

Revolutionary Concepts Inc
Form 10-K
April 15, 2010

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 333-151177

REVOLUTIONARY CONCEPTS, INC.
(Exact name of Registrant as specified in its charter)

Nevada
(State or other Jurisdiction
of Incorporation or
Organization)

7382
(Primary Standard Industrial
Classification Code Number)

27-0094868
(I.R.S. Employer
Identification No.)

Revolutionary Concepts, Inc.
2622 Ashby Woods
Matthews, NC 28105
704-622-6327

(Address and telephone number of principal executive offices and principal place of business)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Names of each exchange on which registered
Common Stock, par value \$0.001 per share	OTCBB

Securities registered pursuant to section 12(g) of the Act:

(Title of

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Class)

None

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated
filer

Accelerated
filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of voting stock held by non-affiliates as of December 31, 2009 - there has been no trading market established to date.

Common shares outstanding as of April 14, 2010 was—19,601,611

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PART I

This Form 10-K contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are necessarily based on certain assumptions and are subject to significant risks and uncertainties. These forward-looking statements are based on management's expectations as of the date hereof, and the Company does not undertake any responsibility to update any of these statements in the future. Actual future performance and results could differ from that contained in or suggested by these forward-looking statements as a result of factors set forth in this Form 10-K (including those sections hereof incorporated by reference from other filings with the Securities and Exchange Commission), in particular as set forth in "Business Risks" under Item 1 and set forth in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7.

Item 1. Business

We are a development stage company with no history of revenue. The company was incorporated as a Nevada corporation on February 28, 2005 to reincorporate and re-domesticate two existing North Carolina entities; Revolutionary Concepts, Inc and DVMS, LLC. The company intends to develop and market camera technologies that enable remote monitoring.

Our efforts to date have been devoted to establishing a video remote monitoring system that permits interactive two-way communications called the EyeTalk Communicator ("EYETALK"). The company has engaged Photonic Discovery/UNC-Charlotte Optoelectronics and Optical Communication to assist in product specification development and project management. Since the implementation of the EyeTalk technology is dependent on various other emerging technologies (smart phone, 3G/4G broadband) the research and development has coincided with the pace of these technologies. The system by design will provide for continuous software development and updates.

We have funded our development through three private offerings in 2005, 2007 and 2009. We also borrowed \$307,500 from four non-related parties at 4% interest to fund ongoing operations, and patent new applications. These promissory notes began to become due in October 2008 and were repaid in November 2008 by issuing 630,811 shares of restricted commons stock from authorized shares. We have engaged third parties to assist in the commercialization of the EyeTalk technology and have made partial payments, but we will require the proceeds from the exercise of the warrants or other funding to complete the agreements.

RCI is currently involved in two lawsuits, one in state court regarding legal malpractice, and one in federal court, to refute the false claims of a purported inventor, Emmanuel Ozoeneh.

RCI has sued its former law firm for legal malpractice regarding the handling of RCI's foreign patent rights. The Defendants moved to have the suit dismissed, claiming that the state court did not have jurisdiction to hear the case. The Court ruled in favor of RCI, and the Defendants are now appealing the ruling.

RCI also sued Emmanuel Ozoeneh in federal court. Ozoeneh was a former business partner in a prior business venture with CEO Ron Carter. Ozoeneh began making false claims that he was the inventor of the EyeTalk system. RCI filed suit in federal court to have Carter declared the sole inventor. Ozoeneh has countersued to be declared an inventor, along with other business claims. The case will come up for summary judgment in May 2010. By law, the current USPTO declaration that Ron Carter is the sole inventor must be overturned only by clear and convincing evidence. To date, Ozoeneh has not submitted any affidavits which support his claim of inventorship.

Introduction to the EyeTalk Communicator

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We have designed and patented a communications and monitoring system which we expect to give users the ability to remotely and interactively monitor and communicate with, and have control of an IP camera offering multiple applications for use.

The EyeTalk is primarily a software platform with a hardware component of an external unit deployed at a chosen location. The system communicates to the user and also retrieves and stores information captured by the system camera. Access to the information may be achieved via a Personal Data Assistant (PDA), Handheld Computer (HC), Cellular phone, or other compatible device. The EyeTalk software platform will be able to communicate with any devices commonly available in the market place running windows mobile technology.

As a residential application, the EyeTalk system allows seamless communication to a residence allowing the owner to interact remotely with visitors to the home or building via any common personal communication device with the benefit of audio, video and data archive ability. The system utilizes smart technology to synergistically improve communication, security, convenience, messaging, and manage deliveries and guest. As a by-product, the system offers a solution to municipalities across the nation burdened with the incidence of false alarms. The EyeTalk system provides a means of owner verification prior to triggering an alarm if desired.

The Company expects The EYETALK to provide three Primary benefits in the property management space and as a medical monitoring and fall prevention technology

Preemption, Prevention and Protection –

The EYETALK technology may augment the capabilities of current residential and commercial security monitoring systems through audio, video and data communication which are interactive and which can be used on a remote basis. As a medical application, the EyeTalk technology provides remote monitoring of patients and family members. The system incorporates fall prevention technology and offers a remote fall detection technology. monitoring – The EYETALK technology allows monitoring via handheld smart devices. The technology is very versatile and offers a wide range of uses and solutions ranging from security to deliveries, confirming the safe arrival of school age kids and daily safe entry management

Convenience and Efficiency – The EYETALK technology may add convenience to home and business owners, providing remote access, screening of visitors and acceptance and monitoring of packages. As a medical monitoring solution, the systems remote video and 2 way audio connection establishes a virtual connection for instant and immediate interaction.

The EYETALK has four distinct physical parts:

- o an internal unit(s) (the ‘Indoor Mobile Monitor’)
- o an external unit(s) (the ‘Welcome System’)
- o a Central Application Server which may be a home personal computer (“PC”)
- o a remote access device, typically a standard cellular telephone (‘Phone GUI Emulator’)

The system is expandable to include multiple peripheral devices. The main components of the system (the Indoor Mobile Monitor, the Welcome System and the Central Application Server) communicate with each other by way of RF communications using 802.11n or higher wireless LAN.

Management believes that the Eyetalk technology significantly differs from existing systems. The Eyetalk allows two way communication via a wireless network camera that communicates with a variety of other remote communication devices such as cell phones, PDAs, smart phones, computers, security and video monitoring devices. Due to its software interface the Eyetalk can be used to greet visitors, provide instructions to delivery personnel, interact between remote staff and patients in medical settings, as well as in security applications.

Further, the Eyetalk allows security owners monitoring personnel to more accurately recognize and address the threat presented as well as verifying a true threat. We believe this will relieve the large number of false alarm security calls and unneeded emergency personnel visits. Unlike many competitors the Eyetalk system is not dependent on the internet although it can use the internet as a platform.

The EyeTalk systems are triggered and activated by an array of inputs such as motion, biometric sensors, metal detection underground fiber optic sensors, etc. When the system is activated by a trigger, it is programmed to provide standard greetings, directives, commands, etc.. The Eyetalk can then notify designated personnel and the system of the triggering event, sending images of the current situation and permitting audible response.

We expect to compete by emphasizing the unique aspects of the Eyetalk in our marketing directly to distributors and end users.. We also intend to compete by direct contact with larger end users such as hospitals, banks, and government agencies concerned with homeland security.

As with many development stage companies, we are currently considered to be in unsound financial condition. Our Auditor has expressed substantial doubt about our ability to continue as a going concern. Persons should not invest unless they can afford to lose their entire investments. We sustained net losses of \$(210,996) and \$(529,763), for the years ended December 31, 2008 and 2009 respectively. We have accumulated a deficit of \$1,901,566, since inception in March, 2004. Further, we may incur significant losses through 2010 and beyond, as we further develop and commercialize our remote network camera video system.

As of December 31, 2009 we had 19,581,611 shares of our common stock outstanding (excluding any warrants.),

Corporate Information and History

We were founded in 2004 as Revolutionary Concepts, Inc., a North Carolina corporation and its subsidiary, D.V. M. S., LLC for the purpose of developing a network camera video device. We reincorporated in Nevada in February 2005 as Revolutionary Concepts, Inc. (the "Company") to re-domicile the North Carolina corporation to a Nevada corporation by the same name

Our principal executive offices are located at 2622 Ashby Woods, Matthews, NC 28105. The Company's telephone number is 704-622-6327. The President of the Company is Ronald Carter. We maintain a corporate website at www.Revolutionaryconceptsinc.com The contents of our website are not part of this prospectus and should not be relied upon with respect to the prospectus.

To date, our efforts have been largely devoted to developing our network camera video system and defining markets that can use our patented technology. We are in the development stage and have not generated revenue from operations. We hope to release our remote network camera video system into the general marketplace in late 2010 . The wireless infrastructure to fully support the Eyetalk technology is still developing as the speed required for full video and 2way audio is very close

Item 1A. RISK FACTORS

WE CANNOT ASSURE THAT WE WILL EVER GENERATE SIGNIFICANT REVENUES, DEVELOP OPERATIONS, OR MAKE A PROFIT. OUR INDEPENDENT AUDITORS HAVE NOTED THAT THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our independent auditors have noted that there is substantial doubt that we can continue as a going concern. As reflected in our consolidated financial statements the Company has had cumulative operating losses. We currently have a negative net worth, extremely limited cash and suffered net losses \$(221,484) at December 31, 2008 and \$(529,763) at December 31, 2009. We had accumulated deficits to our stockholder's equity of \$(1,371,769) and \$(1,901,566) for the years ended 2008 and 2009 respectively. Management expects the losses to continue, thereby requiring addition capital, some of which may be generated from this offering. There can be no assurance that our plans will be successful. Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

OUR OFFICERS HAVE RECEIVED LOANS THAT MAY HAVE TO BE EXPENSED AND WHICH MAY CREATE CERTAIN TAX OBLIGATIONS.

From our date of incorporation , February 2005 through the date of this filing, the officers of the Company have not taken salaries but have taken advances from the Company, some of which have been repaid. We have booked these loans to shareholders as unpaid capital contributions on the balance sheet. As of December 31, 2008, the Company had loans to shareholders of approximately \$187,172 to its officers and directors. of December 31, 2009, the outstanding loans to the officers and directors were \$157,585. The loans carry an interest rate of 5% and have been recorded as "Unpaid Capital Contributions". If for any reason some of these loans default they will be written off as compensation expense in the income statement and we have already accrued estimated payroll taxes due at \$18,348 as of 12/31/09.

WE ARE A DEVELOPMENT STAGE COMPANY WITH NO OPERATING HISTORY FOR YOU TO EVALUATE AND WE HAVE NOT PROVEN OUR ABILITY TO GENERATE PROFITS.

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We are a developmental stage company. Although we have developed a working prototype and have identified potential markets, we are still in the research and development stage and expect to enter the commercialization phase in late 2010. We have no meaningful revenues so it will be difficult for you to evaluate an investment in our securities. From our inception to date, we have had no revenues. We may never be able to become profitable. You will be furnishing venture capital to us and will bear the risk of complete loss of your investment if we are unsuccessful.

An investor should also consider the uncertainties and difficulties frequently encountered by companies, such as ours, in their early stages of development. Our revenue and income potential is unproven and our business model is still emerging. If our business model does not prove to be profitable, investors may lose all of their investment.

WE HAVE HAD NO REVENUES AND ANTICIPATE LOSSES FOR THE FORESEEABLE FUTURE.

Since inception we have had no revenues. We have not achieved profitability and expect to continue to incur net losses throughout fiscal 2009 and subsequent fiscal periods. We expect to incur significant operating expenses and, as a result, will need to generate significant revenues to achieve profitability, which may not occur. Even if we do achieve profitability, we may be unable to sustain or increase profitability on an ongoing basis.

IF WE FAIL TO IMPLEMENT OUR COMMERCIALIZATION STRATEGY, OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED.

Our future financial performance and success are dependent in large part upon our ability to implement our commercialization strategy successfully. We have engaged third party consultants to identify potential clients for our technology, although we have no means to determine whether this strategy will be successful. We may not be able to successfully implement our commercialization strategy with or without the involvement of these third parties. If we are unable to do so, our long-term growth and profitability may be adversely affected. Even if we are able to successfully implement some or all of the initiatives of our business plan, our operating results may not improve to the extent we expect, or at all.

Implementation of our commercialization strategy could also be affected by a number of factors beyond our control, such as increased competition, legal developments, general economic conditions, increased operating costs or expenses. In addition, to the extent, we have misjudged the nature and extent of industry trends or our competition; we may have difficulty achieving our strategic objectives. We may also decide to alter or discontinue certain aspects of our business strategy at any time. Any failure to successfully implement our business strategy may adversely affect our business, financial condition and results of operations and thus our ability to service our indebtedness, including our ability to make principal and interest payments on our indebtedness.

THE COMPANY DEPENDS ON ITS PATENT AND PROPRIETARY RIGHTS TO DEVELOP AND PROTECT TECHNOLOGIES AND PRODUCTS, WHICH RIGHTS MAY NOT OFFER SUFFICIENT PROTECTION FROM INFRINGEMENT BY THIRD PARTIES.

The Company has been issued a patent by the U.S. Patent Office for its patented network camera video technology. Management believes that this is a valid patent. However, there can be no assurances that the patent and the network camera video technology will be enforceable or generate revenues for the Company.

The Company's inability to protect its intellectual property through sufficient patent protection will adversely affect that Company's ability to survive and other companies may be able to develop substantially similar technologies in competition with the Company. If those other companies enter the marketplace with their own similar products, the value of the Company's patent will be substantially diminished.

The Company's success will depend on its ability to obtain and enforce protection under United States and foreign patent laws and other intellectual property laws for the technology that the Company intends to market and license, to

develop and preserve the confidentiality of trade secrets and to operate without infringing the proprietary rights of third parties.

The Company cannot assure you that our technology will not be breached, that we will have adequate remedies for any breach, or that our trade secrets and proprietary know-how will not otherwise become known or be independently discovered by others. Consequently, such breach could have a negative effect on our financial performance and results of operations.

LITIGATION TO ENFORCE ITS PATENT AGAINST UNAUTHORIZED USERS WILL BE EXPENSIVE AND TIME CONSUMING, AND THEIR OUTCOME IS UNCERTAIN. ANY DELAY OR OTHER FACTOR WHICH NEGATIVELY AFFECTS THE COMPANY'S ABILITY TO FUND OPERATIONS AND DEVELOP REVENUES.

Litigation to enforce the Company's patented technology against unauthorized users can be a lengthy, time-consuming and expensive process and there can be no assurance of the results of such litigation. The Company has engaged patent counsel to consider enforcement actions against those using the technology but who do not have a licensing agreement for it. In addition, if we fail to provide adequate proprietary protection, our names, brand name reputation, revenues and potential profitability may be negatively affected.

WE EXPECT TO HAVE OUR PRODUCT MANUFACTURED BY THIRD PARTIES OVER WHICH WE HAVE NO CONTROL AND WE CURRENTLY DO NOT HAVE ANY AGREEMENTS FOR THE MANUFACTURE OF THE PRODUCT. WE ARE SUBJECT TO FLUCTUATIONS IN THE COST AND AVAILABILITY OF RAW MATERIALS AND THE POSSIBLE LOSS OF SUPPLIERS.

While we have had discussions with third party suppliers regarding the manufacture of our product, we currently have no arrangements. We expect to depend on third party manufacturers over which we will have no control. We are dependent upon the pricing by these companies and the availability and pricing of raw materials to produce our products. The availability of suppliers and the price and availability of the raw materials will be affected by numerous factors beyond our control. We do not have the resources, facilities or experience to manufacture our EYETALK product or any of its component parts. Such contract manufacturers may be the sole source of production and may have limited experience at manufacturing, a product similar to ours.

WE MAY HAVE INSUFFICIENT LIQUIDITY TO CONTINUE.

The Company will not receive any proceeds from the sale of common stock from our S-1 offering, ;however, the Company will receive the exercise price for each warrant exercised. If none of the warrants are exercised we will need additional sources of capital or we may not be able to continue operations. We are devoting substantially all of our present efforts to establishing a new business and will need additional capital to continue implementing our business plan. We have generated no revenue. If we cannot raise additional capital from the exercise of our warrants, we will have to seek other sources of financing or we will be forced to curtail or terminate our business plans. There is no assurance that additional sources of financing will be available at all or at a reasonable cost.

We have estimated the costs of completion of the commercialization at \$2,500,000, which represents the development of the medical application. The residential application costs has not been determined. We believe that the at least part of the medical development will be able to be applied to the residential application . Since there is no assurance that any of the warrants will be exercised the Company has initiated discussions regarding loans through commercial banks and a loan from other funding sources. We expect to continue these discussions in the hopes of arranging financing to provide sufficient liquidity. We have no assurance that any of these discussions will prove successful

OUR SALES, MARKETING AND DISTRIBUTION CAPABILITIES HAVE NOT BEEN FULLY IMPLEMENTED. IF WE FAIL TO EFFECTIVELY SELL, MARKET AND DISTRIBUTE OUR EYETALK PRODUCT, OUR BUSINESS AND RESULTS OF OPERATIONS WILL SUFFER.

We do not currently have a sales staff, marketing plan or other distribution facilities. We have engaged third parties to assist us in identifying potential users of the EYETALK technology. If we are unable to create sales, marketing and distribution capabilities or enter into licensing and similar agreements with third parties to perform these functions, we will not be able to successfully commercialize our EYETALK product, In order to successfully commercialize any of our product candidates, we must either internally develop sales, marketing and distribution capabilities or make arrangements with third parties to perform these services.

WE MAY HAVE EXPOSURE TO LEGAL CLAIM THAT COULD CAUSE SIGNIFICANT LOSSES.

Our EYETALK product will likely be relied upon to provide methods of security from personal harm or property loss. To the extent that the EYETALK product malfunctions or experiences down times, losses could occur which would give rise to legal claims against us. There is no accurate method to predict the extent of exposure to these potential claims. We may therefore be susceptible to lawsuits that could cause us to incur substantial liabilities and/or limit commercialization of our EYETALK product. Product liability insurance for the pharmaceutical and biotechnology industries is generally expensive, if available at all. We do not currently have any product liability insurance. If we are unable to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims, we may be unable to commercialize our product candidates. A successful product liability claim brought against us in excess of our insurance coverage, if any, may cause us to incur substantial liabilities and, as a result, our business may fail.

COMPETITION IN THE ELECTRONIC SECURITY WORLD IS FIERCE AND WE MAY NOT BE ABLE TO COMPETE AND SURVIVE.

The electronic security industry is very competitive. It is constantly changing and we expect competition to intensify in the future. Increased competition will result in reduced profit margins on products. We believe that our ability to compete successfully depends on a number of factors, including establishing brand awareness and market presence on a rapid basis; the quality of our marketing services; ease of use; and industry and general economic trends. The failure of any number of these factors could cause us additional losses.

OUR PRINCIPAL STOCKHOLDERS CONTROL OUR BUSINESS AFFAIRS IN WHICH CASE YOU WILL HAVE LITTLE OR NO PARTICIPATION IN OUR BUSINESS AFFAIRS.

Currently, our principal stockholders own 65.19% of our common stock. As a result, they will have control over all matters requiring approval by our stockholders without the approval of minority stockholders. In addition, they will be able to elect all of the members of our Board of Directors, which will allow them to control our affairs and management. They will also be able to affect most corporate matters requiring stockholder approval by written consent, without the need for a duly noticed and duly-held meeting of stockholders. As a result, they will have significant influence and control over all matters requiring approval by our stockholders. Accordingly, you will be limited in your ability to affect change in how we conduct our business.

WE MAY INCUR SIGNIFICANT COSTS TO ENSURE COMPLIANCE WITH CORPORATE GOVERNANCE AND ACCOUNTING REQUIREMENTS.

We expect to incur significant costs associated with our public company reporting requirements, costs associated with applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC. We expect all of these applicable rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. While we have no experience as a public company, we estimate that these additional costs will total approximately \$50,000 per year. We also expect that these applicable rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these newly applicable rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

WE HAVE NOT YET ESTABLISHED AN INDEPENDENT AUDIT COMMITTEE OR COMPENSATION COMMITTEE.

