Horizon Residential Income Fund I, LLC

a Delaware limited liability company

PRIVATE PLACEMENT MEMORANDUM

1300 E 9th Street Suite 1310
Cleveland, Ohio 44114

$50,000,000

SECURITIES OFFERED	MINIMUM INVESTMENT AMOUNT
Membership Interests:	$15,000
Notes:	$15,000

June 12, 2025

Horizon Residential Income Fund I, LLC (the "***Fund***") is a Delaware limited liability company. The Fund is offering ("***Offering***") by means of this Private Placement Memorandum ("***Memorandum***") limited liability company membership interests ("***Membership Interests***") on a "best efforts" basis to qualified investors who meet the Investor Suitability standards as set forth herein. (See "Investor Suitability" below). The Fund will be managed by FTF Capital Management, LLC, a Delaware limited liability company ("***Manager***"). As further described in the Memorandum, the Fund has been organized to conduct the following business: to make, purchase, originate, fund, acquire and/or otherwise sell loans secured by interests in real or personal property located in the United States. The Fund may also manage, remodel, repair, lease, and/or sell real properties acquired through the Fund's lending activities, including but not limited to, properties acquired through foreclosure and real estate owned ("***REO***").

In addition, the Fund intends to establish a real estate investment trust ("***REIT***") in the form of a subsidiary (the "***Sub-REIT***"). There are substantial benefits in establishing a REIT, as set forth below. (See "Terms of the Offering" below). Establishing and maintaining a REIT involves additional risks, including tax and investment risks, which will be detailed later in this Memorandum. (See "Income Tax Considerations" and "Risk Factors" below).

In addition, the Fund by means of this Memorandum will offer a note or series of notes or promissory notes (the "***Promissory Notes***" "***Notes***" or "***Horizon Notes***") on "best efforts" basis to qualified investors who meet the Investor Suitability standards as set forth herein. (See "Investor Suitability" and "Summary of the Offering" below.) The Fund will also prepare a disclosure supplement with relevant information about the Horizon Notes. The Notes are being offered through the online investment platform www.upright.us ("***Company's Platform***") which is owned and operated by an Affiliate of the Manager. Each time the Fund offers a series of Notes, it will prepare a disclosure supplement with relevant information about that series of Notes (the "***Investment Disclosure Supplement***"). Notes will be senior to Membership Interests offered by the Fund, but subordinate to certain senior indebtedness of the Fund, which shall include but is not

limited to a credit facility from a bank or financial institution, and other secured creditors. Generally, each Note will bear interest from the date of issuance by the Fund. An Investor who acquires a Note shall become a noteholder ("***Noteholder***") subject to the subscription and investment procedures provided herein and in the Subscription Agreement.

Prospective investors ("***Investors***") who execute a subscription agreement ("***Subscription Agreement***") to invest in the Fund will become a member of the Fund ("***Member***") or Noteholder once the Manager deposits the Investor's investment into the Fund's main operating bank account and subject to terms and conditions in the Memorandum, Promissory Notes and Subscription Agreement. An investment in the Fund is subject to restrictions on withdrawal (See "Summary of the Operating Agreement – Withdrawal" below). Subject to the terms and conditions provided herein, Member will be entitled to receive income distributions from the Fund (See "Terms of the Offering" below). The Manager will receive compensation and income from the Fund and is subject to certain conflicts of interest. (See "Risk Factors," "Manager's Compensation" and "Conflicts of Interest" below). There are material income tax risks associated with investing in the Fund that prospective Investors should consider. (See "Income Tax Considerations" below)

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS OFFERING IS MADE IN RELIANCE ON AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION PROVIDED BY SECTION 4(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED ("***ACT***"), AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER.

THIS INVESTMENT INVOLVES A DEGREE OF RISK THAT MAY NOT BE SUITABLE FOR ALL PERSONS. ONLY THOSE INVESTORS WHO HAVE NO NEED FOR LIQUIDITY AND CAN BEAR THE LOSS OF A SIGNIFICANT PORTION (OR ALL) OF THEIR INVESTMENT SHOULD PARTICIPATE IN THE INVESTMENT. (SEE "RISK FACTORS" BELOW).

