAWS. IN ADDITION, NO TRANSFER OF THIS NOTE MAY BE MADE WITHOUT THE CONSENT OF THE ISSUER, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED FOR HEREIN.**

FGC Distressed Asset Investment #1, LLC a Delaware Limited Liability Company with offices at 1250 Connecticut Ave NW, Suite 200, Washington DC 20036 (the "Maker"), for value received, promises to pay (name of subscriber)

\_\_\_\_\_ the Individual and /or legal entity designated in the Note as the "HOLDER," the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars with interest as provided, in legal tender of the United States of America, in immediately available funds as follows:

- (a) The unpaid principal amount from time to time outstanding shall bear interest from this date until paid at a rate equal to the sum of eight (8% )per year. Interest shall be computed for the actual number of days elapsed on the basis of a year of 360 days.
- (b) At the end term MAKER agrees to pay a sum of 65% (sixty-five) of the Gross Net Profits (GNP) from HOLDERS batch purchases of debts, minus the 8% (eight percent) already paid during the course of the note.
- (c) Except as otherwise provided herein, for the period from the Commencement Date until \_\_\_\_\_ 20\_\_\_\_, interest only shall be due and payable annually on the last business day of \_\_\_\_\_,
- (d) with the first payment of interest commencing \_\_\_\_\_. For purposes of this Agreement, "Business Day" shall mean any day on which commercial banks are open and doing business in Washington DC.
- (e) The entire principal amount of this Note, together with accrued but unpaid interest, and accrued but unpaid GNP shall be due and payable within 30 days of the closing of the HOLDERS batch.



- (f) The Company may at its option from time to time after no less than 360 days from Acceptance Date, prepay this Note in whole or in part on not less than 30 days written notice delivered to the Holder. Upon such payment, the Company shall also pay the interest accrued on that portion of principal so prepaid to the date of maturity.

#### NOTES

This Note in the principal amount of ( \_\_\_\_\_ ) (\$-----) US Dollars per Note, or any fractional amounts, is offered for sale by the Maker, pursuant to that certain "Private Placement Memorandum" dated (date).

#### PLACE AND MANNER OF PLACEMENT

All sums due under this Note are payable not later than 12:30P.M.; (time zone), in legal tender of the United States of America current on the dates such sums or payments are respectively due, in immediately available funds, without offset or setoff. All payments shall be made at the option of the Holder by wire transfer to a bank account designated in writing to the Company by the Holder not less than five days prior to the time such payment is due and, if no such designation has been made by the Holder, by check mailed by certified or register mail to the address as designated by the Holder.

#### EVENTS OF DEFAULT

Consequences: In the event of the occurrence of an Event of Default (as defined) the Holder may declare the entire unpaid principal balance of the Note, together with interest accrued, immediately due and payable at the place of payment, without presentment, protest, notice or demand, all of which are expressly waived. The Term: "Event of Default" shall mean:

- (a) the failure by the Maker to pay any installment of principal or interest due under this Note within ten days after the day on which such payment is due;
- (b) The Maker shall make an assignment for the benefit of creditors or admit in writing its inability to pay its debts generally as they become due or fail to generally pay its debts as they become due; an order, judgment or decree shall be entered for relief in respect of or adjudicating the Maker bankrupt or insolvent, the Maker shall petition or apply to any tribunal for the appointment of, or taking of possession by, a trustee, receiver, custodian, or liquidator or other similar official of the Maker or any substantial part of any of their respective assets; the Maker shall commence any proceeding relating to the Maker under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, or any such petition or application is filed or any such proceeding is commenced against the Maker and such petition, application or proceeding is not dismissed within 60 days.



- (c) Any representation or warranty made by the maker herein or in the Private Placement Memorandum is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report or notice, or other writing furnished by the Maker to the Holder is false or misleading in any material respect on the date as of which such facts therein set forth are stated or certified.