The company has not yet appointed an audit committee or compensation committee as required by Sarbanes-Oxley. The company is working to appoint these committee members by the end of the current year.

RISKS RELATING TO OUR SECURITIES

WE HAVE NEVER PAID DIVIDENDS ON OUR COMMON STOCK AND YOU MAY NEVER RECEIVE DIVIDENDS. THERE IS A RISK THAT AN INVESTOR IN OUR COMPANY WILL NEVER SEE A RETURN ON INVESTMENT AND THE STOCK MAY BECOME WORTHLESS.

We have never paid dividends on our common stock. We intend to retain earnings, if any, to finance the development and expansion of our business. Future dividend policy will be at the discretion of the Board of Directors and will be contingent upon future earnings, if any, our financial condition, capital requirements, general business conditions and other factors. Future dividends may also be affected by covenants contained in loan or other financing documents, which may be executed by us in the future. Therefore, there can be no assurance that cash dividends of any kind will ever be paid. If you are counting on a return on your investment in the common stock, the shares are a risky investment.

THERE IS CURRENTLY NO MARKET FOR OUR COMMON STOCK AND NO ASSURANCE THAT ONE WILL DEVELOP.

There is currently no trading market for our shares of Common Stock, and there can be no assurance that a more substantial market will ever develop or be maintained. Any market price for shares of our Common Stock is likely to be very volatile, and numerous factors beyond our control may have a significant adverse effect. In addition, the stock markets generally have experienced, and continue to experience, extreme price and volume fluctuations which have affected the market price of many small capital companies and which have often been unrelated to the operating performance of these companies. These broad market fluctuations, as well as general economic and political conditions, may also adversely affect the market price of our Common Stock. Further, there is no correlation between the present limited market price of our Common Stock and our revenues, book value, assets or other established criteria of value. The present limited quotations of our Common Stock should not be considered indicative of the actual value of the Company or our Common Stock

Future sales of our common stock could put downward selling pressure on our shares, and adversely affect the stock price. There is a risk that this downward pressure may make it impossible for an investor to sell his shares at any reasonable price.

Future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could put downward selling pressure on our shares, and adversely affect the market price of our common stock. Such sales could be made pursuant to Rule 144 under the Securities Act of 1933, as amended, as shares become eligible for sale under the Rule.

AN ARBITRARY DETERMINATION OF THE OFFERING PRICE INCREASES THE RISK THAT PURCHASERS OF THE SHARES IN THE OFFERING WILL PAY MORE THAN THE VALUE THE PUBLIC MARKET ULTIMATELY ASSIGNS TO OUR COMMON STOCK AND MORE THAN AN INDEPENDENT APPRAISAL VALUE OF US.

The most recent offering price for the shares of \$1.25 was arbitrarily determined by our management. The offering price bears no relation to our assets, revenues, book value or other traditional criteria of value. Investors may be unable to resell their shares at or near the offering price, if they are able to resell the shares at all. Selling security holders are offering shares at a selling price of \$1.25 per share until a market for the shares is established and thereafter at prevailing market prices. If the selling security holders sell to more than 25 persons, the Company will undertake efforts to have markets established for the trading of the securities. If such a market begins before all securities offered hereby are sold, then the remaining securities will be sold at market prices.

IT WILL LIKELY BE HARDER FOR THE COMPANY TO RAISE ADDITIONAL MONEY WHILE THE WARRANTS ARE OUTSTANDING.

In our March, 2005 private offering, we sold 1,000,000 redeemable Class A Common Stock purchase warrants and 1,000,000 redeemable Class B Common Stock purchase warrants (the "public warrants.") The Class A warrants are exercisable for one share of common stock at an exercise price of \$0.65 and the Class B warrants are exercisable for one share of common stock at an exercise price of \$0.90. Proceeds from the exercise of warrants will be booked as paid in capital and be added to working capital. All of the warrants will remain outstanding for a period of eighteen months from the effective date of registration, unless redeemed. During the term that the public warrants are outstanding, the holders of the public warrants are given the opportunity to profit from a rise in the market price of our common stock. We may find it more difficult to raise additional equity capital while these public warrants are outstanding. At any time during which these public warrants are likely to be exercised, we may be unable to obtain additional equity capital on more favorable terms from other sources.

THERE IS A POTENTIAL MARKET OVERHANG THAT COULD DEPRESS THE VALUE OF OUR COMMON STOCK AND FUTURE SALES OF OUR COMMON STOCK COULD PUT A DOWNWARD PRESSURE ON THE PRICE OF YOUR SHARES AND ADVERSELY AFFECT THE PRICE OF YOUR SHARES.

Because our principal stockholders own approximately 65.19% of our common stock regardless of the number of warrants exercised they may dispose of a substantial percentage of their stock subject to Rule 144 trading volume limitations. If substantial amounts of any of these shares are sold there may be downward price pressures on our common stock price, causing the market price of our common stock to decrease in value. In addition, this selling activity could:

- § Decrease the level of public interest in our common stock;
- § Inhibit buying activity that might otherwise help support the market price of our common stock; and
- § Prevent possible upward price movements in our common stock.

An arbitrary determination of the offering price increases the risk that purchasers of the shares in the offering will pay more than the value the public market ultimately assigns to our common stock and more than an independent appraisal value of us.

BECAUSE OUR SHARES ARE DEEMED HIGH RISK "PENNY STOCKS," YOU MAY HAVE DIFFICULTY SELLING THEM IN THE SECONDARY TRADING MARKET.

The Commission has adopted regulations which generally define a "penny stock" to be any equity security that has a market price (as therein defined) less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. Additionally, if the equity security is not registered or authorized on a national securities exchange, the equity security also constitutes a "penny stock." As our common stock falls within the definition of penny stock, these regulations require the delivery, prior to any transaction involving our common stock, of a risk disclosure schedule explaining the penny stock market and the risks associated with it. These regulations generally require broker-dealers who sell penny stocks to persons other than established customers and accredited investors to deliver a disclosure schedule explaining the penny stock market and the risks associated with that market. Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. These regulations also impose various sales practice requirements on broker-dealers. In addition, monthly statements are required to be sent disclosing recent price information for the penny stocks. The ability of broker/dealers to sell our common stock and the ability of shareholders to sell our common stock in the secondary market is limited. As a result, the market liquidity for our common stock is severely and adversely affected. We can provide no assurance that trading in our common stock will not be subject to these or other regulations in the future, which would negatively affect the market for our common stock.

IF A MARKET DEVELOPS FOR OUR SECURITIES THE COULD BE VOLATILE AND MAY NOT APPRECIATE IN VALUE.

If a market should develop for our securities, of which we have no assurance, the market price is likely to fluctuate significantly. Fluctuations could be rapid and severe and may provide investors little opportunity to react. Factors such as changes in results from our operations, and a variety of other factors, many of which are beyond the control of the Company, could cause the market price of our common stock to fluctuate substantially. Also, stock markets in penny stock shares tend to have extreme price and volume volatility. The market prices of shares of many smaller public companies securities are subject to volatility for reasons that frequently unrelated to the actual operating performance, earnings or other recognized measurements of value. This volatility may cause declines including very sudden and sharp declines in the market price of our common stock. We cannot assure investors that the stock price will appreciate in value, that a market will be available to resell your securities or that the shares will retain any value at all.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The Company does not currently have a fixed office space. Our president has allowed the company to utilize his home office for Company business, until we begin generating revenues. The address is 2622 Ashby Woods, Matthews, NC 28105.

Item 3. LEGAL PROCEEDINGS

RCI is currently involved in two lawsuits, one in state court regarding legal malpractice, and one in federal court, to refute the false claims of a purported inventor, Emmanuel Ozoeneh.

RCI has sued its former law firm for legal malpractice regarding the handling of RCI's foreign patent rights. The Defendants moved to have the suit dismissed, claiming that the state court did not have jurisdiction to hear the

case. The Court ruled in favor of RCI, and the Defendants are now appealing the ruling.

RCI also sued Emmanuel Ozoeneh in federal court. Ozoeneh was a former business partner in a prior business venture with CEO Ron Carter. Ozoeneh began making false claims that he was the inventor of the EyeTalk system. RCI filed suit in federal court to have Carter declared the sole inventor. Ozoeneh has countersued to be declared an inventor, along with other business claims. The case will come up for summary judgment in May 2010. By law, the current USPTO declaration that Ron Carter is the sole inventor must be overturned only by clear and convincing evidence. To date, Ozoeneh has not submitted any affidavits which support his claim of inventorship.

Item 4. RESERVED FOR SEC

PART II

Item 5. Market FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is currently no trading market for our shares of Common Stock, and there can be no assurance that a more substantial market will ever develop or be maintained. Any market price for shares of our Common Stock is likely to be very volatile, and numerous factors beyond our control may have a significant adverse effect. In addition, the stock markets generally have experienced, and continue to experience, extreme price and volume fluctuations which have affected the market price of many small capital companies and which have often been unrelated to the operating performance of these companies. These broad market fluctuations, as well as general economic and political conditions, may also adversely affect the market price of our Common Stock. Further, there is no correlation between the present limited market price of our Common Stock and our revenues, book value, assets or other established criteria of value. The present limited quotations of our Common Stock should not be considered indicative of the actual value of the Company or our Common Stock

Future sales of our common stock could put downward selling pressure on our shares, and adversely affect the stock price. There is a risk that this downward pressure may make it impossible for an investor to sell his shares at any reasonable price.

Future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could put downward selling pressure on our shares, and adversely affect the market price of our common stock. Such sales could be made pursuant to Rule 144 under the Securities Act of 1933, as amended, as shares become eligible for sale under the Rule.

The most recent offering price for the shares of \$1.25 was arbitrarily determined by our management. The offering price bears no relation to our assets, revenues, book value or other traditional criteria of value. Investors may be unable to resell their shares at or near the offering price, if they are able to resell the shares at all. Selling security holders are offering shares at a selling price of \$1.25 per share until a market for the shares is established and thereafter at prevailing market prices. If the selling security holders sell to more than 25 persons, the Company will undertake efforts to have markets established for the trading of the securities. If such a market begins before all securities offered hereby are sold, then the remaining securities will be sold at market prices.

Item 6. SELECTED FINANCIAL DATA

Not required under Regulation S-K for "smaller reporting companies."

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The Company's MD&A is comprised of significant accounting estimates made in the normal course of its operations, overview of the Company's business conditions, results of operations, liquidity and capital resources and contractual obligations. The Company did not have any off balance sheet arrangements as of December 31, 2008 or 2007.

The discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles generally accepted in the United States (or "GAAP"). The preparation of those financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies. SEE ALSO NOTES 1 and 2 TO CONSOLIDATED FINANCIAL STATEMENTS, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

SUMMARY OF CRITICAL ACCOUNTING POLICIES

Revenue recognition

The Company will recognize sales revenue at the time of delivery when ownership has transferred to the customer, when evidence of a payment arrangement exists and the sales proceeds are determinable and collectable. Provisions will be recorded for product returns based on historical experience. To date, the Company's revenue is primarily comprised of interest income.

Options and warrants issued

The Company allocates the proceeds received from equity financing and the attached options and warrants issued, based on their relative fair values, at the time of issuance. The amount allocated to the options and warrants is recorded as additional paid in capital.

Stock-based compensation

The Company will account for its employee stock based compensation arrangements in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25. "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense for stock options, common stock and other equity instruments issued to non-employees for services received will be based upon the fair value of the equity instruments issued, as the services are provided and the securities earned. SFAS No. 123, "Accounting for Stock-Based Compensation", requires entities that continue to apply the provisions of APB Opinion No. 25 for transactions with employees to provide pro forma net earnings (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied to these transactions. For the period from inception (March 12, 2004) to December 31, 2009, no stock options were committed to be issued to employees.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards that are available to be carried forward to future years for tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When it is not considered to be more likely than not that a deferred tax asset will be realized, a valuation allowance is provided for the excess. Although the Company has significant loss carry forwards available to reduce future income for tax purposes, no amount has been reflected on the balance sheet for deferred income taxes as any deferred tax asset has been fully offset by a valuation allowance.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions, where applicable, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect such variances, if any, to have a material effect on the financial statements.

Research and Development Costs

Research and development costs are expensed as incurred in accordance with generally accepted accounting principles in the United States of America. Research is planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service or a new process or technique or in bringing about a significant improvement to an existing product or process. Development is the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternatives, construction of prototypes, and operation of pilot plants. It does not include routine or periodic alterations to existing products, production lines, manufacturing processes, and other on-going operations even though those alterations may represent improvements and it does not include market research or market testing activities. Elements of costs shall be identified with research and development activities as follows: The costs of materials and equipment or facilities that are acquired or constructed for research and development activities and that have alternative future uses shall be capitalized as tangible assets when acquired or constructed. The cost of such materials consumed in research and development activities and the depreciation of such equipment or facilities used in those activities are research and development costs. However, the costs of materials, equipment, or facilities that are acquired or constructed for a particular research and development project and that have no alternative future uses and therefore no separate economic values are research and development costs at the time the costs are incurred. Salaries, wages, and other related costs of personnel engaged in research and development activities shall be included in research and development costs. The costs of contract services performed by others in connection with the research and development activities of an enterprise, including research and development conducted by others in behalf of the enterprise, shall be included in research and development costs.

Depreciation

Is computed using the straight-line method over the assets' expected useful lives.

Amortization

Deferred charges are amortized using the straight-line method over five and six years.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks with maturities of three months or less, and all highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less.

Concentrations of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents with high-quality institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand and therefore bear minimal risk.

Fair Value of Financial Instruments

The carrying value of financial instruments including cash and cash equivalents, receivables, accounts payable and accrued expenses, approximates their fair value at December 31, 2009 due to the relatively short-term nature of these instruments.

Supplies

Supplies are experimental materials used for research and development purpose. Actual cost is used to value these materials and supplies.

Valuation of Long-Lived Assets

The Company periodically analyzes its long-lived assets for potential impairment, assessing the appropriateness of lives and recoverability of unamortized balances through measurement of undiscounted operating cash flows on a basis consistent with accounting principles generally accepted in the United States of America.

Intangible and Other Long-Lived Assets, Net

Intangible and other long-lived assets are stated at cost, less accumulated amortization and impairments. The Company periodically analyzes its long-lived assets for potential impairment, assessing the appropriateness of lives and recoverability of unamortized balances through measurement of undiscounted operating cash flows on a basis consistent with accounting principles generally accepted in the United States of America.

Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," establishes standards for reporting and display of comprehensive income, its components and accumulated

balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated comprehensive income, as presented in the accompanying statement of changes in shareholders' equity consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

Related Parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Unpaid Capital Contributions

“Unpaid Capital Contributions” are short-term loans to our officers and directors in lieu of salary or other compensation.. These loans are unsecured, bear a 5% interest and have five year repayment term, The total balance of loans to officers and directors was \$187,172 and \$157,585 in 2008 and 2009, respectively.

The Company expects these loans on a rolling basis throughout the term of the five year loans. After deducting re-payments made by the officers and adding accumulated interest, balances were due as of year end 2008 and 2009 as follows:

	12/31/08	12/31/09
Ron Carter	\$116,499	\$83,675
Garry Stevenson	30,269	31,676
Bethiel Tesfasillasie	40,404	42,234
\$187,172	\$157,585	

In the event that the loans are not fully repaid, any shortfall will be written off as compensation expense in our income statement.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share are computed on the basis of the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share are computed on the basis of the weighted average number of common shares and dilutive securities (such as convertible preferred stock) outstanding. Dilutive securities having an anti-dilutive effect on diluted earnings (loss) per share are excluded from the calculation.

Overview – Business Conditions

We are a development stage company with no history of revenue. The company was incorporated as a Nevada corporation on February 28, 2005 to reincorporate and re-domesticate two existing North Carolina entities; Revolutionary Concepts, Inc and DVMS, LLC. The company intends to develop and market camera technologies that enable remote monitoring.

Our efforts to date have been devoted to establishing a video remote monitoring system that permits interactive two-way communications called the EyeTalk Communicator (“EYETALK”). The company has engaged Photonic Discovery/UNC-Charlotte Optoelectronics and Optical Communication to design the hardware for the EyeTalk

system. Since the implementation of the EyeTalk technology is dependent on various other emerging technologies (smart phone, 3G/4G broadband) the research and development has coincided with the pace of these technologies. The system by design will provide for continuous software development and updates.

We have funded our development through three private offerings in 2005 , 2007 and 2009. We also borrowed \$307,500 from four non-related parties at 4% interest to fund ongoing operations, and patent new applications. These promissory notes began to become due in October 2008 and were repaid in November 2008 by issuing 630,811 shares of restricted commons stock from authorized shares. We have engaged third parties to assist in the commercialization of the EyeTalk technology and have made partial payments, but we will require the proceeds from the exercise of the warrants or other funding to complete the agreements.

Introduction to the Eyetalk Communicator

We have designed and patented a communications and monitoring system which we expect to give users the ability to remotely and interactively monitor and communicate with, and have control of an IP camera in multiple markets.

The EyeTalk is primarily a software platform with a hardware component of an external unit deployed at a chosen location. The system offers two-way communication and it streams video to designated handheld PDA's or PC's. The software interface allows the system to offer preprogrammed messages, greeting, commands, etc. The software maintains information captured by the EYETALK system. Access to the information may be achieved via a Personal Data Assistant (PDA), Handheld Computer (HC), Cellular phone, or other compatible device. The EyeTalk software platform will be able to communicate with many of the smartphone and other devices that are or will be available in the market place..

As a residential application, the EyeTalk system allows seamless communication to a residence allowing the owner to interact remotely with visitors to the home or building via any common personal communication device with the benefit of audio, video and data communication. The system utilizes new technology to synergistically improve communication, security, convenience, messaging, and manage deliveries and guest.

According to USBX, "iSuppli, a respected technology market research firm, announced this quarter that they project IP video surveillance camera revenue to grow to more than \$9.0 billion by 2011, a compound annual growth rate of 13.2%" Price declines from competitive systems have improved the viability of enhanced security systems while boosting the affordability and demand for basic security systems among families in the middle to lower-middle income strata of society

Management believes that The EYETALK technology may fill technology gap related to false alarms in the security monitoring industry. Some police departments are not required to respond to calls from alarm companies unless an emergency has been visually verified. Traditional security monitoring companies rarely offer visual verification and therefore cannot visually ascertain that the signal is not a false alarm.

The EYETALK also records visitors through data, video and audio records. The system provides a centralized control system using a user-friendly application with a means for storing digital images and provides enhanced security features.

The EYETALK does not require wiring from the exterior of the building to its interior. The Company believes that the system, when fully implemented, will be relatively inexpensive to install and maintain.

The Company expects The EYETALK to provide three Primary benefits:

Protection – The EYETALK may augment the capabilities of current residential and commercial security monitoring systems through audio, video and data communication which are interactive and which can be used on a remote basis.

Monitoring – The EYETALK may allow the homeowner to better facilitate the task of home management in non-threatening circumstances, such as latch key school children. allowing the owner to maintain better control and understanding of what is going on at one's home

Convenience – The EYETALK may add convenience to home and business owners, providing remote access, screening of visitors and acceptance and monitoring of packages.

The EYETALK has four distinct physical parts:

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- o an internal unit(s) (the 'Indoor Mobile Monitor')
- o an external unit(s) (the 'Welcome System')
- o a Central Application Server which may be a home personal computer ("PC")
- o a remote access device, typically a standard cellular telephone ('Phone GUI Emulator')

The system is expandable to include multiple peripheral devices. The main components of the system (the Indoor Mobile Monitor, the Welcome System and the Central Application Server) communicate with each other by way of RF communications using 802.11b or higher wireless LAN. The Central Application Server will communicate with the remote access device by way of a dial-up modem connection, DSL, cable modem or other Internet-compatible method of communication.

INDUSTRY

The United States security services have generally divided the market into the following segments: security officer and investigation services, armored car services, monitoring services, and consulting. Security officer and investigation services are the oldest and largest segment of the security industry.