CERTAIN TERMS OF THE OFFERING

	Price to Investors [1]	Estimated Selling Commissions [2]	Estimated Fund Proceeds [3]
Notes Minimum Investment Amount [4]	$15,000	$0	$15,000
Minimum Investment Amount [4]	$15,000	$0	$25,000
Maximum Offering Amount [5]	$50,000,000	$0	$50,000,000

1. The offering price to Investors was arbitrarily determined by the Manager.

2. Membership Interests or Notes will be offered and sold directly by the Fund, the Manager, and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests or Notes will be paid to the Fund, Manager, or the Fund's or Manager's respective officers or employees. While most Membership Interests or Notes are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Membership Interests or Notes through the services of independent brokers/dealers who are Member firms of the Financial Industry Regulatory Authority ("***FINRA***") and who will be entitled to receive customary and standard commissions based on the proceeds received from the sale of Membership Interests or Notes . These commissions will be paid by the Investor admitted to the Fund through such broker/dealer (and such payment may reduce the Capital Account of the Investor). The amount and nature of commissions payable to the brokers/dealers are expected to vary on a case-by-case basis as agreed upon the Investor and the broker/dealer. Notwithstanding the foregoing, the Manager may pay finders' fees to finders who introduce and/or refer Investors to the Fund, provided that, such compensation complies with applicable federal and/or state requirements and/or laws.

3. Net proceeds to the Fund are calculated before deducting organization and offering expenses. The expenses relating to this Offering include without limitation, legal, organizational, printing, binding, and miscellaneous expenses. The remaining Offering proceeds will be available for investment in assets pursuant to the business plan of the Fund. The Manager will receive its compensation from a variety of sources, including, without limitation, a portion of the Net Profits of the Fund. (See "Manager's Compensation" below). The Manager may, in its sole and absolute discretion, elect to be responsible for some or all of the foregoing expenses related to the Offering, whether through direct payment or reimbursement of such expenses incurred to the Fund.

4. Assumes the sale of the Minimum Investment Amount. Notwithstanding the foregoing, the Fund and Manager reserve the right, in their sole and absolute discretion, to at any time, and for any reason or no reason, accept subscriptions in a lesser amount, require a higher amount, or reject any subscription(s). The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Minimum Investment Amount.

5. Assumes sale or ownership of the Maximum Offering Amount. It is possible that the Fund will sell less than the Maximum Offering Amount. The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Maximum Offering Amount.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF AUTHORIZED PERSONS INTERESTED IN THE OFFERING. IT CONTAINS CONFIDENTIAL INFORMATION AND MAY NOT BE DISCLOSED TO ANYONE OTHER THAN AUTHORIZED PERSONS SUCH AS ACCOUNTANTS, FINANCIAL PLANNERS, OR ATTORNEYS RETAINED FOR THE PURPOSE OF RENDERING PROFESSIONAL ADVICE RELATED TO THE PURCHASE OF SECURITIES OFFERED HEREIN. IT MAY NOT BE REPRODUCED, DIVULGED, OR USED FOR ANY OTHER PURPOSE UNLESS WRITTEN PERMISSION IS OBTAINED FROM THE FUND. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANY PERSON EXCEPT THOSE PARTICULAR PERSONS WHO SATISFY THE SUITABILITY STANDARDS DESCRIBED HEREIN.

THE SALE OF MEMBERSHIP INTERESTS AND NOTES COVERED BY THIS MEMORANDUM HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS SET FORTH IN SECTION 4(A)(2) OF THE ACT AND RULE 506(C) OF REGULATION D THEREUNDER. THESE SECURITIES HAVE NOT BEEN QUALIFIED OR REGISTERED IN ANY STATE IN RELIANCE UPON THE EXEMPTIONS FROM SUCH QUALIFICATION OR REGISTRATION UNDER STATE LAW. THESE SECURITIES ARE "***RESTRICTED SECURITIES***" AND MAY NOT BE RESOLD OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT COVERING DISPOSITION OF SUCH MEMBERSHIP INTERESTS AND NOTES IS THEN IN EFFECT OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THERE IS NO PUBLIC MARKET FOR THE MEMBERSHIP INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. ANY SUMS INVESTED IN THE FUND ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS UPON WITHDRAWAL AND TRANSFER. THE MEMBERSHIP INTERESTS OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THAT INFORMATION AND THOSE REPRESENTATIONS SPECIFICALLY CONTAINED IN THIS MEMORANDUM; ANY OTHER INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF THE MEMBERSHIP INTERESTS WHO RECEIVES ANY OTHER INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE FUND IMMEDIATELY TO DETERMINE THE ACCURACY OF SUCH INFORMATION AND REPRESENTATIONS. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES HEREUNDER SHALL, UNDER ANY

CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND OR IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS MEMORANDUM SET FORTH ABOVE.