#### SECURITY FOR PAYMENT OF THE NOTES(S)

The notes are secured by the maker as follows: The Note Holder is consider in first position on the Distressed Debts purchased with their funds.

**UCC-1.** We have in effective entered into a promissory note situation with you as the investor. (A promissory note is an unconditional promise to pay a specific amount to bearer or to the order of a named person, on demand or on a specified date.) In order to provide you an extra layer of protection after the funds are received we will file a UCC-1 with the State of Delaware. UCC-1 stands for Uniform Commercial Code Form 1. It is a "Financing Statement" that is filed to show that one party (usually a lender) has a security interest in another party's (usually a borrower's) property. It is not an agreement. It is just notice to the world that one person claims that it has an interest in someone else's property, usually as collateral for a debt. This filing is a public notice and therefore if you wish that this notice not be filed you must opt out this part of the agreement with your initials.

I prefer you not filing an UCC-1 and therefore opt out by placing my initials here \_\_\_\_\_.

#### COMMENCEMNT DATE OF THE NOTE

THE Commencement Date of the Note shall be the "Effective Date," as defined in that certain "Subscription Agreement" attached as Exhibit B to the Private Placement Memorandum.

#### STATUS OF HOLDER

The Maker may treat the Holder of the Note as the absolute owner of the Note for the purpose of making payments of principal or interest and for all other purposes, and shall not be affected by any notice to the contrary, unless the Maker so consents in writing. The Note Holder is consider in first position on the Distressed Debts purchased with their funds.

#### SECURITIES ACT RESTRICTIONS

This Note has not been registered for sale under the Act. This Note may not be sold, offered for sale, pledged, assigned or otherwise disposed of, unless certain conditions are satisfied, as more fully set forth in the Subscription Agreement.

#### ATTORNEY'S FEES

The prevailing party in an action to enforce the Note shall be entitled to reasonable attorney's fees, costs and collection expense.



## MISCELLANEOUS

- (a) Successors and Assigns – The Holder may not assign, transfer or sell this Note to any party without the express written consent of the Maker. This Note shall be binding upon and shall inure to the benefit of the parties, their successors and, subject to the above limitation, their assigns, and shall not be enforceable by any third party.
- (b) Entire Agreement – This Note contains all oral and written agreements, representations and arrangements between the parties with respect to its subject matter, and no representations or warranties are made or implied, except as specifically set forth herein. No modification, waiver or amendment of any of the provisions of the Note shall be effective unless in writing and signed by both parties to this Note.
- (c) Notices – All notices in connection with this Note shall be in writing and personally delivered via overnight mail, with written receipt therefore, or sent by certified mail, return receipt requested, to each of the parties hereto at their address set forth below (or such other address as may be hereafter designated by either party in writing) with a copy to FGC, 1250 Connecticut Ave, NW, Suite 200, Washington DC 20036. Such notice shall be effective upon personal or overnight delivery or five (5) days after mailing by certified mail.
- (d) Section Headings – The headings of the various sections on the Note have been inserted as a matter of convenience for reference only and shall be of no legal effect.
- (e) Severability – If any provision or portion of the Note or the application thereof to any person or party or circumstances shall be invalid or unenforceable under applicable law, such event shall not impair, or render invalid or unenforceable the remainder of this Note.
- (f) Applicable Law – This Note shall be deemed to have been made in the State of Delaware, and any and all performance hereunder, or breach thereof, shall be interpreted and construed pursuant to the laws of the State of Delaware without regard to conflict of laws rules applied in the State of Delaware. The parties' hereto hereby consent to personal jurisdiction and venue exclusively in the State of Delaware with respect to any action or proceeding brought with respect to this Note.

Maker:

FGC Distressed Assets Investment #1, LLC  
C/O FutureGen Company  
1250 Connecticut Ave NW, Suite 200  
Washington DC 20036

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Signature of Corporate Officer:



**FUTUREGEN**  
**CAPITAL™**

Holder:

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

Signature: \_\_\_\_\_

DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_