According to the USBX 2006 Year End Security Update the network camera video segment of the security industry is valued at \$7 Billion annually and has experienced a 20% annual growth rate. While noting that the public market support for the segment has remained strong and actually led all security industry segments in 2007, hardware and software costs have shrunk which has pressured margins in the industry. According to USBX, "iSuppli, a respected technology market research firm, announced this quarter that they project IP video surveillance camera revenue to grow to more than \$9.0 billion by 2011, a compound annual growth rate of 13.2%"

The report notes that each vertical market has differing applications but banking, gaming and inventory control are the premier growth applications. An estimated \$45 billion annually is lost in inventory shrinkage and bank fraud and network camera video is often at the forefront of industry efforts.

USBX also published a separate "white paper" in 2006 entitled "The Security Killer App: Intelligent Video Surveillance." The white paper cites John Chambers, CEO of Cisco Systems and notes major contracts including \$255 Million from Lockheed Martin for video of New York City subways and \$2.5 Billion from Boeing to secure U. S. borders. The paper focuses on quickly developing vertical markets for intelligent video in retail, banking and financial and public safety and transit sectors.

Management believes that the Eyetalk technology significantly differs from existing systems. The Eyetalk allows two way communication via a wireless network camera that communicates with a variety of other remote communication devices such as cell phones, PDAs, smart phones, computers, security and video monitoring devices. Due to its software interface the Eyetalk can be used to greet visitors, provide instructions to delivery personnel, interact between remote staff and patients in medical settings, as well as in security applications.

Further, the Eyetalk allows security owners monitoring personnel to more accurately recognize and address the threat presented as well as verifying a true threat. We believe this will relieve the large number of false alarm security calls and unneeded emergency personnel visits. Unlike many competitors the Eyetalk system is not dependent on the internet although it can use the internet as a platform.

The communication can be initiated by a broad array of technologies, such as doorbells, glass breakage, heat or motion detectors, weapons detectors, biometric signaling or voluntarily. The Eyetalk is programmed to manage certain of these events with standard greetings, identifications, commands, or directions. The Eyetalk can then notify designated personnel and the system of the triggering event, sending images of the current situation and permitting audible response.

We expect to compete by emphasizing the unique aspects of the Eytalk in our marketing directly to distributors and end users. We will concentrate on 12 identified distributors in Europe Mexico and the United States. We also intend to compete by direct contact with larger end users such as hospitals, banks, and government agencies concerned with homeland security.

Future Plans and Potential Markets

We believe we have the capability to enter into a growing security marketplace. We are hopeful that the security industry will continue to experience increased spending on detection devices such as the Eyetalk for the residential, commercial, institutional, medical and homeland security markets. EyeTalks ability to shift detection to a preemptive and preventive solution the company hopes will give the EyeTalk technology a clear advantage.

We also believe the Eyetalk has advantages over existing and competing technologies. Many of these applications may not relate to the security field at all, but may nonetheless be commercially useful. The additional commercial benefits of the EYETALK include:

- o monitors appointments
- o monitors deliveries
- o records employee arrivals and departures
- o provides remote access
- o provides a database of activity to and from the facility

We also expect to identify additional companies that may be interested in licensing arrangements for sales to consumers. We believe the Eyetalk provides consumers with the functions and features that are superior to those currently available and offered by competitors. These include:

- o allows the occupant to view, record or respond to visitors or guests without opening the door or even being in the home
- o detects a visitor, providing a measure of convenience to guests who no longer need to search for and activate a doorbell button
 - o allows remote access to visitors by the owner/occupant of the building
 - o allows deliveries to be made and monitored while the owner of the home is away from the premises
 - o detects intruders, allowing for an immediate response from the property owner
- o serves as a deterrent to criminals whose entry can be chronicled by the system and who cannot determine if persons are at home or not because of the nature of the remote interaction system.
- o functions as a recordkeeping database of all visitors to the home, welcomed or un-welcomed, with date, time and photographic records.
 - o alerts the owner of a power outage at the facility.

We plan to use the following business development strategies:

- 1) Use internal contacts in the local medical community to negotiate placement in hospital patient rooms, senior living rooms, recovery rooms and other medical applications.
 - 2) Arrange a schedule of appearances at security industry trade shows and presentations to trade groups.
- 3) Continue development of phase one of our contract with Photonic Discovery/UNC-Charlotte Optoelectronics and Optical Communication

Sales Strategy

We are working with Virsalent to help us identify companies that may have immediate uses for our technology. While we have not yet done so, we expect to enter into an engagement agreement with Virsalent in the near future. Virsalent, is a California corporation that has expertise in marketing and sales. Our discussions with Virsalent revolve around the development and execution of the sales and marketing plan for the Eyetalk system to the public. The plan is to develop a sales strategy that explores every possibility for generating revenue such as:

- Direct Selling
- Consumers, Internet, other direct marketing methods
 - Multi-Tiered Distribution
 - Existing security companies
 - Determined by Market Size
 - Determined by Geography
- Identification of Vertical Markets Rapid revenue growth in the shortest possible timeframe
 - Sales leverage through different, but proven, sales and marketing techniques.
- Geographically, the initial focus will be on the North American and European marketplaces.
 - The next two major markets will be Latin America and Asia, including Australia.

To date our efforts to start the commercialization phase have been delayed, due to our efforts to improve upon the application of our hardware and software and for further development of wireless broadband technology to manage our system more efficiently.

Patent and Intellectual Property

On March 20, 2007, the United States Patent and Trademark Office issued to the Company a patent, number 7,193,644 B2. The patent abstract states:

“The invention is audio-video communication and answering system that synergistically improves communication between an exterior and an interior of a business or residence and a remote location, enables messages to be stored and accessed from both locally and remotely, and enables viewing, listening, and recording from a remote location. The system's properties make it particularly suitable as a sophisticated door answering-messaging system. The system has a DVMS module on the exterior. The DVMS module has a proximity sensor, a video camera, a microphone, a speaker, an RF transmitter, and an RF receiver. The system also has a computerized controller with a graphic user interface DVMS database application. The computerized controller is in communication with a public switching telephone network, and an RF switching device. The RF switching device enables communication between the DVMS module and the computerized controller. The RF switching device can be in communication with the other RF devices, such as a cell phone, PDA, or computer.”

A complete copy of the patent is on file at the Company's offices and can be inspected.

In March, 2007 we commenced a lawsuit in the Superior Courts of Mecklenburg County, North Carolina against our prior patent attorneys. Our lawsuit alleges that we retained these attorneys and requested that they file a Non-publication Request (“the Request”) pursuant to 35 U.S.C. § 122, in order to ensure that the Application would not be published by the United States Patent & Trademark Office (“USPTO”) until issued as a patent. The lawsuit further alleges that the attorneys failed to file the Request.

The purpose of the Request was for international patent rights under procedures established by the Patent Cooperation Treaty and U.S. law implementing that treaty. By virtue of the publication of the Application in the United States without the filing of a corresponding PCT or other foreign application relating back to a date before the date of publication, one or more requirements of patentability in certain advantageous foreign jurisdictions, including the European Union, Japan, and others, to wit the absolute public novelty of the invention, can no longer be fulfilled by the Company.

We believe our claims have merit in the lawsuit. We are unable to determine what rights we may still have, if any, to patent or intellectual property protection in other jurisdictions.

COMPETITION

We expect to compete with much larger and better financed companies in the remote monitoring industry, all of which have superior name recognition, such as ADT, ATT, Pinkerton's and others.

Remote monitoring is available through a variety of media and processes, including systems integrators, closed circuit television systems, intrusion detection systems, and others. These systems typically incorporate ultrasonic, infrared, vibration, microwave and other sensors to detect door and window openings, glass breakage, vibration, motion, temperature, and noise and transmit through alarms and other peripheral equipment.

For example, the ATT remote monitor integrates with Cingular and Yahoo through cell phones and wireless internet. The user can remotely select the device and determine whether notification will be triggered by door sensors, motion sensors, temperature sensors or a combination. The user can remotely control cameras with pan, tilt and zoom features. The user can download and record or view live camera. The EyeTalk system provides similar capabilities; however with two-way communication and a programmable software interface.

Industry analysts report that both Cisco and IBM are developing new hardware and software applications for remote monitoring that, if successful, could have profound implications for the industry.

REGULATION

We are subject to the same federal, state and local laws as other companies conducting business in the software field. Our products are subject to copyright laws. We may become the subject of infringement claims or legal proceedings by third parties with respect to our current or future products. In addition, we may initiate claims or litigation against third parties for infringement of our proprietary rights, or to establish the validity of our proprietary rights. Any such claims could be time-consuming, divert management from our daily operations, result in litigation, cause product delays or lead us to enter into royalty or licensing agreements rather than disputing the merits of such claims. Moreover, an adverse outcome in litigation or a similar adversarial proceedings could subject us to significant liabilities to third parties, require the expenditure of significant resources to develop non-infringing products, require disputed rights to be licensed from others or require us to cease the marketing or use of certain products, any of which could have a material adverse effect on our business and operating results.

Results of Operations

Comparison of Twelve months Periods Ended December 31, 2008 and December 31, 2009

Assets. Assets decreased by \$18,710 to \$29,310 as of December 31, 2009, or approximately 39%, from \$48,020 as of December 31, 2008. This decrease was primarily due to the additional accumulated depreciation and amortization costs slightly offset by an increase in patent costs associated with our Eyetyalk Communicator. This increase in patent costs are the result of further work to protect and expand our patent. In November, 2007 we applied for additional patent protection for a metal detection component, a medical component that interfaces with nurse monitoring systems, a car seat technology that permits gaming downloads together with the two way communication features of EYETALK and an exterior pop-up device that pops upon triggering events. The patents are currently pending.

Liabilities. Total liabilities increased by \$285,876 to \$343,081 as of December 31, 2009, or approximately 500%, from \$57,205 as of December 31, 2008. The increase was primarily due to increases accounts payable, notes payable, accrued payroll expenses, related to a contingent liability that we have booked on unpaid capital contributions. As the company continued to develop its technology, we have incurred additional development and legal cost associated with protecting our IP rights and furthering the abilities of the technology.

Stockholders' Equity. Stockholders' equity decreased by \$304,586 to \$(313,771) as of December 31, 2009 or approximately 332% from \$(9,185) as of December 31, 2008. The decrease was due primarily to increases in paid in capital from the issuance of stock for professional services valued at \$32,500 and losses of \$529,798 ..

Liquidity and Capital Resources

General. Our primary sources of cash have been sales of common stock through private placements, notes converted to stock and loans from affiliates. We are a developmental stage company and we will rely upon more established third party vendors for many aspects of the manufacture, sale and distribution of our product, if it becomes commercially available in this regard. We previously contracted with Absolutely New, Inc. a California company to identify potential licenses from their database. Under the agreement, Absolutely New identified approximately twenty companies that it believes have a particular use for the EYETALK. We did not renew the agreement with Absolutely New. We will nonetheless pay Absolutely New twenty percent of any proceeds received as a result of the sale, license, assignment or transfer of the EYETALK to one of the identified companies for 24 months the termination of the agreement. The termination of the agreement was on September 28th, 2008. The company has engaged Photonic Discovery/UNC-Charlotte Optoelectronics and Optical Communication to design the hardware for the EyeTalk system. We expect the software and other sensing technology will be developed by Fusion Next, a North Carolina

company. Since the implementation of the EyeTalk technology is dependent on various other emerging technologies (smart phone, 3G/4G broadband) the research and development has coincided with the pace of these technologies. The system by design will provide for continuous software development and updates. We are working with Virsalent to help us identify companies that may have immediate uses for our technology. While we have not yet done so, we expect to enter into an engagement agreement with Virsalent in the near future. Virsalent, is a California corporation that has expertise in marketing and sales. Our discussions with Virsalent revolve around the development and execution of the sales and marketing plan for the Eyetalk system to the public.

Cash Flows from Operating Activities. Net cash used in operations of \$225,212 for the twelve-months period ended December 31, 2009 was attributable to a net loss of \$529,551 which was offset by non-cash expense for depreciation and amortization \$18,710 and \$285,629 was due an increase in accounts payable.

Cash Flows from Investing Activities. Net cash used by investing activities of \$0 for the twelve-months period ended December 31, 2009 was attributable to no additional patent cost or equipment cost for investment in further development and protection of our patent for the Eyetyalk Communicator.

Cash Flows from Financing Activities. Net cash provided by financing activities of \$225,212 for the twelve-months period ended December 31, 2009 was attributable to capital contributions primarily from notes of approximately \$20,000 and capital contributions of \$139,500 in a private placement and \$32,500 for payment of services from common stock for a total of \$195,461.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. Under SFAS No. 157, fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS 157 also establishes a three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the valuation methodologies in measuring fair value. On February 12, 2008, FASB issued FASB Staff Position (FSP) No. FAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. We elected a partial deferral of SFAS No. 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating other long-lived assets for impairment. On October 10, 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active , (FSP 157-3), which clarifies application of SFAS No. 157 in a market that is not active. FSP 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The Company does not expect that the adoption of SFAS No. 157 or FSP 157-3 to have a material affect to its financial statements.

In June 2008, FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," ("FSP EITF 03-6-1"), was issued. FSP EITF 03-6-1 requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents to be treated as participating securities as defined in EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128," and, therefore, included in the earnings allocation in computing earnings per share under the two-class method described in SFAS No. 128, "Earnings Per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. Upon adoption, all previously reported earnings per share data must be retroactively adjusted to conform with the requirements of the FSP. The Company is currently evaluating the impact of the adoption of FSP EITF 03-6-1 on its calculation of earnings per share.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements.

Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions also identify forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements. These forward-looking statements are based on management's expectations as of the date hereof, that necessarily contain certain assumptions and are subject to certain risks and uncertainties. The Company does not undertake any responsibility to update these statements in the future. The Company's actual future performance and results could differ from that contained in or suggested by these forward-looking statements as a result of the factors set forth in this Management's Discussion and Analysis of Financial Condition and Results of Operations, the Business Risks described in Item 1 of this Report on Form 10-K and elsewhere in the Company's filings with the Securities and Exchange Commission.

Item 8. Financial Statements and Supplementary Data

The information required as to this Item is incorporated by reference from the consolidated financial statements and supplementary data listed in Item 15 of Part IV of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

As of the end of the period covered by this report, Revolutionary Concepts, Inc. management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that such disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to Revolutionary Concepts required to be included in Revolutionary Concepts' periodic filings under the Exchange Act.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act). Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its report entitled Internal Control—Integrated Framework. Based on the assessment, management believes that, as of December 31, 2008, the Company's internal control over financial reporting is effective based on those criteria.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in internal control. There have been no significant changes in internal controls or in factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their

evaluation.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Item 9B. Other Information

None.

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PART III

Item 10. Directors and Executive Officers and Corporate Governance

Directors and Executive Officers.

Name	Age	Title
Ronald Carter	55	Founder, President, CEO, Director
Garry Stevenson	59	Vice President, Director
Bethiel Tesfasillasie	36	Vice President of Corporate Relations

Our Bylaws provide that we shall have that number of directors determined by the majority vote of the board of directors. Currently we have two directors. Each director will serve until our next annual shareholder meeting. Directors are elected for one-year terms. Our Board of Directors elects our officers at the regular annual meeting of the Board of Directors following the annual meeting of shareholders. Vacancies may be filled by a majority vote of the remaining directors then in office. Our directors and executive officers are as follows:

Ron Carter – Founder, President, CEO and Director

Mr. Carter is the inventor of the EYETALK. He is a North Carolina native, married with three children. As a career government employee, Mr. Carter has been responsible for housing code, planning and development in several metropolitan areas in North Carolina. Mr. Carter formerly worked from the City of Charlotte as the Chief Housing Development Specialist from 1995 until 2004. Prior to this position, Mr. Carter was served as the Housing Rehabilitation Supervisor in Winston-Salem, NC.

Mr. Carter is a graduate of North Carolina A&T State University in Greensboro, where he earned a BA degree in Political Science. He is the 1988 recipient of the President’s Award presented by the North Carolina Section 8 Housing Association. He also founded the Professional Housing Rehabilitation Association of North Carolina Housing and served as Chairman of Education and Training for the NC Community Development Association.

Garry Stevenson – Vice President, Director

Mr. Stevenson is a successful and proven entrepreneur. He has been the owner and CEO of Body Image, LLC, a fitness center for women and Point of Love and Grace Inc. of Shelby, NC, a group home for boys, since 2000. Mr. Stevenson has over thirty years of corporate experience; he served as Senior Vice President of World Connect Communications from 1997 until 2003. He worked for twenty-five years in corporate management as Division Manager at United Parcel Service where he retired in 1997.

Mr. Stevenson received a Juris Doctor Degree from North Carolina Central University School of Law in 1976. He is married and the father of three children.

Bethiel Tesfasillasie – Vice President of Corporate Relations

Ms. Tesfasillasie is an established professional. Ms. Tesfasillasie became the youngest vice president at World Connect Communications from 1999 until 2001. She also had a successful career as a Quality Inspector Technician for IBM from 1994 to 1998. From 2001 and 2003 she was in the sales and accounting department of a local car dealer. Ms. Tesfasillasie became a licensed real estate agent in 2003 and continues her real estate from time to time.

Ms. Tesfasillasie was born in East Africa and moved to the United States with her family when she was eleven years old. She was raised in Charlotte, NC and attended the Charlotte-Mecklenburg public schools. Ms. Tesfasillasie graduated from West Charlotte High School and received her Bachelors Degree in Chemistry from University of North Carolina at Charlotte.

Ms. Tesfaillasie is a Board Member of the Charlotte Black Chamber of Commerce and speaks four languages. In 2001, Ms. Tesfaillasie filed for protection from creditors under a chapter of the U. S. Bankruptcy Code which was discharged and closed in 2005.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors, and persons who own more than ten percent of a registered class of our equity securities to file reports of securities ownership and changes in such ownership with the SEC and NASDAQ. Officers, directors, and greater-than-ten-percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file.

Based solely upon a review of Forms 3, Forms 4, and Forms 5 furnished to us pursuant to Rule 16a-3 under the Exchange Act, we believe that all such forms required to be filed pursuant to Section 16(a) of the Exchange Act during the year ended December 31, 2008 were timely filed, as necessary, by the officers, directors, and security holders required to file such forms, except that Mr. Carter filed one Form 4 late.

Item 11. Executive Compensation

No compensation was awarded to or paid to any executive officer or director of the Company during the years 2004 through 2009 other than \$46,937 in 2008 and \$35,446 in 2009 recorded as other income and salary to our CEO Ron Carter.

The following table and the accompanying notes provide summary information for each of the last four fiscal years concerning cash and non-cash compensation paid or accrued.

Summary Compensation Table

Name And Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Ronald Carter	2004	0	0	0	0	0	\$0	0
Chairman of Board	2005	0	0	0	0	0	0	0
And CEO	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	46,937	46,937
	2009	35,446	0	0	0	0	0	35,446
Gary Stevenson	2004	0	0	0	0	0	0	0
CFO	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
Bethiel Tefasillasie	2004	0	0	0	0	0	0	0
	2005	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0
	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0

The officers have taken no salary but have taken loans to our officers and directors in lieu of salary or other compensation.. These loans are unsecured, bear a 5% interest and have five year repayment term, The total balance of loans to officers and directors was \$187,172 and \$157,585 in 2008 and 2009, respectively and have been recorded as “Unpaid Capital Contributions”.

The Company expects these loans to be repaid on a rolling basis throughout the term of the five year loans. After subtracting re-payments made and adding in accumulated interest, the following balances were owed as of year end 2008 and 2009.

	12/31/08	12/31/09
Ron Carter	\$116,499	\$83,675
Garry Stevenson	30,269	31,676
Bethiel Tefasillasie	40,404	42,234
\$187,172	\$157,585	

In the event that the loans are not fully repaid, any shortfall will be expensed as salary to the officers. We do not consider these advances to be management compensation, but we have been advised by tax counsel that there is a possibility that the Internal Revenue Service may disagree with our position, in which case we will be required to book the advances as compensation and will owe applicable taxes on the entire amounts, together with possible penalties and interest.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

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The following table contains certain information as of December 31, 2009 as to the number of shares of Common Stock beneficially owned by (i) each person known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each person who is a Director of the Company, (iii) all persons as a group who are Directors and Officers of the Company, and as to the percentage of the outstanding shares held by them on such dates and as adjusted to give effect to this Offering.