PROSPECTIVE INVESTORS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM THE FUND AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS, HER, OR ITS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT, AND OTHER PROFESSIONALS WITH RESPECT TO THE LEGAL AND TAX ASPECTS OF THIS INVESTMENT AND WITH SPECIFIC REFERENCE TO HIS, HER, OR ITS OWN TAX SITUATION, PRIOR TO SUBSCRIBING FOR THE MEMBERSHIP INTERESTS OR NOTES.

THE PURCHASE OF MEMBERSHIP INTERESTS BY AN INDIVIDUAL RETIREMENT ACCOUNT (***IRA***), KEOGH PLAN, OR OTHER QUALIFIED RETIREMENT PLAN INVOLVES SPECIAL TAX RISKS AND OTHER CONSIDERATIONS THAT SHOULD BE CAREFULLY CONSIDERED. INCOME EARNED BY QUALIFIED PLANS AS A RESULT OF AN INVESTMENT IN THE FUND MAY BE SUBJECT TO FEDERAL INCOME TAXES, EVEN THOUGH SUCH PLANS ARE OTHERWISE TAX EXEMPT. (SEE "INCOME TAX CONSIDERATIONS" AND "ERISA CONSIDERATIONS BELOW").

THE MEMBERSHIP INTERESTS AND NOTES ARE OFFERED SUBJECT TO WITHDRAWAL OR CANCELLATION OF THE OFFERING AT ANY TIME FOR ANY REASON (OR NO REASON), AND WITHOUT ANY NOTICE THEREOF, TO PROSPECTIVE INVESTORS. THE FUND RESERVES THE RIGHT, AT ITS SOLE AND ABSOLUTE DISCRETION, TO REJECT ANY SUBSCRIPTIONS IN WHOLE OR IN PART, FOR ANY REASON (OR NO REASON) AT ANY TIME.

THE FUND WILL MAKE AVAILABLE TO ANY PROSPECTIVE INVESTOR AND HIS, HER, OR ITS ADVISORS THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE FUND, THE MANAGER, OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THAT THE FUND POSSESSES SUCH INFORMATION.

THIS OFFERING INVOLVES SIGNIFICANT RISKS WHICH ARE DESCRIBED IN DETAIL HEREIN. FEES WILL BE PAID TO THE MANAGER AND ITS AFFILIATES[1], WHO ARE SUBJECT TO CERTAIN CONFLICTS OF INTEREST. PROSPECTIVE PURCHASERS OF MEMBERSHIP INTERESTS AND NOTES. SHOULD READ THIS MEMORANDUM CAREFULLY AND IN ITS ENTIRETY.

THE INFORMATION CONTAINED IN THIS MEMORANDUM HAS BEEN SUPPLIED BY THE MANAGER AND THE FUND. THIS MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS NOT CONTAINED IN THIS MEMORANDUM, WHICH ARE BELIEVED BY THE MEMBERSHIP AND FUND TO BE ACCURATE. HOWEVER, ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCES TO THE ACTUAL DOCUMENTS. COPIES

[1] "***Affiliates***" shall mean any of the following: (1) a Person that, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by, or is under common control with the Manager (or the Fund), (2) a Person who, directly or indirectly, owns, or controls at least Ten Percent (10%) of the outstanding voting interests of the Manager (or the Fund), (3) a Person who is an officer, director, manager, or member of the Manager (or the Fund), or (4) a Person who is an officer, director, manager, member, Manager, trustee, or owns at least Ten Percent (10%) of the outstanding voting interests of a Person described in clauses (1) through (3) of this sentence. The term "***Person***" shall mean a natural person or Entity. The term "***Entity***" shall mean an association, relationship or artificial person through or by means of which an enterprise or activity may be lawfully conducted, including, without limitation, a partnership, trust, limited liability company, corporation, joint venture, cooperative, or association.