Name and Position	Current	
	Shares	Percentage
Ron Carter President/CEO Director	10,291,960	.5251
Garry Stevenson Director	2,051,600	.1047
Bethiel Tesfasillasie	434,800	.0222
Totals	12,778,360	65.2%

Item 13. Certain Relationships and Related Transactions, and Director Independence

On January 19, 2005, we entered into a Consulting Services Agreement with Sedgefield Capital Corporation, a North Carolina management consultant firm. Sedgefield agreed to provide a range of advisory services including services related to payments of the preparation of a suitable private placement and a follow on registration statement seeking to register the shares sold in the 2005 private placement. Among other things, Sedgefield agreed to assist the company in selecting securities counsel, auditors, transfer agents, edgarizing service providers, provide assistance in the selection of accounting services. They have also introduced the company to strategic partners for marketing, public relations and distribution.

We have paid Sedgefield \$150,000 and 670,00 restricted common shares, to date under the Agreement. Sedgefield owns approximately 3.45% of the issued and outstanding shares of the Company. These fees were to cover the costs of legal and audit expenses in connection with the public offering, initial listing in a recognized securities manual such as Standard & Poors or Mergent, registration fees and costs, costs of "Edgarization" and other services required for effectiveness. Sedgefield also assisted in the negotiations with our transfer agents, and has agreed to assist in preparation of materials and to attend meetings, roadshows and consultations with brokers and other industry professionals. A significant portion of these services will continue at least for some time after we have established a trading market. The Company expects that it will negotiate a new agreement with Sedgefield at the conclusion of the current agreement but there have been no discussions thus far. We are therefore unable to determine whether there will be any further agreement or any fees payable for additional services.

Gene Johnston who is affiliated with Sedgefield, has agreed to assist the company with bookkeeping and to work with our tax accountants and auditor in preparing information requested. These are areas that were not a part of the agreement with Sedgefield. Mr. Johnston is not under contract, but has agreed to work on a month to month basis, until the company is in a position to staff the accounting area.

As of December 31, 2007 the Company mutually terminated a marketing and public relations agreement with Red Moon Marketing, Inc. and NexCom, both of Charlotte, North Carolina. These agreements involved marketing to a specific Fortune 1000 company, but discussions with that company ended in 2007. The company paid \$83,580.10 to NexCom (Chad T. Jenkins) along with 56,000 shares of restricted common stock and \$50,000 to Red Moon and 87,500 shares of restricted common stock. Red Moon created the website for the company and provided certain maintenance and upgrades during the existence of their agreement. NexCom made introductions to Motorola Corporation to enter into a joint venture or similar manufacturing and marketing agreement. NexCom continued discussions on our behalf and believed them to be successful until Motorola decided to completely exit the security monitoring space to focus on core needs. Shortly thereafter we terminated the agreement with NexCom

Unpaid Capital Contributions

As of December 31, 2009, the Company had Loans to Shareholders of approximately \$157,585 to its officers and directors. As of December 31, 2008, the outstanding loans were \$187,172. The advances carry an interest rate of 5% and have been recorded as "Unpaid Capital Contributions". In the event that the loans are not fully repaid, any shortfall will be written off as compensation expense in our income statement.

Stock Option Agreements

The Company has not entered into stock option agreements with the any individuals or companies. The management does anticipate that to secure the services of certain prospective employee that a stock option plan will need to be effective in the very near future. The company anticipates that such a plan would allow for options at competitive market rates.

Item 14. Principal Accounting Fees and Services

The company incurred \$29,731 fees for accounting and related services.

Item 15. Exhibits, Financial Statement Schedules

(a) Documents included as part of this report:

1. The consolidated financial statements for the Registrant are included in this report.

Report of Independent Registered Public Accounting Firm	26
Consolidated Statements of Operations for the years ended December 31, 2008 and 2009;	27
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2008 and 2009;	28
Consolidated Statements of Cash Flows for the years ended December 31, 2008, and 2009;	29
Notes to Consolidated Financial Statements	33

2. Schedule II Valuation and Qualifying Accounts for the years ended December 31, 2008 and 2009.

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or the notes thereto.

3. See the Index to Exhibits on page 38 of this Form 10-K.

(b) Exhibits required by Item 601 of Regulation S-K.

See item (a) 3 above.

FINANCIAL INFORMATION

INDEPENDENT AUDITORS REPORT

GREG LAMB, CPA
6409 Viking Trail
Arlington, TX 76001

The Board of Directors and Shareholders of Revolutionary Concepts, Inc.

We have audited the accompanying balance sheet of Revolutionary Concepts, Inc. as of December 31, 2008 and December 31, 2007 and the related statements of loss, shareholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accountability Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and December 31, 2007 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses, negative cash flows from operations and has a net working capital deficiency, factors which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are described in note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Greg Lamb, CPA
Greg Lamb, CPA

March 31, 2009

Revolutionary Concepts, Inc.

(A Development Stage Company)

Balance Sheet
as of December 31, 2008 and December 31, 2009

	2009	2008
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$-	\$-
Total Current Assets	-	-
Fixed Assets		
Accumulated Depreciation	(10,425)	(8,237)
Computer	11,331	11,331
Total Fixed Assets	906	3,094
Other Assets		
Accumulated Amortization	(64,472)	(47,950)
Security Deposits	1,500	1,500
Organizational Costs	3,070	3,070
Patent Costs	88,306	88,306
Total Other Assets	28,404	44,926

Powers. Subject to any express limitations contained in the Declaration of Trust or in the Bylaws, (a) the business and affairs of the Trust shall be managed under the direction of the Board of Trustees and (b) the Board shall have full, exclusive and absolute power, control and authority over any and all property of the Trust. The Board may take any action as in its sole judgment and discretion is necessary or appropriate to conduct the business and affairs of the Trust. The Declaration of Trust shall be construed with the presumption in favor of the grant of power and authority to the Board. Any construction of the Declaration of Trust or determination made in good faith by the Board concerning its powers and authority hereunder shall be conclusive. The enumeration and definition of particular powers of the Trustees included in the Declaration of Trust or in the Bylaws of the Trust (the Bylaws) shall in no way be limited or restricted by reference to or inference from the terms of this or any other provision of the Declaration of Trust or the Bylaws or construed or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board or the Trustees under the general laws of the State of Maryland or any other applicable laws.

The Board may, without any action by the shareholders of the Trust, cause the Trust to revoke or otherwise terminate the Trust's REIT election pursuant to Section 856(g) of the Code.

The Board, without any action by the shareholders of the Trust, shall have and may exercise, on behalf of the Trust, without limitation, the power to determine that compliance with any restriction or limitation on ownership and transfer of Shares (as hereinafter defined) set forth in Article VII of the Declaration of Trust is no longer required in order for the Trust to qualify as a REIT; to adopt, amend or repeal the Bylaws; to elect officers in the manner prescribed in the Bylaws; to solicit proxies from holders of Shares; and to do any other acts and deliver any other documents necessary or appropriate to the foregoing powers.

Section 5.2 Number and Classification. The number of Trustees of the Trust (hereinafter the Trustees) shall initially be four (4), but such number may hereafter be increased or decreased only by the Board of Trustees pursuant to the Bylaws. Notwithstanding the foregoing, if for any reason any or all of the Trustees cease to be Trustees, such event shall not terminate the Trust or affect the Declaration of Trust or the powers of the remaining Trustees. The names of the four (4) Trustees, each of whom shall serve until the first annual meeting of shareholders and until his (or her) successor is duly elected and qualifies, are:

H. Kerr Taylor
Robert S. Cartwright, Jr.
Phillip W. Taggart
H.L. Rush, Jr.

Vacancies on the Board of Trustees, whether resulting from an increase in the number of Trustees or otherwise, may be filled only by the Board of Trustees in the manner provided in the Bylaws. Election of Trustees by shareholders shall require the vote and be in accordance with the procedures set forth in the Bylaws.

It shall not be necessary to list in the Declaration of Trust the names and addresses of any Trustees hereinafter elected.

Section 5.3 Resignation, Removal or Death. Any Trustee may resign by written notice to the Board, effective upon execution and delivery to the Trust of such written notice or upon any future date specified in the notice. Subject to the rights of holders of one or more classes or series of Preferred Shares (as hereinafter defined) to elect or remove one or more Trustees, a Trustee may be removed at any time, but only with cause, at a meeting of the shareholders, by the affirmative vote of the holders of not less than two-thirds (2/3) of the Shares then outstanding and entitled to vote generally in the election of Trustees.

Section 5.4 Determinations by Board. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Trustees consistent with the Declaration of Trust, shall be final and conclusive and shall be binding upon the Trust and every holder of Shares: the amount of the net income of the Trust for any period and the amount of assets at any time legally available for the payment of dividends, redemption of Shares or the payment of other distributions on Shares; the amount of paid-in surplus, net assets, other surplus, annual or other cash flow, funds from operations, net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Shares; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Trust or of any Shares; the number of Shares of the Trust of any class or series authorized or outstanding; any matter relating to the acquisition, holding and disposition of any assets by the Trust; the amount to be available to fund redemption of Shares pursuant to Section 6.4.4 or Section 6.5.4; the amount of the Optional Redemption Price; or any other matter relating to the business and affairs of the Trust or required or permitted by applicable law, the Declaration of Trust or Bylaws or otherwise to be determined by the Board of Trustees.

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ARTICLE VI SHARES OF BENEFICIAL INTEREST

Section 6.1 Authorized Shares. The beneficial interest of the Trust shall be divided into shares of beneficial interest (the Shares). The total number of Shares of all classes and series that the Trust has authority to issue is 103,000,000 shares of beneficial interest, \$0.01 par value per share, consisting of (i) 10,000,000 preferred shares of beneficial interest, \$0.01 par value per share (the Preferred Shares); and 93,000,000 common shares of beneficial interest, \$0.01 par value per share (the Common Shares), consisting of (w) 50,000,000 Common Shares designated as Class A Common Shares (Class A Common Shares); (x) 4,400,000 Common Shares designated as Class C Common Shares (Class C Common Shares); (y)

17,000,000 Common Shares designated as Class D Common Shares (Class D Common Shares); and (z) 21,600,000 Common Shares without further designation as to class or series. If Shares of one class or series are classified or reclassified into Shares of another class or series pursuant to this Article VI, the number of authorized Shares of the former class or series shall be automatically decreased and the number of Shares of the latter class or series shall be automatically increased, in each case by the number of Shares so classified or reclassified, so that the aggregate number of Shares of all classes and series that the Trust has authority to issue shall not be more than the total number of Shares set forth in the second sentence of this Section 6.1. The Board of Trustees, with the approval of a majority of the entire Board and without any action by the shareholders of the Trust, may amend the Declaration of Trust from time to time to increase or decrease the aggregate number of Shares or the number of Shares of any class or series that the Trust has authority to issue.

Section 6.2 Preferred Shares. The Board of Trustees may classify any unissued Preferred Shares and reclassify any previously classified but unissued Preferred Shares from time to time, in one or more classes or series of Common Shares or Preferred Shares. Common Shares shall be subject to the express terms of any class or series of Preferred Shares.

Section 6.3 Class A Common Shares.

Section 6.3.1 Dividends. The holders of Class A Common Shares shall be entitled to receive such dividends as may be declared by the Board out of funds legally available therefor.

Section 6.3.2 Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up, or any distribution of the assets, of the Trust, the aggregate assets available for distribution to holders of Class A Common Shares shall be determined in accordance with applicable law. Each holder of Class A Common Shares shall be entitled to receive, ratably with each other holder of Class A Common Shares, that portion of such aggregate assets of the Trust available for distribution as the number of outstanding Class A Common Shares held by such holder bears to the total number of (i) Class A Common Shares then outstanding, (ii) the Class C Common Shares then outstanding, (iii) the Class D Common Shares then outstanding, and (iv) any other class or series of Common Shares then outstanding that rank on a parity with the Class A Common Shares as to the distribution of assets upon liquidation. Any amount available for distribution in excess of the foregoing limitations shall be paid ratably to the holders of Class A Common Shares.

Section 6.3.3 Voting Rights. Except as may be provided in this Declaration of Trust, and subject to the express terms of any series of Preferred Shares, the holders of Class A Common Shares shall have the right to vote on all matters presented to holders of Common Shares, voting together as a single class with the holders of Common Shares of any other class or series entitled to vote thereon, at all meetings of the shareholders of the Trust, and shall be entitled to one (1) vote for each Class A Common Share entitled to vote at such meeting.

Section 6.4 Class C Common Shares.

Section 6.4.1 Dividends. Subject to the preferential rights of any series of Preferred Shares, holders of Class C Common Shares will be entitled to receive, when, as and if authorized by the Board of Trustees and declared by the Trust, out of funds legally available for the payment of dividends, non-cumulative cash dividends in an amount per Class C Common Share equal to \$0.70 per annum. Dividends payable on the Class C Common Shares for each full monthly dividend period will be computed by dividing the annual dividend rate by twelve. Dividends with respect to the Class C Common Shares will be non-cumulative from the date of original issuance (the Issue Date) and will be payable monthly when, as and if the Board authorizes and the Trust declares a monthly dividend on the Class C Common Shares for that month in its discretion (the last day of each month being a Dividend Payment Date). Any dividend payable on the Class C Common Shares for any partial dividend period after the initial dividend period will be computed on the basis of a 360 day year consisting of twelve 30 day months. Dividends will be payable to holders of record as they appear in the shares records of the Trust at the close of business on the applicable record date, which will be the fifteenth (15th) day of the calendar month in which the applicable Dividend Payment Date falls or such other date designated by the Board for the payment of dividends that is no more than thirty (30) nor less than ten (10) days prior to the Dividend Payment Date. Holders of Class C Common Shares shall not be entitled to any dividends, whether payable in cash, property or shares, in excess of the non-cumulative dividends, as herein provided on the Class C Common Shares.

If any Class C Common Shares are outstanding, no dividends will be declared or paid or set apart for payment on the Class A Common Shares for any period unless full dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Class C Common Shares for the then-current monthly dividend period; provided however, that dividends on the Class A Common Shares may be declared and paid and set apart for payment without regard to whether any dividends were paid or not paid (or declared or not declared) by the Trust on the Class C Common Shares for any past monthly dividend period.

Section 6.4.2 Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Trust, subject to the prior rights of any series of Preferred Shares, the holders of Class C Common Shares will share pro rata, with the holders of the Class A Common Shares, the Class C Common Shares, the Class D Common Shares and the holders of any other class or series of Common Shares that rank on a parity with the Class C Common Shares as to the distribution of assets upon liquidation, the assets of the Trust remaining following the payment of all liquidating distributions payable to holders of Shares of the Trust with liquidation rights senior to those of the Common Shares.

Section 6.4.3 Mandatory Redemption By The Trust. The Class C Common Shares will not be redeemable prior to the third (3rd) anniversary of the Issue Date. On and after such third (3rd) anniversary date, the Trust, at its option (to the extent the Trust has funds legally available therefor) upon not less than thirty (30) nor more than sixty (60) days written notice, may redeem Class C Common Shares, in whole or in part, at any time or from time to time, for, at the option of the holder thereof, either (i) cash at the redemption price per share of \$11.00 or (ii) one Class A Common Share per each Class C Common Share redeemed by such holder.

Notwithstanding the foregoing, unless the full then-current monthly dividends on all Class C Common Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then-current monthly dividend period (without regard to whether any dividends were paid or not paid in any prior monthly dividend period), no Class C Common Shares will be redeemed unless all outstanding Class C Common Shares are simultaneously redeemed. The foregoing, however, will not prevent the purchase or acquisition of shares of the Class C Common Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Class C Common Shares. Unless full current monthly dividends on all outstanding Class C Common Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then-current monthly dividend period (without regard to whether any dividends were paid or not paid in any prior monthly dividend period), the Trust will not purchase or otherwise acquire, either directly or indirectly through a subsidiary or otherwise, any Class C Common Shares.

If fewer than all of the outstanding Class C Common Shares are to be redeemed, the number of Shares to be redeemed will be determined by the Trust and those Shares may be redeemed pro rata from the holders of record of those Shares in proportion to the number of those Shares held by the holders (as nearly as may be practicable without creating fractional Class C Common Shares) or any other equitable method determined by the Trust.

Class C Common Shares shall be redeemed by the Trust on the date specified in a notice to the holders of the Class C Common Shares (the Call Date). Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two (2) successive weeks commencing not less than thirty (30) nor more than sixty (60) days prior to the redemption date. A similar notice will be mailed by the Trust, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, addressed to the respective holders of record of Class C Common Shares to be redeemed at their respective addresses as they appear on the share transfer records of the Trust. No failure to give notice or any defect therein or in the mailing thereof will affect the validity of

the proceeding for the redemption of any Class C Common Shares except as to the holder to whom notice was defective or not given. Each notice shall state: (1) the Call Date; (2) the redemption price; (3) the number of Class C Common Shares to be redeemed; (4) the place or places where the Class C Common Shares are to be surrendered for payment of the redemption price; (5) that dividends on the Shares to be redeemed will cease to accrue on the Call Date; and (6) that any conversion rights will terminate at the close of business on the third (3rd) business day immediately preceding the Call Date. If fewer than all the Class C Common Shares held by any holder are to be redeemed, the notice mailed to that holder will also specify the number of Class C Common Shares to be redeemed from that holder. Notice having been given as aforesaid, from and after the Call Date (unless the Trust shall fail to issue and make available the number of Class A Common Shares and/or amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the Class C Common Shares so called for redemption shall cease to accrue on the Class C Common Shares called for redemption (except that, in the case of a Call Date after a dividend record date and prior to the related Dividend Payment Date, holders of Class C Common Shares on the dividend record date will be entitled on such Dividend Payment Date to receive the dividend payable on such shares, if any), (ii) said Shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Class C Common Shares shall cease (except the rights to receive the Class A Common Shares and/or cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). As promptly as practicable after the surrender in accordance with said notice of the certificates for any such Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and if the notice shall so state), such holders will be issued certificates representing Class A Common Shares and/or any cash (without interest thereon) for which such Shares have been redeemed in accordance with such notice.

Upon any redemption of Class C Common Shares, the Trust shall pay in cash to the holder of such shares an amount equal to the dividend accrued and unpaid for the then-current monthly dividend period only (without regard to whether any dividends were paid or not paid in any prior monthly dividend period), if any. Immediately prior to authorizing any redemption of the Class C Common Shares, and as a condition precedent for such redemption, the Trust, by resolution of the Board, shall declare a mandatory dividend on the Class C Common Shares payable in cash on the Call Date in an amount equal to the dividend owed and unpaid for the then-current monthly dividend period (without regard to whether any dividends were paid or not paid in any prior monthly dividend period) on the Class C Common Shares to be redeemed, if any, which amount shall be added to the redemption price. If the Call Date falls after a dividend payment record date and prior to the corresponding Dividend Payment Date, then each holder of Class C Common Shares at the close of business on such dividend payment record date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares prior to such Dividend Payment Date. Except as provided above, the Trust shall make no payment or allowance for accrued dividends on Class C Common Shares called for redemption.

Section 6.4.4 Limited Optional Redemption. Subject to and upon compliance with the provisions of this Section 6.4.4, at any time prior to the seventh (7th) anniversary of the Issue Date of the Class C Common Shares, any holder of Class C Common Shares who has held Class C Common Shares for not less than one (1) year may present all or any portion (but not less than twenty-five percent (25%)) of those shares to the Trust for redemption at any time (the Limited Put Right). The Trust may, at its sole option, redeem those shares presented for redemption for cash to the extent it has sufficient funds available thereof. Notwithstanding anything to the contrary contained in this Section 6.4.4, at no time during a 12-month period, may the number of Class C Common Shares redeemed by the Trust exceed five percent (5%) of the number of Class C Common Shares outstanding at the beginning of that 12-month period.

To the extent that the Board decides to accept any shares for redemption under this Section 6.4.4, the Trust will only use the following amounts for redemptions effected under this Section 6.4.4: (1) the full amount of the proceeds from the sale of shares under the Trust's dividend reinvestment plan (Reinvestment Proceeds) attributable to any calendar quarter may be used to redeem shares presented for redemption pursuant to this Section 6.4.4 during that quarter, and (2) at the sole discretion of the Board, up to \$100,000 per calendar quarter of the proceeds of any public offering of the Trust's Common Shares. Any amount of offering proceeds which is available for redemptions under this Section 6.4.4, but which is unused in any quarter, may be carried over to the next succeeding calendar quarter for use in addition to the amount of Reinvestment Proceeds and offering proceeds that would otherwise be available for redemptions under this Section 6.4.4 in such quarter.

In the event there are insufficient funds to redeem all of the shares for which Limited Put Right requests have been submitted, the Trust will redeem the shares in the order in which such Limited Put Right

requests have been received. A holder of Class C Common Shares whose shares are not redeemed pursuant to a Limited Put Right request due to insufficient funds can either (1) ask that the request to redeem the Class C Common Shares be honored at such time, if any, as there are sufficient funds available for redemption of shares pursuant to this Section 6.4.4 (in which event the Limited Put Right request will be retained and those shares will be redeemed before any subsequently received Limited Put Right requests are honored); or (2) withdraw his or her Limited Put Right request. A holder of Class C Common Shares will not relinquish his or her Class C Common Shares until such time as the Trust commits to redeeming such shares pursuant to this Section 6.4.4.

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Any holder of Class C Common Shares who wishes to have his or her shares redeemed pursuant to this Section 6.4.4 must mail or deliver a written request on a form provided by the Trust and executed by such holder, its trustee or authorized agent, to the Trust or a redemption agent designated by it on such form (such person or entity, the Redemption Agent). The Redemption Agent at all times will be registered as a broker-dealer with the Securities and Exchange Commission and each applicable state securities commission. Within thirty (30) days following the Redemption Agent's receipt of such holder's request, the Redemption Agent will forward to that holder the documents necessary to effect the redemption, including any signature guarantee the Trust or the Redemption Agent may require. The Redemption Agent will effect the redemption for the calendar quarter provided that it receives the properly completed redemption documents relating to the shares to be redeemed from the holder at least one (1) calendar month prior to the last day of the current calendar quarter and has sufficient funds available to redeem the shares. The effective date of any redemption under this Section 6.4.4 will be the last date during a quarter during which the Redemption Agent receives the properly completed redemption documents.

Upon the Redemption Agent's receipt of notice for redemption of shares pursuant to this Section 6.4.4, the redemption price for Class C Common Shares redeemed pursuant to this Section 6.4.4 (the Optional Redemption Price) shall initially be \$9.00 per share. The Board may, in its sole discretion, adjust the Optional Redemption Price at any time and from time to time in its sole discretion. Any such change in the Optional Redemption Price shall be effective on the tenth (10th) day after the public announcement of such change in the Optional Redemption Price. Any Class C Common Shares acquired pursuant to a redemption under this Section 6.4.4 will be retired and no longer available for issuance by the Trust.

A holder of Class C Common Shares may present fewer than all of his or her shares to the Trust for redemption; provided, however, that (1) the minimum number of Class C Common Shares which must be presented for redemption pursuant to this Section 6.4.4 shall be at least twenty-five percent (25%) of his or her shares, and (2) if such holder retains any Class C Common Shares, he or she must retain at least \$2,500 worth of such shares; provided further, that he or she must only retain \$1,000 worth of Class C Common Shares if such shares are held by an Individual Retirement Plan, Keogh Plan or pension plan.

Notwithstanding anything contained in the Section 6.4.4 or any other provision hereof to the contrary, the Board, in its sole discretion, may suspend the redemption plan at any time it determines that any suspension is in the best interest of the Trust. The Board may suspend the redemption of shares if (1) it determines, in its sole discretion, that the redemption impairs the capital or the operations of the Trust; (2) it determines, in its sole discretion, that an emergency makes such redemption not reasonably practical; (3) any governmental or regulatory agency with jurisdiction over the Trust so demands for the protection of the shareholders; (4) it determines, in its sole discretion, that the redemption would be unlawful; (5) it determines, in its sole discretion, that the redemption, when considered with all other redemptions, sales, assignments, transfers and exchanges of the Trust's Common Shares, could cause direct or indirect ownership of shares of the Trust's common stock to become concentrated to an extent which would prevent the Trust from qualifying as a REIT under the Code; or (6) it determines, in its sole discretion, the suspension to otherwise be in the best interest of the Trust. The redemption plan will terminate, and the Trust no longer shall accept shares for redemption at such time as the Class C Common Shares become eligible to convert into Class A Common Shares.

Section 6.4.5 Voting Rights. Holders of the Class C Common Shares shall have the right to vote on all matters presented to holders of Common Shares as a single class with all other holders of Common Shares. In any matter in which the Class C Common Shares may vote, including any action by

written consent, each Class C Common Share will entitle the holder to one (1) vote. The holders of Class C Common Shares may separately designate a proxy for the vote to which the Class C Common Shares are entitled.

So long as any Class C Common Shares are outstanding, in addition to any other vote or consent of shareholders required by law or by the Declaration of Trust, the affirmative vote of at least two-thirds (2/3) of the votes entitled to be cast by the holders of the Class C Common Shares, at the time outstanding, acting as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(1) Any sale of all or substantially all of the assets of the Trust, any liquidation of the Trust or any amendment, alteration or repeal of any of the provisions of the Declaration of Trust or the Bylaws of the Trust that materially and adversely affects the voting powers, rights or preferences of the holders of the Class C Common Shares; provided, however, that the amendment of the provisions of the Declaration of Trust so as to authorize or create, or to increase the authorized amount of, any shares of any class or series ranking on a parity with the Class C Common Shares in the distribution of assets on any liquidation, dissolution or winding up of the Trust or in the payment of dividends shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Class C Common Shares; or

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(2) The authorization or creation of, or the increase in the authorized amount of, any Shares of any class or series or any security convertible into Shares of any class or series ranking prior or senior to the Class C Common Shares in the distribution of assets on any liquidation, dissolution or winding up of the Trust or in the payment of dividends;

provided, however, that no such vote of the holders of Class C Common Shares shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior Shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Class C Common Shares at the time outstanding.

Section 6.4.6 Conversion.

Holders of Class C Common Shares shall have the right to convert all or a portion of such shares into Class A Common Shares, as follows:

(1) Subject to and upon compliance with the provisions of this Section 6.4.6, a holder of Class C Common Shares shall have the right, at such holder's option, at any time on or after the seventh (7th) anniversary of the Issue Date of such shares, to convert such shares, in whole or in part, into fully-paid and non-assessable shares of authorized but unissued Class A Common Shares at a conversion price equal to the purchase price of the Class C Common Shares plus ten percent (10%) (the Conversion Amount). The number of Class A Common Shares to be issued upon conversion shall be determined by dividing the Conversion Amount by the Market Price (as defined in Article VII) of the Class A Common Shares on the date the notice of conversion is received by the Trust; provided, however, that the right to convert Class C Common Shares called for redemption shall terminate at the close of business on the Call Date fixed for such redemption, unless the Trust shall default in making payment upon such redemption.

(2) In order to exercise the conversion right, the holder of each Class C Common Share to be converted shall send, to the office of the Trust, a written notice to the Trust that the holder thereof elects to convert such share. Each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Trust, duly executed by the holder or such holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Trust demonstrating that such taxes have been paid).

Holders of Class C Common Shares at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the conversion thereof following such dividend payment record date and prior to such

Dividend Payment Date. However, Class C Common Shares surrendered for conversion during the period between the close of business on any dividend payment record date and the opening of business on the corresponding Dividend Payment Date (except shares converted after the issuance of notice of redemption with respect to a Call Date during such period, such shares being entitled to such dividend on the Dividend Payment Date) must be accompanied by payment of an amount equal to the dividend payable on such shares on such Dividend Payment Date. Except as provided above, the Trust shall make not payment or allowance for unpaid dividends on converted shares or for dividends on the Class A Common Shares issued upon such conversion.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for Class C Common Shares shall have been surrendered and such notice shall have been received by the Trust as aforesaid (and, if applicable, payment of an amount equal to the dividend payable on such shares shall have been received by the Trust as above-described) and the person or persons in whose name or names any certificate or certificates for Class A Common Shares shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date.

(3) No fractional Class A Common Shares shall be issued upon conversion. Instead any fractional Class A Common Shares that would otherwise be deliverable upon the conversion of Class C Common Shares, the Trust shall pay to the holder of such share an amount in cash based upon the Market Price of the Class A Common Shares.

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(4) The Conversion Amount shall be adjusted from time to time as follows:

(i) If the Trust shall, after the Issue Date (a) pay a dividend or make a distribution on any class or series of its Shares in Class A Common Shares; (b) subdivide its outstanding Class A Common Shares into a greater number of shares; (c) combine its outstanding Class A Common Shares into a smaller number of shares; or (d) issue any Shares by reclassification of its Class A Common Shares, the Conversion Amount in effect at the opening of business on the date following the date fixed for the determination of a shareholder entitled to receive such dividend or distribution or at the opening of business on the date following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, shall be adjusted so that the holder of any Class C Common Shares thereafter surrendered for conversion shall be entitled to receive the number of Class A Common Shares (or fraction of a share) that such holder would have owned or have been entitled to receive after the happening of any of the events described above had such Class C Common Shares been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. An adjustment made pursuant to this subsection (4) of Section 6.4.6 shall become effective immediately after the opening of business on the day next following the record date (except as provided in paragraph (vi) of subsection (4) of this Section 6.4.6) in the case of a dividend or distribution and shall become effective immediately after the opening of business on the date next following the effective date in the case of a subdivision, combination or reclassification.

(ii) If the Trust shall distribute to all holders of its Class A Common Shares any Shares of capital stock of the Trust (other than Class A Common Shares), evidence of its indebtedness or assets (including cash, but excluding regularly scheduled cash dividends) or rights or warrants to subscribe for or purchase any of its securities (excluding those rights and warrants issued to all holders of Class A Common Shares entitling them for a period expiring within forty-five (45) days after the record date referred to in paragraph (i) of subsection (4) of Section 6.4.6 above to subscribe for or purchase Class A Common Shares, which rights and warrants are referred to in and treated under such paragraph (i) of subsection (4) of Section 6.4.6 above) (any of the foregoing being hereinafter in this paragraph (ii) of subsection (4) of Section 6.4.6 called the Distribution), then in each such case the Conversion Amount in effect at the opening of business on the date following the date fixed for the determination of a shareholder entitled to receive such Distribution or at the opening of business on the date following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, shall be adjusted so that the holder of any Class C Common Shares thereafter surrendered for conversion shall be entitled to receive the number of Class A Common Shares (or fraction of a share) that such holder would have owned or have been entitled to receive after the happening of

any of the events described above had such Class C Common Shares been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. An adjustment made pursuant to this subsection (4) of Section 6.4.6 shall become effective immediately after the opening of business on the day next following the record date (except as provided in paragraph (vi) of subsection (4) of Section 6.4.6) in the case of a dividend or distribution and shall become effective immediately after the opening of business on the date next following the effective date in the case of a subdivision, combination or reclassification.

(iii) If the Trust shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange, issuer or self tender offer for all or a substantial portion of the Class A Common Shares outstanding, sale of all or substantially all of the Trust's assets or recapitalization of the Class A Common Shares, but excluding any transaction as to which paragraph (i) of this subsection (4) of Section 6.4.6 applies) (each of the foregoing being referred to herein as a Transaction), in each case as a result of which Class A Common Shares shall be converted into the right to receive stock, securities or other property (including cash or any combination thereof), each Class C Common Share which is not converted into the right to receive stock, securities or other property in connection with such Transaction shall thereupon be convertible into the kind and amount of shares of stock, securities and other property (including cash or any combination thereof) receivable upon consummation of such Transaction by a holder of that number of Class A Common Shares, or fraction thereof, into which one (1) Class A Common Share was convertible immediately prior to such Transaction. The Trust shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (iii) of subsection (4) of Section 6.4.6, and it shall not consent or agree to the occurrence of any Transaction until the Trust has entered into an agreement with the successor or purchasing entity, as the case may be, for the benefit of the holders of the Class C Common Shares that will contain provisions enabling the holders of the Class C Common Shares that remain outstanding after such Transaction to convert into the consideration received by holders of Class A Common Shares at the Conversion Amount in effect immediately prior to such Transaction. The provisions of this paragraph (v) of subsection (4) of Section 6.4.6 shall similarly apply to successive Transactions.

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(iv) If:

(1) the Trust shall authorize the granting to the holders of the Class A Common Shares of rights or warrants to subscribe for or purchase any Shares of any class or series or any other rights or warrants; or

(2) there shall be any reclassification of the Class A Common Shares or any consolidation or merger to which the Trust is a party and for which approval of any shares of the Trust is required, or a statutory share exchange, or an issuer or self tender offer by the Trust for all or a substantial portion of its outstanding Class A Common Shares (or an amendment thereto changing the maximum number of shares sought or the amount or type of consideration being offered therefor) or the sale or transfer of all or substantially all of the assets of the Trust as an entirety; or

(3) there shall occur the voluntary or involuntary liquidation, dissolution or winding up of the Trust;

then the Trust shall cause to be mailed to each holder of Class C Common Shares at such holder's address as shown on the stock records of the Trust, as promptly as possible, but at least fifteen (15) days prior to the applicable date hereinafter specified, a notice stating (A) the record date for the payment of such dividend, distribution or rights or warrants, or, if a record date is not established, the date as of which the holders of Class A Common Shares of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (B) the date on which such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up is expected to become effective, and the date as of which it is expected that holders of Class A Common Shares of record shall be entitled to exchange their Class A Common Shares for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up or (C) the date on which such tender offer commenced, the date on which such tender offer is scheduled to expire unless

extended, the consideration offered and the other material terms thereof (or the material terms of any amendment thereto). Failure to give or receive such notice or any defect therein shall not affect the legality or validity of the proceedings described in this subsection (4) of Section 6.4.6.

(v) Whenever the Conversion Amount is adjusted as herein provided, the Trust shall promptly prepare a notice of such adjustment of the Conversion Amount setting forth the adjusted Conversion Amount and the effective date such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Amount to each holder of Class C Common Shares at such holder's last address as shown on the stock records of the Trust.

(vi) In any case in which this subsection (4) of Section 6.4.6 provides that an adjustment shall become effective on the day next following the record date for an event, the Trust may defer until the occurrence of such event (A) issuing to the holder of any Class C Common Shares converted after such record date and before the occurrence of such event the additional Class A Common Shares issuable upon such conversion by reason of the adjustment required by such event over and above the Class A Common Shares issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount of cash in lieu of any fraction.

(vii) There shall be no adjustment of the Conversion Amount in case of the issuance of any Shares of the Trust in a reorganization, acquisition or other similar transaction except as specifically set forth in this Section 6.4.6. If any action or transaction would require adjustment of the Conversion Amount pursuant to more than one paragraph of this subsection (4) of Section 6.4.6, only one adjustment shall be made and such adjustment shall be the amount of adjustment that has the highest absolute value.

(viii) If the Trust shall take any action affecting the Class A Common Shares, other than action described in this subsection (4) of Section 6.4.6, that in the opinion of the Board would materially adversely affect the conversion rights of the holders of Class C Common Shares, the Conversion Amount for the Class C Common Shares may be adjusted, to the extent permitted by law, in such manner, if any, and at such time as the Board, in its sole discretion, may determine to be equitable under the circumstances.

(ix) The Trust shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Class A Common Shares solely for the purpose of effecting conversion of the Class C Common Shares, the full number of Class A Common Shares deliverable upon the conversion of all outstanding Class C Common Shares not theretofore converted into Class A Common Shares. For purposes of this paragraph (ix) of subsection (4) of Section 6.4.6, the number of Class A Common Shares that shall be deliverable upon the conversion of all outstanding Class C Common Shares shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

The Trust covenants that any Class A Common Shares issued upon conversion of the Class C Common Shares shall be validly issued, fully-paid and non-assessable.

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Section 6.5 Class D Common Shares.

Section 6.5.1 Dividends. Subject to the preferential rights of any series of Preferred Shares, holders of Class D Common Shares will be entitled to receive, when, as and if authorized by the Board of Trustees and declared by the Trust, out of funds legally available for the payment of dividends, non-cumulative cash dividends in an amount per Class D Common Share equal to \$0.65 per annum. Dividends payable on the Class D Common Shares for each full monthly dividend period will be computed by dividing the annual dividend rate by twelve. Dividends with respect to the Class D Common Shares will be non-cumulative from the date of original issuance (the Issue Date) and will be payable monthly when, as and if the Board authorizes and the Trust declares a monthly dividend on the Class D Common Shares for that month in its discretion (the last day of each month being a Dividend Payment Date). Any dividend payable on the Class D Common Shares for any partial dividend period after the initial dividend period will be computed on the basis of a 360 day year consisting of twelve 30 day months. Dividends will be payable to holders of record as they appear in the shares records of the Trust at the close of business on the applicable

record date, which will be the nineteenth (19th) day of the calendar month in which the applicable Dividend Payment Date falls or such other date designated by the Board for the payment of dividends that is no more than thirty (30) nor less than ten (10) days prior to the Dividend Payment Date. Holders of Class C Common Shares shall not be entitled to any dividends, whether payable in cash, property or shares, in excess of non-cumulative dividends, as herein provided on the Class D Common Shares. Dividends may not be paid on the Class D Common Shares unless all dividends then payable on the Trust's the Class C Common Shares have been paid in full.

Section 6.5.2 Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Trust, subject to the prior rights of any class or series of Preferred Shares, the holders of Class D Common Shares will share pro rata, with the holders of the Trust's Class A Common Shares, the Class C Common Shares and the holders of any other class or series of Common Shares that rank on a parity with the Class D Common Shares as to the distribution of assets upon liquidation, the assets of the Trust remaining following the payment of all liquidating distributions payable to holders of Shares of the Trust with liquidation rights senior to those of the Common Shares.

Section 6.5.3 Mandatory Redemption by the Trust. The Class D Common Shares will not be redeemable prior to the first (1st) anniversary of the Issue Date. On and after such first (1st) anniversary date, the Trust, at its option (to the extent the Trust has funds legally available therefor) upon not less than thirty (30) nor more than sixty (60) days' written notice, may redeem the Class D Common Shares, in whole or in part, at any time or from time to time, for cash at the redemption price per share of \$10.00, plus the pro rata portion of the 7.7% conversion premium, based on the number of years the shares are outstanding (for example, if the Class D Common Shares are called on the first anniversary of issuance the call price would be \$10.11 per share).

Notwithstanding the foregoing, unless the full then-current monthly dividends on all Class D Common Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then-current monthly dividend period (without regard to whether any dividends were paid or not paid in any prior monthly dividend period), no Class D Common Shares will be redeemed unless all outstanding Class D Common Shares are simultaneously redeemed. The foregoing, however, will not prevent the purchase or acquisition of the Class D Common Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Class D Common Shares. Unless full current monthly dividends on all outstanding Class D Common Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then-current monthly dividend period (without regard to whether any dividends were paid or not paid in any prior monthly dividend period), the Trust will not purchase or otherwise acquire, either directly or indirectly through a subsidiary or otherwise, any Class D Common Shares.

If fewer than all of the outstanding Class D Common Shares are to be redeemed, the number of Shares to be redeemed will be determined by the Trust and those Shares may be redeemed pro rata from the holders of record of those Shares in proportion to the number of those Shares held by the holders (as nearly as may be practicable without creating fractional Class D Common Shares) or any other equitable method determined by the Trust.

Class D Common Shares shall be redeemed by the Trust on the date specified in a notice to the holders of the Class D Common Shares (the Call Date). Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two (2) successive weeks commencing not less than thirty (30) nor more than sixty (60) days' prior to the redemption date. A similar notice will be mailed by the Trust, postage prepaid, not less than thirty (30) nor more than sixty (60) days' prior to the redemption date, addressed to the respective holders of record of Class D Common Shares to be redeemed at their respective addresses as they appear on the share transfer records of the Trust. No failure to give notice or any defect therein or in the mailing thereof will affect the validity of the proceeding for the redemption of any Class D Common Shares except as to the holder to whom notice was defective or not given. Each notice shall state (1) the Call Date; (2) the redemption price; (3) the number of Class D Common Shares to be redeemed; (4) the place or places where the Class D Common Shares are to be surrendered for payment of the redemption price; (5) that dividends on the Shares to be redeemed will

cease to accrue on the Call Date; and (6) that any conversion rights will terminate at the close of business on the third (3rd) business day immediately preceding the Call Date. If fewer than all the Class D Common Shares held by any holder are to be redeemed, the notice mailed to that holder will also specify the number of Class D Common Shares to be redeemed from that holder. Notice having been given as aforesaid, from and after the Call Date (unless the Trust shall fail to issue and make available the amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the Class D Common Shares so called for redemption shall cease to accrue on the Class D Common Shares called for redemption (except that, in the case of a Call Date after a dividend record date and prior to the related Dividend Payment Date, holders of Class D Common Shares on the dividend record date will be entitled on such Dividend Payment Date to receive the dividend payable on such shares, if any), (ii) said Shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Class D Common Shares shall cease (except the rights to receive the cash payable upon such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). As promptly as practicable after the surrender in accordance with said notice of the certificates for any such Shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and if the notice shall so state), such holders will be issued any cash (without interest thereon) for which such shares have been redeemed in accordance with such notice.

Upon any redemption of Class D Common Shares, the Trust shall pay in cash to the holder of such shares an amount equal to the dividend accrued and unpaid for the then-current monthly dividend period only (without regard to whether any dividends were paid or not paid in any prior monthly dividend period), if any. Immediately prior to authorizing any redemption of the Class D Common Shares, and as a condition precedent for such redemption, the Trust, by resolution of the Board, shall declare a mandatory dividend on the Class D Common Shares payable in cash on the Call Date in an amount equal to the dividend owed and unpaid for the then-current monthly dividend period (without regard to whether any dividends were paid or not paid in any prior monthly dividend period) on the Class D Common Shares to be redeemed, if any, which amount shall be added to the redemption price. If the Call Date falls after a dividend, payment record date and prior to the corresponding Dividend Payment Date, then each holder of Class D Common Shares at the close of business on such dividend payment record date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares prior to such Dividend Payment Date. Except as provided above, the Trust shall make no payment or allowance for accrued dividends on Class D Common Shares called for redemption.

Section 6.5.4 Limited Optional Redemption. Subject to and upon compliance with the provisions of this Section 6.5.4, at any time prior to the seventh (7th) anniversary of the Issue Date of the Class D Common Shares, any holder of Class C Common Shares who has held Class D Common Shares for not less than one (1) year may present all or any portion (but not less than twenty-five percent (25%)) of those shares to the Trust for redemption at any time (the Limited Put Right). The Trust may, at its sole option, redeem those shares presented for redemption for cash to the extent it has sufficient funds available thereof. Notwithstanding anything to the contrary contained in this Section 6.5.4, at no time during a 12-month period, may the number of Class D Common Shares redeemed by the Trust exceed five percent (5%) of the number of Class D Common Shares outstanding at the beginning of that 12-month period.

To the extent that the Board decides to accept any shares for redemption under this Section 6.5.4, the Trust will only use the following amounts for redemptions effected under this Section 6.5.4: (1) the full amount of the proceeds from the sale of shares under the Trust's dividend reinvestment plan (Reinvestment Proceeds) attributable to any calendar quarter may be used to redeem shares presented for redemption pursuant to this Section 6.5.4 during that quarter, and (2) at the sole discretion of the Board, up to \$100,000 per calendar quarter of the proceeds of any public offering of the Trust's Common Shares. Any amount of offering proceeds which is available for redemptions under this Section 6.5.4, but which is unused in any quarter, may be carried over to the next succeeding calendar quarter for use in addition to the amount of Reinvestment Proceeds and offering proceeds that would otherwise be available for redemptions under this Section 6.5.4 in such quarter.

In the event there are insufficient funds to redeem all of the shares for which Limited Put Right requests have been submitted, the Trust will redeem the shares in the order in which such Limited Put Right

requests have been received. A holder of Class D Common Shares whose shares are not redeemed pursuant to a Limited Put Right request due to insufficient funds can either (1) ask that the request to redeem the Class D Common Shares be honored at such time, if any, as there are sufficient funds available for redemption of shares pursuant to this Section 6.5.4 (in which event the Limited Put Right request will be retained and those shares will be redeemed before any subsequently received Limited Put Right requests are honored); or (2) withdraw his or her Limited Put Right request. A holder of Class D Common Shares will not relinquish his or her Class D Common Shares until such time as the Trust commits to redeeming such shares pursuant to this Section 6.5.4.

Any holder of Class D Common Shares who wishes to have his or her shares redeemed pursuant to this Section 6.5.4 must mail or deliver a written request on a form provided by the Trust and executed by such holder, its trustee or authorized agent, to the Trust or a redemption agent designated by it on such form (such person or entity, the Redemption Agent). The Redemption Agent at all times will be registered as a broker-dealer with the Securities and Exchange Commission and each applicable state securities commission. Within thirty (30) days following the Redemption Agent's receipt of such holder's request, the Redemption Agent will forward to that holder the documents necessary to effect the redemption, including any signature guarantee the Trust or the Redemption Agent may require. The Redemption Agent will effect the redemption for the calendar quarter provided that it receives the properly completed redemption documents relating to the shares to be redeemed from the holder at least one calendar month prior to the last day of the current calendar quarter and has sufficient funds available to redeem the shares. The effective date of any redemption under this Section 6.5.4 will be the last date during a quarter during which the Redemption Agent receives the properly completed redemption documents.

Upon the Redemption Agent's receipt of notice for redemption of shares pursuant to this Section 6.5.4, the redemption price for Class D Common Shares redeemed pursuant to this Section 6.5.4 (the Optional Redemption Price) will initially be \$10.00 per share. The Board may, in its sole discretion, adjust the Optional Redemption Price at any time and from time to time in its sole discretion. Any such change in the Optional Redemption Price will be effective on the tenth (10th) day after the public announcement of such change in the Optional Redemption Price. Any Class D Common Shares acquired pursuant to a redemption under this Section 6.5.4 will be retired and no longer available for issuance by the Trust.

A holder of Class D Common Shares may present fewer than all of his or her shares to the Trust for redemption; provided, however, that (1) the minimum number of Class D Common Shares which must be presented for redemption pursuant to this Section 6.5.4 shall be at least twenty-five percent (25%) of his or her shares, and (2) if such holder retains any Class D Common Shares, he or she must retain at least \$2,500 worth of such shares; provided further, that he or she must only retain \$1,000 worth of Class D Common Shares if such shares are held by an Individual Retirement Plan, Keogh Plan or pension plan.

Notwithstanding anything contained in this Section 6.5.4 or any other provision hereof to the contrary, the Board, in its sole discretion, may suspend the redemption plan at any time it determines that any suspension is in the best interest of the Trust. The Board may suspend the redemption of shares if (1) it determines, in its sole discretion, that the redemption impairs the capital or the operations of the Trust; (2) it determines, in its sole discretion, that an emergency makes such redemption not reasonably practical; (3) any governmental or regulatory agency with jurisdiction over the Trust so demands for the protection of the shareholders; (4) it determines, in its sole discretion, that the redemption would be unlawful; (5) it determines, in its sole discretion, that the redemption, when considered with all other redemptions, sales, assignments, transfers and exchanges of the Trust's Common Shares, could cause direct or indirect ownership of shares of the Trust's common stock to become concentrated to an extent which would prevent the Trust from qualifying as a REIT under the Code; or (6) it determines, in its sole discretion, the suspension to otherwise be in the best interest of the Trust. The redemption plan will terminate, and the Trust no longer shall accept shares for redemption at such time as the Class D Common Shares become eligible to convert into Class A Common Shares.

Section 6.5.5 Voting Rights. Holders of the Class D Common Shares shall have the right to vote on all matters presented to holders of Common Shares as a single class with all other holders of Common Shares. In any matter in which the Class D Common Shares may vote, including any action by written consent, each Class D Common Share will entitle the holder to one (1) vote.

So long as any Class D Common Shares are outstanding, in addition to any other vote or consent of shareholders required by law or by the Declaration of Trust, the affirmative vote of at least two-thirds (2/3) of the votes entitled to be cast by the holders of the Class D Common Shares, at the time outstanding, acting as a single class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating any sale of all or substantially all of the assets of the Trust, any liquidation of the Trust or any amendment, alteration or repeal of any of the provisions of the Declaration of Trust or the Bylaws of the Trust that materially and adversely affects the voting powers, rights or preferences of the holders of the Class D Common Shares; provided, however, that the amendment of the provisions of the Declaration of Trust so as to authorize or create, or to increase the authorized amount of, any shares of any class or series ranking on a parity with or junior to the Class D Common Shares in the distribution of assets on any liquidation, dissolution or winding up of the Trust or in the payment of dividends shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Class D Common Shares; provided further, however, that no such vote of the holders of Class D Common Shares shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such prior Shares or convertible security is to be made, as the case may be, provision is made for the redemption of all Class D Common Shares at the time outstanding.

Section 6.5.6 Conversion.

Holders of Class D Common Shares shall have the right to convert all or a portion of such shares into Class A Common Shares, as follows:

(1) Subject to and upon compliance with the provisions of this Section 6.5.6, a holder of Class D Common Shares shall have the right, at such holder's option, at any time on or after the seventh (7th) anniversary of the Issue Date of such shares, to convert such shares, in whole or in part, into fully-paid and non-assessable shares of authorized but unissued Class A Common Shares at a conversion price equal to the purchase price of the Class C Common Shares plus a 7.7% premium (the Conversion Amount). The number of Class A Common Shares to be issued upon conversion shall be determined by dividing the Conversion Amount by the Market Price of the Class A Common Shares on the date the notice of conversion is received by the Trust; provided, however, that the right to convert Class D Common Shares called for redemption shall terminate at the close of business on the third (3rd) business day immediately preceding the Call Date fixed for such redemption, unless the Trust shall default in making payment upon such redemption. All Class D Common Shares acquired through any dividend reinvestment plan adopted by the Trust will be convertible on a dollar-for-dollar basis, based on the dividends invested in such reinvestment plan shares, into our Class A Common Shares, with no premium associated with the conversion. The reinvestment plan shares will be convertible on or after the seventh (7th) anniversary of the issuance of the original Class D Common Shares, the dividends of which were used to acquire the reinvestment plan shares.

(2) In order to exercise the conversion right, the holder of each Class D Common Share to be converted shall send, to the office of the Trust, a written notice to the Trust that the holder thereof elects to convert such share. Each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Trust, duly executed by the holder or such holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Trust demonstrating that such taxes have been paid).

Holders of Class D Common Shares at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the conversion thereof following such dividend payment record date and prior to such Dividend Payment Date. However, Class D Common Shares surrendered for conversion during the period between the close of business on any dividend payment record date and the opening of business on the corresponding Dividend Payment Date (except shares converted after the issuance of notice of redemption with respect to a Call Date during such period, such shares being entitled to such dividend on the Dividend Payment Date) must be accompanied by payment of an amount equal to the dividend payable on such shares on such Dividend Payment Date. Except as provided above, the Trust shall make not payment or allowance for unpaid dividends on converted shares or for dividends on the Class A Common Shares issued upon such conversion.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for Class D Common Shares shall have been surrendered and such notice shall have been received by the Trust as aforesaid (and, if applicable, payment of an amount equal to the dividend payable on such shares shall have been received by the Trust as above-described) and the person or persons in whose name or names any certificate or certificates for Class A Common Shares shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date.

(3) No fractional Class A Common Shares shall be issued upon conversion. Instead any fractional Class A Common Shares that would otherwise be deliverable upon the conversion of Class D Common Shares, the Trust shall pay to the holder of such share an amount in cash based upon the Market Price of the Class A Common Shares.

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(4) The Conversion Amount shall be adjusted from time to time as follows:

(i) If the Trust shall, after the Issue Date (a) pay a dividend or make a distribution on any class or series of its Shares in Class A Common Shares, (b) subdivide its outstanding Class A Common Shares into a greater number of shares, (c) combine its outstanding Class A Common Shares into a smaller number of shares or (d) issue any Shares by reclassification of its Class A Common Shares, the Conversion Amount in effect at the opening of business on the date following the date fixed for the determination of a shareholder entitled to receive such dividend or distribution or at the opening of business on the date following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, shall be adjusted so that the holder of any Class D Common Shares thereafter surrendered for conversion shall be entitled to receive the number of Class A Common Shares (or fraction of a share) that such holder would have owned or have been entitled to receive after the happening of any of the events described above had such Class D Common Shares been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. An adjustment made pursuant to this subsection (4) of Section 6.5.6 shall become effective immediately after the opening of business on the day next following the record date (except as provided in paragraph (vi) of subsection (4) of Section 6.5.6 below) in the case of a dividend or distribution and shall become effective immediately after the opening of business on the date next following the effective date in the case of a subdivision, combination or reclassification.

(ii) If the Trust shall distribute to all holders of its Class A Common Shares any Shares of capital stock of the Trust (other than Class A Common Shares), evidence of its indebtedness or assets (including cash, but excluding regularly scheduled cash dividends) or rights or warrants to subscribe for or purchase any of its securities (any of the foregoing being hereinafter in this paragraph (ii) of subsection (4) of Section 6.5.6 called the "Distribution"), then in each such case the Conversion Amount in effect at the opening of business on the date following the date fixed for the determination of a shareholder entitled to receive such Distribution or at the opening of business on the date following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, shall be adjusted so that the holder of any Class D Common Shares thereafter surrendered for conversion shall be entitled to receive the number of Class A Common Shares (or fraction of a share) that such holder would have owned or have been entitled to receive after the happening of any of the events described above had such Class D Common Shares been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. An adjustment made pursuant to this subsection (4) of Section 6.5.6 shall become effective immediately after the opening of business on the day next following the record date (except as provided in paragraph (vi) of subsection (4) of Section 6.5.6 below) in the case of a dividend or distribution and shall become effective immediately after the opening of business on the date next following the effective date in the case of a subdivision, combination or reclassification.

(iii) If the Trust shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange, issuer or self tender offer for all or a substantial portion of the Class A Common Shares outstanding, sale of all or substantially all of the Trust's assets or recapitalization of the Class A Common Shares, but excluding any transaction as to which paragraph (i) of this subsection (4) of Section 6.5.6 applies) (each of the foregoing being referred to herein as a "Transaction"), in each case as a

result of which Class A Common Shares shall be converted into the right to receive stock, securities or other property (including cash or any combination thereof), each Class D Common Share which is not converted into the right to receive stock, securities or other property in connection with such Transaction shall thereupon be convertible into the kind and amount of shares of stock, securities and other property (including cash or any combination thereof) receivable upon consummation of such Transaction by a holder of that number of Class A Common Shares, or fraction thereof, into which one (1) Class A Common Share was convertible immediately prior to such Transaction. The Trust shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (iii) of subsection (4) of Section 6.5.6, and it shall not consent or agree to the occurrence of any Transaction until the Trust has entered into an agreement with the successor or purchasing entity, as the case may be, for the benefit of the holders of the Class D Common Shares that will contain provisions enabling the holders of the Class D Common Shares that remain outstanding after such Transaction to convert into the consideration received by holders of Class A Common Shares at the Conversion Amount effect immediately prior to such Transaction. The provisions of this paragraph (v) of subsection (4) of Section 6.5.6 shall similarly apply to successive Transactions.

(iv) If:

(1) the Trust shall authorize the granting to the holders of the Class A Common Shares of rights or warrants to subscribe for or purchase any Shares of any class or series or any other rights or warrants; or

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(2) there shall be any reclassification of the Class A Common Shares or any consolidation or merger to which the Trust is a party and for which approval of any shares of the Trust is required, or a statutory share exchange, or an issuer or self tender offer by the Trust for all or a substantial portion of its outstanding Class A Common Shares (or an amendment thereto changing the maximum number of shares sought or the amount or type of consideration being offered therefor) or the sale or transfer of all or substantially all of the assets of the Trust as an entirety; or

(3) there shall occur the voluntary or involuntary liquidation, dissolution or winding up of the Trust, then the Trust shall cause to be mailed to each holder of Class D Common Shares at such holder's address as shown on the stock records of the Trust, as promptly as possible, but at least fifteen (15) days prior to the applicable date hereinafter specified, a notice stating (A) the record date for the payment of such dividend, distribution or rights or warrants, or, if a record date is not established, the date as of which the holders of Class A Common Shares of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (B) the date on which such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up is expected to become effective, and the date as of which it is expected that holders of Class A Common Shares of record shall be entitled to exchange their Class A Common Shares for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, statutory share exchange, sale, transfer, liquidation, dissolution or winding up or (C) the date on which such tender offer commenced, the date on which such tender offer is scheduled to expire unless extended, the consideration offered and the other material terms thereof (or the material terms of any amendment thereto). Failure to give or receive such notice or any defect therein shall not affect the legality or validity of the proceedings described in this subsection (4) of Section 6.5.6.

(v) Whenever the Conversion Amount is adjusted as herein provided, the Trust shall promptly prepare a notice of such adjustment of the Conversion Amount setting forth the adjusted Conversion Amount and the effective date such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Amount to each holder of Class D Common Shares at such holder's last address as shown on the stock records of the Trust.

(vi) In any case in which this subsection (4) of Section 6.5.6 provides that an adjustment shall become effective on the day next following the record date for an event, the Trust may defer until the occurrence of such event (A) issuing to the holder of any Class D Common Shares converted after such record date and before the occurrence of such event the additional Class A Common Shares issuable upon such conversion by reason of the adjustment required by such event over and above the Class A Common Shares issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder any amount of

cash in lieu of any fraction.

(vii) There shall be no adjustment of the Conversion Amount in case of the issuance of any Shares of the Trust in a reorganization, acquisition or other similar transaction except as specifically set forth in this Section 6.5.6. If any action or transaction would require adjustment of the Conversion Amount pursuant to more than one paragraph of this subsection (4) of Section 6.5.6, only one adjustment shall be made and such adjustment shall be the amount of adjustment that has the highest absolute value.

(viii) If the Trust shall take any action affecting the Class A Common Shares, other than action described in this subsection (4) of Section 6.5.6, that in the opinion of the Board would materially adversely affect the conversion rights of the holders of Class D Common Shares, the Conversion Amount for the Class D Common Shares may be adjusted, to the extent permitted by law, in such manner, if any, and at such time as the Board, in its sole discretion, may determine to be equitable under the circumstances.

(ix) The Trust shall at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Class A Common Shares solely for the purpose of effecting conversion of the Class D Common Shares, the full number of Class A Common Shares deliverable upon the conversion of all outstanding Class D Common Shares not theretofore converted into Class A Common Shares. For purposes of this paragraph (ix) of subsection (4) of Section 6.5.6, the number of Class A Common Shares that shall be deliverable upon the conversion of all outstanding Class D Common Shares shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

The Trust covenants that any Class A Common Shares issued upon conversion of the Class D Common Shares shall be validly issued, fully-paid and non-assessable.

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Section 6.6 Classified or Reclassified Shares. Prior to issuance of classified or reclassified Shares of any additional class or series the Board of Trustees by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of Shares; (b) specify the number of Shares to be included in the class or series; (c) set, subject to the provisions of Article VII and subject to the express terms of any class or series of Shares outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Trust to file articles supplementary with the State Department of Assessments and Taxation of Maryland (the SDAT). Any of the terms of any class or series of Shares set pursuant to clause (c) of this Section 6.6 may be made dependent upon facts ascertainable outside the Declaration of Trust (including the occurrence of any event, including a determination or action by the Trust or any other person or body) and may vary among holders thereof, provided that the manner in which such facts or variations shall operate upon the terms of such class or series of Shares is clearly and expressly set forth in the articles supplementary filed with the SDAT.

Section 6.7 Authorization by Board of Share Issuance. Except as otherwise provided in this Declaration of Trust, the Board of Trustees may authorize, without approval of any shareholder, the issuance from time to time of Shares of any class or series, whether now or hereafter authorized, or securities or rights convertible into Shares of any class or series, whether now or hereafter authorized, for such consideration (whether in cash, property, past or future services, obligation for future payment or otherwise) as the Board of Trustees may deem advisable (or without consideration in the case of a Share dividend or Share split), subject to such restrictions or limitations, if any, as may be set forth in the Declaration of Trust or the Bylaws.

Section 6.8 Dividends and Distributions. Except as otherwise provided in this Declaration of Trust, the Board of Trustees may from time to time authorize and the Trust may declare to shareholders such dividends or distributions in cash or other assets of the Trust or in securities of the Trust or from any other source as the Board of Trustees in its discretion shall determine. The Board of Trustees shall endeavor to authorize, and the Trust shall endeavor to declare and pay, such dividends and distributions as shall be necessary for the Trust to qualify as a REIT under the Code; however, shareholders shall have no right to any dividend or distribution unless and until authorized by the Board and declared and publicly disclosed by the Trust. The exercise of the powers and rights of the Board of Trustees pursuant to this Section 6.8 shall be

subject to such restrictions or limitations, if any, as may be set forth in the Declaration of Trust or the Bylaws and to the terms of any class or series of Shares at the time outstanding.

Section 6.9 Transferable Shares; Preferential Dividends. Notwithstanding any other provision in the Declaration of Trust, no determination shall be made by the Board of Trustees nor shall any transaction be entered into by the Trust that would cause any Shares or other beneficial interest in the Trust not to constitute transferable shares or transferable certificates of beneficial interest under Section 856(a)(2) of the Code or that would cause any distribution to constitute a preferential dividend as described in Section 562(c) of the Code.

Section 6.10 General Nature of Shares. All Shares shall be personal property entitling the shareholders only to those rights provided in the Declaration of Trust. The shareholders shall have no interest in the property of the Trust and shall have no right to compel any partition, division, dividend or distribution of the Trust or of the property of the Trust. The death of a shareholder shall not terminate the Trust. The Trust is entitled to treat as shareholders only those persons in whose names Shares are registered as holders of Shares on the share ledger of the Trust.

Section 6.11 Fractional Shares. Subject to such restrictions or limitations, if any, as may be set forth in the Declaration of Trust or the Bylaws, the Trust may, without the consent or approval of any shareholder, issue fractional Shares, eliminate a fraction of a Share by rounding up or down to a full Share, arrange for the disposition of a fraction of a Share by the person entitled to it, or pay cash for the fair value of a fraction of a Share.

Section 6.12 Divisions and Combinations of Shares. Subject to an express provision to the contrary in the terms of any class or series of beneficial interest hereafter authorized, the Board of Trustees shall have the power to divide or combine the outstanding shares of any class or series of Shares, without a vote of shareholders so long as the number of shares combined into one share in any such combination or series of combinations within any period of twelve months is not greater than ten.

Section 6.13 Declaration of Trust and Bylaws. The rights of all shareholders and the terms of all Shares are subject to the provisions of the Declaration of Trust and the Bylaws.

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ARTICLE VII RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 7.1 Definitions. For the purpose of this Article VII, the following terms shall have the following meanings:

Beneficial Ownership. The term Beneficial Ownership shall mean ownership of Shares by a Person, whether the interest in Shares is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 544 of the Code, as modified by Sections 856(h)(1)(B) and 856(h)(3) of the Code. The terms Beneficial Owner, Beneficially Owns and Beneficially Owned shall have the correlative meanings.

Business Day. The term Business Day shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

Charitable Beneficiary. The term Charitable Beneficiary shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 7.3.7, provided that each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) and 170(c)(2) of the Code.

Charitable Trust. The term Charitable Trust shall mean any trust provided for in Section 7.2.1(b)(i) and Section 7.3.1.

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Charitable Trustee. The term Charitable Trustee shall mean the Person unaffiliated with the Trust and a Prohibited Owner, that is appointed by the Trust to serve as trustee of the Charitable Trust.

Constructive Ownership. The term Constructive Ownership shall mean ownership of Shares by a Person who is or would be treated as an owner of such Shares either actually or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms Constructive Owner, Constructively Own, Constructively Owns and Constructively Owned shall have the correlative meanings.

Designated Investment Entity. The term Designated Investment Entity shall mean either (i) a pension trust that qualifies for look-through treatment under Section 856(h) of the Code, (ii) an entity that qualifies as a regulated investment company under Section 851 of the Code, or (iii) a Qualified Investment Manager; provided that each beneficial owner of such entity would satisfy the Ownership Limit if such beneficial owner owned directly its proportionate share of the Shares that are held by such Designated Investment Entity.

Designated Investment Entity Limit. The term Designated Investment Entity Limit shall mean with respect to the Common Shares, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Shares.

Initial Date. The term Initial Date shall mean the date upon which this Declaration of Trust is filed with and accepted for record by the SDAT.

Market Price. The term Market Price on any date shall mean, with respect to any class or series of outstanding Shares, the Closing Price for such Shares on such date. The Closing Price on any date shall mean the last sale price for such Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Shares, in either case, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Shares are listed or admitted to trading or, if such Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Shares selected by the Board of Trustees or, in the event that no trading price is available for such Shares, the fair market value of Shares, as determined in good faith by the Board of Trustees.

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NYSE. The term NYSE shall mean The New York Stock Exchange.

Ownership Limit. The term Ownership Limit shall mean (i) with respect to the Common Shares, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Shares of all classes and series; and (ii) with respect to any class or series of Preferred Shares, 9.8% (in value or number of Shares, whichever is more restrictive) of the outstanding shares of such class or series of Preferred Shares.

Person. The term Person shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

Prohibited Owner. The term Prohibited Owner shall mean, with respect to any purported Transfer, any Person who, but for the provisions of Section 7.2.1, would Beneficially Own Shares, and if appropriate in the context, shall also mean any Person who would have been the record owner of Shares that the Prohibited

Owner would have so owned.

Qualified Investment Manager. The term Qualified Investment Manager shall mean an entity (i) who for compensation engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing, or selling securities; (ii) who purchases securities in the ordinary course of its business and not with the purpose or effect of changing or influencing control of the Trust, nor in connection with or as a participant in any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act); and (iii) who has or shares voting power and investment power within the meaning of Rule 13d-3(a) under the Exchange Act. A Qualified Investment Manager shall be deemed to beneficially own all Common Shares beneficially owned by each of its affiliates, after application of the beneficial ownership rules under Section 13(d)(3) of the Exchange Act; provided such affiliate meets the requirements set forth in the preceding clause (ii).

Restriction Termination Date. The term Restriction Termination Date shall mean the first day after the Initial Date on which the Board of Trustees determines that it is no longer in the best interests of the Trust to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership and Transfers of Shares set forth herein is no longer required in order for the Trust to qualify as a REIT.

Transfer. The term Transfer shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership or any agreement to take any such actions or cause any such events, of Shares or the right to vote or receive dividends or distributions on Shares, including (a) a change in the capital structure of the Trust, (b) a change in the relationship between two or more Persons which causes a change in ownership of Shares by application of Section 544 of the Code, as modified by Section 856(h) of the Code, (c) the granting or exercise of any option or warrant (or any disposition of any option or warrant), pledge, security interest, or similar right to acquire Shares, (d) any disposition of any securities or rights convertible into or exchangeable for Shares or any interest in Shares or any exercise of any such conversion or exchange right and (e) Transfers of interests in other entities that result in changes in Beneficial Ownership of Shares; in each case, whether voluntary or involuntary, whether owned of record, Beneficially Owned and whether by operation of law or otherwise. The terms Transferring and Transferred shall have the correlative meanings.

Section 7.2 Shares.

Section 7.2.1 Ownership Limitations. Except as otherwise provided in this Article VII, during the period commencing on the Initial Date and prior to the Restriction Termination Date:

(a) Basic Restrictions.

(i) (1) No Person shall Beneficially Own or Constructively Own Common Shares in excess of the Ownership Limit, other than a Designated Investment Entity, which shall not Beneficially Own or Constructively Own Common Shares in excess of the Designated Investment Entity Limit; and

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(2) No Person shall Beneficially Own or Constructively Own Preferred Shares in excess of the Ownership Limit.

(ii) No Person shall Beneficially Own or Constructively Own Shares to the extent that (1) such Beneficial Ownership of Shares would result in the Trust being closely held within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or (2) such Beneficial Ownership or Constructive Ownership of Shares would result in the Trust otherwise failing to qualify as a REIT.

(iii) No Person shall Transfer any Shares if, as a result of the Transfer, the Shares would be beneficially owned by less than 100 Persons (determined without reference to the rules

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of attribution under Section 544 of the Code). Any Transfer of Shares that, if effective, would result in Shares being beneficially owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void *ab initio*, and the intended transferee shall acquire no rights in such Shares.

(b) Transfer in Trust. If any Transfer of Shares occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning Shares in violation of Section 7.2.1(a)(i) or (ii),

(i) then that number of Shares the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 7.2.1(a)(i) or (ii) (rounded up to the nearest whole Share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 7.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such Shares; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 7.2.1(a)(i) or (ii), then the Transfer of that number of Shares that otherwise would cause any Person to violate Section 7.2.1(a)(i) or (ii) shall be void *ab initio*, and the intended transferee shall acquire no rights in such Shares.

Section 7.2.2 Remedies for Breach. If the Board of Trustees or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 7.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any Shares in violation of Section 7.2.1 (whether or not such violation is intended), the Board of Trustees or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Trust to redeem Shares, refusing to give effect to such Transfer on the books of the Trust or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or attempted Transfer or other event in violation of Section 7.2.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable, such Transfer (or other event) shall be void *ab initio* as provided above irrespective of any action (or non-action) by the Board of Trustees or a committee thereof.

Section 7.2.3 Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial or Constructive Ownership of Shares that will or may violate Section 7.2.1(a), or any Person who would have owned Shares that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 7.2.1(b), shall immediately give written notice to the Trust of such event, or in the case of such a proposed or attempted transaction, shall give at least 15 days prior written notice, and shall provide to the Trust such other information as the Trust may request in order to determine the effect, if any, of such acquisition or ownership on the Trust's status as a REIT.

Section 7.2.4 Owners Required To Provide Information. From the Initial Date and prior to the Restriction Termination Date:

(a) every owner of more than five percent (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding Shares, within 30 days after the end of each taxable year, shall give written notice to the Trust stating the name and address of such owner, the number of Shares Beneficially Owned and a description of the manner in which such Shares are held; provided, that a shareholder of record who holds outstanding Shares as nominee for another Person, which other Person is required to include in gross income the dividends or distributions received on such Shares (an Actual Owner), shall give written notice to the Trust stating the name and address of such Actual Owner and the number of Shares of such Actual Owner with respect to which the shareholder of record is nominee. Each owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such Beneficial Ownership on the Trust's status as a REIT and to ensure compliance with the Ownership Limit or Designated Investment Entity Limit applicable to such owner; and

(b) each Person who is a Beneficial Owner of Shares and each Person (including the shareholder of record) who is holding Shares for a Beneficial Owner shall provide to the Trust such information as the Trust may request, in good faith, in order to determine the Trust's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 7.2.5 Remedies Not Limited. Subject to Sections 5.1 and 7.4 of the Declaration of Trust, nothing contained in this Section 7.2 shall limit the authority of the Board of Trustees to take such other action as it deems necessary or advisable to protect the Trust and the interests of its shareholders in preserving the Trust's status as a REIT.

Section 7.2.6 Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 7.2, Section 7.3 or any definition contained in Section 7.1, the Board of Trustees shall have the power to determine the application of the provisions of this Section 7.2 or Section 7.3 with respect to any situation based on the facts known to it. If Section 7.2 or 7.3 requires an action by the Board of Trustees and the Declaration of Trust fails to provide specific guidance with respect to such action, the Board of Trustees shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 7.1, 7.2 or 7.3.

Section 7.2.7 Exemptions from the Ownership Limit.

(a) The Board, in its sole discretion, may exempt, prospectively or retroactively, a Person from the Ownership Limit or Designated Investment Entity Limit if: (i) such Person submits to the Board information satisfactory to the Board, in its reasonable discretion, demonstrating that such Person is not an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code); (ii) such Person submits to the Board information satisfactory to the Board, in its reasonable discretion, demonstrating that no Person who is an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would be considered to Beneficially Own Shares in excess of the Ownership Limit or Designated Investment Entity Limit by reason of such Person's ownership of Shares in excess of the Ownership Limit or Designated Investment Entity Limit pursuant to the exemption granted under this subparagraph (a); (iii) such Person submits to the Board information satisfactory to the Board, in its reasonable discretion, demonstrating that clause (2) of subparagraph (a)(ii) of Section 7.2.1 will not be violated by reason of such Person's ownership of Shares in excess of the Ownership Limit or Designated Investment Entity Limit pursuant to the exemption granted under this subparagraph (a); and (iv) such Person provides to the Board such representations and undertakings, if any, as the Board may, in its reasonable discretion, require to ensure that the conditions in clauses (i), (ii) and (iii) hereof are satisfied and will continue to be satisfied throughout the period during which such Person owns Shares in excess of the Ownership Limit or Designated Investment Entity Limit pursuant to any exemption thereto granted under this subparagraph (a), and such Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 7.2 with respect to Shares held in excess of the Ownership Limit or Designated Investment Entity Limit with respect to such Person (determined without regard to the exemption granted such Person under this subparagraph (a)).

(b) Prior to granting any exemption pursuant to subparagraph (a), the Board, in its sole and absolute discretion, may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the Board, in its sole and absolute discretion as it may deem necessary or advisable in order to determine or ensure the Trust's status as a REIT; provided, however, that the Board shall not be obligated to require obtaining a favorable ruling or opinion in order to grant an exception hereunder.

(c) Subject to Section 7.2.1(a)(ii), an underwriter that participates in a public offering or a private placement of Shares (or securities convertible into or exchangeable for Shares) may Beneficially Own or Constructively Own Shares (or securities convertible into or exchangeable for Shares) in excess of the Ownership Limit or Designated Investment Entity Limit, but only to the extent necessary to facilitate such public offering or private placement.

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Section 7.2.8 Increase in Ownership Limit or Designated Investment Entity Limit. The Board of Trustees may increase the Ownership Limit or Designated Investment Entity Limit for one or more Persons and decrease the Ownership Limit or Designated Investment Entity Ownership Limit for all other Persons subject to the limitations provided in this Section 7.2.8.

(a) The decreased Ownership Limit and/or Designated Investment Entity Ownership Limit will not be effective for any Person whose percentage ownership of Shares is in excess of such decreased Ownership Limit and/or Designated Investment Entity Ownership Limit until such time as such Person's percentage of Shares equals or falls below the decreased Ownership Limit and/or Designated Investment Entity Ownership Limit, but any further acquisition of Shares in excess of such percentage ownership of Shares will be in violation of the Ownership Limit and/or Designated Investment Entity Ownership Limit.

(b) The Ownership Limit or Designated Investment Entity Limit may not be increased if, after giving effect to such increase, five Persons who are considered individuals pursuant to Section 542 of the Code, as modified by Section 856(h)(3) of the Code, could Beneficially Own, in the aggregate, more than 49% of the value of the outstanding Shares.

(c) Prior to the modification of the Ownership Limit or Designated Investment Entity Limit pursuant to this Section 7.2.8, the Board, in its sole and absolute discretion, may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Trust's status as a REIT if the modification in the Ownership Limit or Designated Investment Entity Limit were to be made.

Section 7.2.9 Legend. Any certificate evidencing Shares shall bear substantially the following legend:

The shares evidenced by this certificate are subject to restrictions on Beneficial Ownership, Constructive Ownership and Transfer. Subject to certain further restrictions and except as expressly provided in the Trust's Declaration of Trust, (i) no Person may Beneficially Own or Constructively Own Common Shares in excess of 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Shares of all classes and series, other than a Designated Investment Entity; (ii) no Person may Beneficially Own or Constructively Own Preferred Shares of any class or series in excess of 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of such class or series of Preferred Shares; (iii) no Designated Investment Entity may Beneficially Own or Constructively Own Common Shares in excess of 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Shares; (iv) no Person may Beneficially Own Shares that would result in the Trust being closely held under Section 856(h) of the Internal Revenue Code of 1986, as amended (the Code), or otherwise cause the Trust to fail to qualify as a real estate investment trust under the Code; and (v) no Person may Transfer Shares if such Transfer would result in Shares of the Trust being owned by fewer than 100 Persons. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own Shares which cause or will cause a Person to Beneficially Own or Constructively Own Shares in excess or in violation of the limitations set forth in the Declaration of Trust must immediately notify the Trust. If any of the restrictions on transfer or ownership are violated, the Shares evidenced hereby will be automatically transferred to a Charitable Trustee of a Charitable Trust for the benefit of one or more Charitable Beneficiaries. In addition, the Trust may redeem Shares upon the terms and conditions specified by the Board of Trustees in its sole discretion if the Board of Trustees determines that ownership or a Transfer or other event may violate the restrictions described above. Furthermore, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void *ab initio*. A Person who attempts to Beneficially Own or Constructively Own Shares in violation of the ownership limitations described above shall have no claim, cause of action, or any

recourse whatsoever against a transferor of such Shares. All capitalized terms in this legend have the meanings defined in the Trust's Declaration of Trust, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Shares on request and without charge.

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Instead of the foregoing legend, a certificate may state that the Trust will furnish a full statement about certain restrictions on transferability to a shareholder on request and without charge.

Section 7.3 Transfer of Shares in Trust.

Section 7.3.1 Ownership in Trust. Upon any purported Transfer or other event described in Section 7.2.1(b) that would result in a transfer of Shares to a Charitable Trust, such Shares shall be deemed to have been transferred to the Charitable Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Charitable Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Charitable Trust pursuant to Section 7.2.1(b). The Charitable Trustee shall be appointed by the Trust and shall be a Person unaffiliated with the Trust and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Trust as provided in Section 7.3.7.

Section 7.3.2 Status of Shares Held by the Charitable Trustee. Shares held by the Charitable Trustee shall be issued and outstanding Shares of the Trust. The Prohibited Owner shall have no rights in the Shares held by the Charitable Trustee. The Prohibited Owner shall not benefit economically from ownership of any Shares held in trust by the Charitable Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the Shares held in the Charitable Trust. The Prohibited Owner shall have no claim, cause of action, or any other recourse whatsoever against the purported transferor of such Shares.

Section 7.3.3 Dividend and Voting Rights. The Charitable Trustee shall have all voting rights and rights to dividends or other distributions with respect to Shares held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or other distribution paid prior to the discovery by the Trust that Shares have been transferred to the Charitable Trustee shall be paid with respect to such Shares to the Charitable Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Charitable Trustee. Any dividends or distributions so paid over to the Charitable Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to Shares held in the Charitable Trust and, subject to Maryland law, effective as of the date that Shares have been transferred to the Charitable Trustee, the Charitable Trustee shall have the authority (at the Charitable Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Trust that Shares have been transferred to the Charitable Trustee and (ii) to recast such vote in accordance with the desires of the Charitable Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Trust has already taken irreversible action, then the Charitable Trustee shall not have the power to rescind and recast such vote. Notwithstanding the provisions of this Article VII, until the Trust has received notification that Shares have been transferred into a Charitable Trust, the Trust shall be entitled to rely on its share transfer and other shareholder records for purposes of preparing lists of shareholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of shareholders.

Section 7.3.4 Rights Upon Liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of or any distribution of the assets of the Trust, the Charitable Trustee shall be entitled to receive, ratably with each other holder of Shares of the class or series of Shares that is held in the Charitable Trust, that portion of the assets of the Trust available for distribution to the holders of such class or series (determined based upon the ratio that the number of Shares or such class or series of Shares held by the Charitable Trustee bears to the total number of Shares of such class or series of Shares then outstanding). The Charitable Trustee shall distribute any such assets received in respect of the Shares held in the Charitable Trust in any liquidation, dissolution or winding up of, or distribution of the assets of the Trust, in accordance with Section 7.3.5.

Section 7.3.5 Sale of Shares by Charitable Trustee. Within 20 days of receiving notice from the Trust that Shares have been transferred to the Charitable Trust, the Charitable Trustee of the Charitable Trust shall sell the Shares held in the Charitable Trust to a person, designated by the Charitable Trustee, whose ownership of the Shares will not violate the ownership limitations set forth in Section 7.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the Shares sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 7.3.5. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the Shares or, if the Prohibited Owner did not give value for the Shares in connection with the event causing the Shares to be held in the Charitable Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the Shares on the day of the event causing the Shares to be held in the Charitable Trust and (2) the price per Share received by the Charitable Trustee from the sale or other disposition of the Shares held in the Charitable Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Trust that Shares have been transferred to the Charitable Trustee, such Shares are sold by a Prohibited Owner, then (i) such Shares shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such Shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 7.3.5, such excess shall be paid to the Charitable Trustee upon demand. The Charitable Trustee shall have the right and power (but not the obligation) to offer any Share held in trust for sale to the Trust on such terms and conditions as the Charitable Trustee shall deem appropriate.

Section 7.3.6 Purchase Right in Shares Transferred to the Charitable Trustee. Shares transferred to the Charitable Trustee shall be deemed to have been offered for sale to the Trust, or its designee, at a price per Share equal to the lesser of (i) the price per Share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall have the right to accept such offer until the Charitable Trustee has sold the Shares held in the Charitable Trust pursuant to Section 7.3.5. Upon such a sale to the Trust, the interest of the Charitable Beneficiary in the Shares sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 7.3.7 Designation of Charitable Beneficiaries. By written notice to the Charitable Trustee, the Trust shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) Shares held in the Charitable Trust would not violate the restrictions set forth in Section 7.2.1(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) or 170(c)(2) of the Code.

Section 7.4 Transactions on Exchange. Nothing in this Article VII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction takes place shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 7.5 Enforcement. The Trust is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VII.

Section 7.6 Non-Waiver. No delay or failure on the part of the Trust or the Board of Trustees in exercising any right hereunder shall operate as a waiver of any right of the Trust or the Board of Trustees, as the case may be, except to the extent specifically waived in writing.

ARTICLE VIII SHAREHOLDERS

Section 8.1 Meetings. There shall be an annual meeting of the shareholders, to be held on proper notice at such time (after the delivery of the annual report) and convenient location as shall be determined by or in the manner prescribed in the Bylaws, for the election of the Trustees, and for the transaction of any

other business within the powers of the Trust. Except as otherwise provided in the Declaration of Trust, special meetings of shareholders may be called only in the manner provided in the Bylaws. If there are no Trustees, the officers of the Trust shall promptly call a special meeting of the shareholders entitled to vote for the election of successor Trustees. Any meeting may be adjourned and reconvened as the Trustees determine or as provided in the Bylaws.

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Section 8.2 Voting Rights. Subject to the provisions of any class or series of Shares then outstanding, the shareholders shall be entitled to vote only on the following matters: (a) election of Trustees as provided in Section 5.2 and the removal of Trustees as provided in Section 5.3; (b) amendment of the Declaration of Trust as provided in Article X; (c) termination of the Trust as provided in Section 12.2; (d) merger or consolidation of the Trust, or the sale or disposition of substantially all of the property of the Trust, as provided in Article XI; (e) such other matters with respect to which the Board of Trustees has adopted a resolution declaring that a proposed action is advisable and directing that the matter be submitted to the shareholders for approval or ratification; and (f) such other matters as may be properly brought before a meeting by a shareholder pursuant to the Bylaws. Except with respect to the matters described in clauses (a) through (e) above, no action taken by the shareholders at any meeting shall in any way bind the Board of Trustees.

Section 8.3 Preemptive and Appraisal Rights. Except as otherwise set forth in this Declaration of Trust or as may be provided by the Board of Trustees in setting the terms of classified or reclassified Shares pursuant to Section 6.6, or as may otherwise be provided by contract approved by the Board of Trustees, no holder of Shares shall, as such holder, have any preemptive right to purchase or subscribe for any additional Shares or any other security of the Trust which it may issue or sell. Except as specifically set forth in this Section 8.3, holders of Shares shall not be entitled to exercise any rights of an objecting shareholder provided for under the Maryland REIT Law and Title 3, Subtitle 2 of the MGCL or any successor statute unless the Board of Trustees, upon the affirmative vote of a majority of the Board of Trustees, shall determine that such rights apply, with respect to all or any classes or series of Shares, to one or more transactions occurring after the date of such determination in connection with which holders of such Shares would otherwise be entitled to exercise such rights. Notwithstanding as otherwise set forth in this Section 8.3, holders of Shares shall be entitled to exercise any rights of an objecting shareholder provided for under the Maryland REIT Law and Title 3, Subtitle 2 of the MGCL if (i) the Trust is a party to a merger, (ii) as of the record date fixed to determine the shareholders entitled to vote on a plan of merger, the Shares of the Trust are held of record by less than 2,000 holders; and (iii) consideration for the Shares of the Trust are shares of a surviving domestic or foreign entity, which, immediately after the effective date of the merger, will be held of record by less than 2,000 holders.

Section 8.4 Extraordinary Actions. Except as specifically provided in Section 5.3 (relating to removal of Trustees) and in Article X, notwithstanding any provision of law permitting or requiring any action to be taken or authorized by the affirmative vote of the holders of a greater number of votes, any such action shall be effective and valid if taken or approved by the affirmative vote of holders of Shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 8.5 Board Approval. The submission of any action of the Trust to the shareholders for their consideration shall first be recommended, approved or declared advisable by the Board of Trustees.

Section 8.6 Action by Shareholders without a Meeting. No action required or permitted to be taken by the shareholders may be taken without a meeting by less than unanimous written or electronic consent of the shareholders of the Trust.

ARTICLE IX
LIABILITY LIMITATION, INDEMNIFICATION
AND TRANSACTIONS WITH THE TRUST

Section 9.1 Limitation of Shareholder Liability. No shareholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Trust by reason of his being a shareholder, nor shall any shareholder be subject to any personal liability whatsoever, in tort, contract

or otherwise, to any person in connection with the property or the affairs of the Trust by reason of his being a shareholder.

Section 9.2 Limitation of Trustee and Officer Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of trustees and officers of a Maryland real estate investment trust, no present or former Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages. Neither the amendment nor repeal of this Section 9.2, nor the adoption or amendment of any other provision of the Declaration of Trust inconsistent with this Section 9.2, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act that occurred prior to such amendment, repeal or adoption.

Section 9.3 Indemnification. The Trust shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former shareholder, Trustee or officer of the Trust and (b) any individual who, while a Trustee or officer of the Trust and at the request of the Trust, serves or has served as a director, officer, partner, trustee, employee or agent of another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise) from and against any claim or liability to which he or she may become subject by reason of his or her status as a present or former shareholder, Trustee or officer of the Trust or service in any such capacity. The Trust shall have the power, with the approval of its Board of Trustees, to provide such indemnification or advancement of expenses to any present or former Trustee or officer who served a predecessor of the Trust, and to any employee or agent of the Trust or a predecessor of the Trust. Any amendment of this section shall be prospective only and shall not affect the applicability of this section with respect to any act or failure to act that occurred prior to such amendment.

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Section 9.4 Transactions Between the Trust and its Trustees, Officers, Employees and Agents. Subject to any express restrictions in the Declaration of Trust or adopted by the Trustees in the Bylaws or by resolution, the Trust may enter into any contract or transaction of any kind with any person, including any Trustee, officer, employee or agent of the Trust or any person affiliated with a Trustee, officer, employee or agent of the Trust, whether or not any of them has a financial interest in such transaction.

Section 9.5 Express Exculpatory Clauses in Instruments. The Board of Trustees may cause to be inserted in every written agreement, undertaking or obligation made or issued on behalf of the Trust, an appropriate provision to the effect that neither the shareholders nor the Trustees, officers, employees or agents of the Trust shall be liable under any written instrument creating an obligation of the Trust, and all Persons shall look solely to the property of the Trust for the payment of any claim under or for the performance of that instrument. The omission of the foregoing exculpatory language from any instrument shall not affect the validity or enforceability of such instrument and shall not render any shareholder, Trustee, officer, employee or agent liable thereunder to any third party nor shall the Trustees or any officer, employee or agent of the Trust be liable to anyone for such omission.

ARTICLE X AMENDMENTS

Section 10.1 General. The Trust reserves the right from time to time to make any amendment to the Declaration of Trust, now or hereafter authorized by law, including, without limitation, any amendment altering the terms or contract rights, as expressly set forth in the Declaration of Trust, of any Shares. All rights and powers conferred by the Declaration of Trust on shareholders, Trustees and officers are granted subject to this reservation. The Trust shall file Articles of Amendment as required by Maryland law. All references to the Declaration of Trust shall include all amendments thereto.

Section 10.2 By Trustees. The Trustees may amend the Declaration of Trust from time to time, in the manner provided by the Maryland REIT Law, without any action by the shareholders: (i) to qualify as a real estate investment trust under the Code or under the Maryland REIT Law, (ii) in any respect in which the charter of a Maryland corporation may be amended without stockholder approval, and (iii) as otherwise provided in the Declaration of Trust.

Section 10.3 By Shareholders. Except as otherwise provided in this Declaration of Trust, any amendment to the Declaration of Trust shall be valid only after the Board of Trustees has adopted a resolution setting forth the proposed amendment and declaring such amendment advisable, and such amendment has been approved by the affirmative vote of the holders of not less than a majority of the shares then outstanding and entitled to vote thereon. However, any amendment to Section 5.3 or to this sentence of the Declaration of Trust shall be valid only if declared advisable by the Board of Trustees and approved by the affirmative vote of holders of Shares entitled to cast not less than two-thirds (2/3) of all the votes entitled to be cast on the matter.

Section 10.4 Bylaws. The Board of Trustees shall have the exclusive power to adopt, alter or repeal any provision of the Bylaws and to make new Bylaws.

ARTICLE XI MERGER, CONSOLIDATION OR SALE OF TRUST PROPERTY

Subject to the provisions of any class or series of Shares at the time outstanding, the Trust may (a) merge the Trust with or into another entity or merge another entity into the Trust, (b) consolidate the Trust with one or more other entities into a new entity or (c) sell, lease, exchange or otherwise transfer all or substantially all of the property of the Trust. The Board of Trustees proposing such action shall adopt a resolution that declares the proposed transaction is advisable on substantially the terms and conditions set forth or referred to in the resolutions, and, except as otherwise permitted by Maryland law, direct that the proposed transaction be submitted for consideration by the shareholders. If submitted for consideration by the shareholders, the transaction must be approved by the affirmative vote of holders of Shares entitled to cast not less than a majority of all the votes entitled to be cast on the matter.

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ARTICLE XII DURATION AND TERMINATION OF TRUST

Section 12.1 Duration. The Trust shall continue perpetually unless terminated pursuant to Section 12.2 or pursuant to any applicable provision of the Maryland REIT Law.

Section 12.2 Termination.

(a) Subject to the provisions of any class or series of Shares at the time outstanding, adoption of a resolution by the Board of Trustees declaring that the termination of the Trust is advisable and submission of the matter by the Board of Trustees to the shareholders for approval, the Trust may be terminated at any meeting of shareholders, by the affirmative vote of holders of Shares entitled to cast not less than a majority of all the votes entitled to be cast on the matter. Upon the termination of the Trust:

(i) The Trust shall carry on no business except for the purpose of winding up its affairs.

(ii) The Trustees shall proceed to wind up the affairs of the Trust and all of the powers of the Trustees under the Declaration of Trust shall continue, including the powers to fulfill or discharge the Trust's contracts, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining property of the Trust to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities and do all other acts appropriate to liquidate its business. The Trustees may appoint any officer of the Trust or any other person to supervise the winding up of the affairs of the Trust and delegate to such officer or such person any or all powers of the Trustees in this regard.

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and agreements as they deem necessary for their protection,

the Trust may distribute the remaining property of the Trust among the shareholders so that after payment in full or the setting apart for payment of such preferential amounts, if any, to which the holders of any Shares at the time outstanding shall be entitled, the remaining property of the Trust shall, subject to any participating or similar rights of Shares at the time outstanding, be distributed ratably among the holders of Common Shares at the time outstanding.

(b) After termination of the Trust, the liquidation of its business and the distribution to the shareholders as herein provided, a majority of the Trustees shall execute and file with the Trust's records a document certifying that the Trust has been duly terminated, and the Trustees shall be discharged from all liabilities and duties hereunder, and the rights and interests of all shareholders shall cease.

ARTICLE XIII MISCELLANEOUS

Section 13.1 Governing Law. The Declaration of Trust is executed by the undersigned Trustees and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws provisions thereof.

Section 13.2 Reliance by Third Parties. Any certificate shall be final and conclusive as to any person dealing with the Trust if executed by the Secretary or an Assistant Secretary of the Trust or a Trustee, and if certifying to: (a) the number or identity of Trustees, officers of the Trust or shareholders; (b) the due authorization of the execution of any document; (c) the action or vote taken, and the existence of a quorum, at a meeting of the Board of Trustees or shareholders; (d) a copy of the Declaration of Trust or of the Bylaws as a true and complete copy as then in force; (e) an amendment to the Declaration of Trust; (f) the termination of the Trust; or (g) the existence of any fact relating to the affairs of the Trust. No purchaser, lender, transfer agent or other person shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trust on its behalf or by any officer, employee or agent of the Trust.

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Section 13.3 Severability.

(a) The provisions of the Declaration of Trust are severable, and if the Board of Trustees shall determine, with the advice of counsel, that any one or more of such provisions (the "Conflicting Provisions") are in conflict with the Code, the Maryland REIT Law or other applicable federal or state laws, the Conflicting Provisions, to the extent of the conflict, shall be deemed never to have constituted a part of the Declaration of Trust, even without any amendment of the Declaration of Trust pursuant to Article X and without affecting or impairing any of the remaining provisions of the Declaration of Trust or rendering invalid or improper any action taken or omitted prior to such determination. No Trustee shall be liable for making or failing to make such a determination. In the event of any such determination by the Board of Trustees, the Board shall amend the Declaration of Trust in the manner provided in Section 10.2.

(b) If any provision of the Declaration of Trust shall be held invalid or unenforceable in any jurisdiction, such holding shall apply only to the extent of any such invalidity or unenforceability and shall not in any manner affect, impair or render invalid or unenforceable such provision in any other jurisdiction or any other provision of the Declaration of Trust in any jurisdiction.

Section 13.4 Construction. In the Declaration of Trust, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include all genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of the Declaration of Trust. In defining or interpreting the powers and duties of the Trust and its Trustees and officers, reference may be made by the Trustees or officers, to the extent appropriate and not inconsistent with the Code or the Maryland REIT Law, to Titles 1 through 3 of the Corporations and Associations Article of the Annotated Code of Maryland. In furtherance and not in limitation of the foregoing, in accordance with the provisions of Title 3, Subtitles 6 and 7, of the Corporations and Associations Article of the Annotated Code of Maryland, the Trust shall be included within

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the definition of corporation for purposes of such provisions.

Section 13.5 Recordation. This Declaration of Trust and any articles of amendment hereto or articles supplementary hereto shall be filed for record with the SDAT and may also be filed or recorded in such other places as the Trustees deem appropriate, but failure to file for record the Declaration of Trust or any articles of amendment or articles supplementary hereto in any office other than in the State of Maryland shall not affect or impair the validity or effectiveness of the Declaration of Trust or any amendment or supplement hereto. A restated Declaration of Trust shall, upon filing, be conclusive evidence of all amendments and supplements contained therein and may thereafter be referred to in lieu of the original Declaration of Trust and the various articles of amendment and articles supplementary thereto.

IN WITNESS WHEREOF, the Trust has caused this Declaration of Trust to be signed in its name and on its behalf by its President and attested to by its Secretary on this _____ day of _____, 2009.

ATTEST:

AMREIT

(SEAL)

Name:

Name:

Title: Secretary

Title: President

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ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 20, 2009

10:00 A.M. Central Daylight Time

Eight Greenway Plaza

Suite 1000

Houston, TX 77046

AmREIT

Eight Greenway Plaza,

Suite 1000

Houston, TX 77046

proxy

This Proxy is Solicited to all Class A, C and D Common Shareholders

on Behalf of the Board of Trust Managers.

The shareholder of AmREIT, a Texas real estate investment trust, whose name and signature appear on the reverse side of this card, having received the notice of the Annual Meeting of shareholders and the related

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proxy statement for AmREIT's Annual Meeting of shareholders to be held at Eight Greenway Plaza, Suite 1000, Houston, Texas, on Wednesday, May 20, 2009 at 10:00 A.M., Central Daylight time, hereby appoints H. Kerr Taylor and Chad Braun, or each of them, the proxies of the shareholder, each with full power of substitution, to vote at the Annual Meeting, and at any adjournments or postponements of the Annual Meeting, all common shares, par value \$0.01 per share, held of record by the shareholder on March 27, 2009 in the manner shown on the reverse side of this card.

This proxy is solicited by the Board of Trust Managers and the common shares represented hereby will be voted in accordance with the shareholder's directions on the reverse side of this card. If no direction is given, then the shares represented by this proxy will be voted FOR proposals 1 and 2, and in the proxies' discretion on any other matters that may properly come before the Annual Meeting or any adjournments or postponements thereof, subject to limitations set forth in applicable regulations under the Securities Exchange Act of 1934.

Please mark, sign, date, and return this proxy card promptly using the enclosed envelope.

See reverse for voting instructions.

COMPANY

There are three ways to vote your Proxy

Your telephone or Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

VOTE BY PHONE TOLL FREE 1-800-560-1965 QUICK * EASY *** IMMEDIATE**

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on May 19, 2009.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions the voice provides you.

VOTE BY INTERNET <http://www.eproxy.com/amy/> QUICK * EASY *** IMMEDIATE**

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (CT) on May 19, 2009.

Please have your proxy card and the last four digits of your Social Security Number or Tax Identification Number available. Follow the simple instructions to obtain your records and create an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or return it to **AmREIT**, c/o Shareowner ServicesSM, P.O. Box 64873, St. Paul, MN 55164-0873.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 20, 2009: This proxy statement and AmREIT's Annual Report to Shareholders for the fiscal year ended December 31, 2008 are available at www.amreit.com/ir_annual_reports.html.

If you vote by Phone or Internet, please do not mail your Proxy Card

Please detach here

The Board of Trust Managers Recommends a Vote FOR Item 1.

1. Election of trust managers:
- | | | | |
|-------------------------|------------------------|---------------------------------------|-------------------------------------|
| 01 Robert J. Cartwright | 03 H.L. Hank Rush, Jr. | Vote FOR | <input type="radio"/> Vote WITHHELD |
| 02 Philip Taggart | 04 H. Kerr Taylor | all nominees
(except as
marked) | from all nominees |

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

2. Change our state of organization from Texas to Maryland pursuant to a merger of AmREIT directly with and into a Maryland real estate investment trust formed for the sole purpose of the reorganization, and the conversion of each outstanding common share of beneficial interest of any class of AmREIT into one common share of beneficial interest of the same class of the surviving Maryland real estate investment trust. Approval of the proposal constitutes approval of all provisions set forth in the Maryland declaration of trust.
- | | | | | | |
|-----------------------|--|-----------------------|--|-----------------------|---------|
| <input type="radio"/> | Vote FOR | <input type="radio"/> | Vote Against | <input type="radio"/> | Abstain |
| | the reorganization from Texas to Maryland. | | the reorganization from Texas to Maryland. | | |

3. To transact any other business, properly brought before the annual meeting or any adjournments or postponements thereof.

This proxy, when properly executed and delivered, will be voted as specified. If no specification is made, this proxy will be voted **FOR proposals 1 and 2. The proxies cannot vote your shares unless you sign and return this card.**

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Address Change? Mark Box Date _____
Indicate changes below:

The undersigned hereby revokes any proxy previously given with respect to our common shares and hereby ratifies and confirms all that the proxies, their substitutes or any of them may lawfully do by virtue hereof. Note: Please sign exactly as name (s) appear(s) on this card. When shares are held jointly, both must sign. When signing as attorney, executor, administrator, trustee or guardian, please give full titles as such. When executed by a corporation or partnership, please sign in full corporate or partnership name by a duly authorized officer or partner, giving title. **Please sign, date and mail this proxy promptly whether or not you expect to attend the meeting.** You may nevertheless vote in person if you do attend.

Signature(s) in Box