OF DOCUMENTS REFERRED TO IN THIS MEMORANDUM, BUT NOT INCLUDED HEREIN AS AN EXHIBIT, WILL BE MADE AVAILABLE TO QUALIFIED PROSPECTIVE INVESTORS UPON REQUEST.

FOR RESIDENTS OF ALL STATES. THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THAT STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OR SALE MAY BE MADE IN ANY PARTICULAR STATE. THIS MEMORANDUM MAY BE SUPPLEMENTED BY ADDITIONAL STATE LEGENDS. IF YOU ARE UNCERTAIN AS TO WHETHER OR NOT OFFERS OR SALES MAY BE LAWFULLY MADE IN ANY GIVEN STATE, YOU ARE ADVISED TO CONTACT THE FUND FOR A CURRENT LIST OF STATES IN WHICH OFFERS OR SALES MAY BE LAWFULLY MADE. AN INVESTMENT IN THIS OFFERING IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF FINANCIAL RISK. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSIDER ALL OF THE RISK FACTORS DESCRIBED BELOW.

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

UNITED STATES TERRITORIES AND POSSESSIONS. THESE SECURITIES ARE NOT AUTHORIZED FOR OFFERING OR SALE IN ANY TERRITORY OR POSSESSION OF THE UNITED STATES, IN LIEU OF APPLICABLE SECURITIES LAWS TO THE CONTRARY. SECURITIES AND/OR CAPITAL GUARDIANSHIPS ARE NOT AUTHORIZED FOR SALE IN SUCH TERRITORIES OR POSSESSIONS.

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EXHIBITS

FORWARD-LOOKING STATEMENTS

Investors should not rely on forward-looking statements because forward-looking statements are inherently uncertain. Investors should not rely on forward-looking statements in this Memorandum. This Memorandum contains forward-looking statements that involve risks and uncertainties. This Memorandum use words such as "anticipated," "projected," "forecasted," "estimated," "prospective," "believes," "expects," "plans," "future," "intends," "should," "can," "could," "might," "potential," "continue," "may," "will," and similar expressions to identify these forward-looking statements. Investors should not place undue reliance on these forward-looking statements, which may apply only as of the date of this Memorandum.

SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum. This Memorandum, together with the exhibits attached including, but not limited to, the Form of Promissory Note, a copy of which is attached hereto as Exhibit D and Limited Liability Company Operating Agreement of the Fund ("***Operating Agreement***"), a copy of which is attached hereto as Exhibit A-2, should be carefully read in its entirety before any investment decision is made. If there is a conflict between the terms contained in this Memorandum and the Form of Promissory Note, the Form of Promissory Note shall prevail and control. In addition, if there is a conflict between the terms contained in this Memorandum and the Operating Agreement, the Operating Agreement shall prevail and control.

THE FUND AND ITS OBJECTIVES	Horizon Residential Income Fund I, LLC, is a Delaware limited liability company located at 1300 E 9th Street Suite 1310, Cleveland, Ohio 44114. The Fund will raise money through this Offering of Membership Interests to conduct the following business: to make, purchase, originate, fund, acquire, and/or otherwise sell loans secured by interests in real or personal property located in the United States. The Fund may also manage, remodel, repair, lease, and/or sell real properties acquired through the Fund's lending activities, including but not limited to, properties acquired through foreclosure and REOs. In addition, the Fund by means of this Memorandum is offering a Note or series of Notes.
THE MANAGER	The Fund will be managed by FTF Capital Management, LLC, a Delaware limited liability company. The Manager is also located at 1300 E 9th Street, Suite 1310, Cleveland, Ohio 44114.
THE OFFERING	The Fund is hereby offering to Investors an opportunity to purchase Membership Interests and Horizon Notes. The Fund is offering Investors an opportunity to purchase Membership Interests and Notes in the Fund in the maximum aggregate amount of Fifty Million Dollars ($50,000,000). The minimum investment amount per Investor is Fifteen Thousand Dollars ($15,000) ("***Minimum Investment Amount***"); and the Minimum Note investment amount per Noteholder is Fifteen Thousand Dollars ($15,000); provided, however, that the Manager reserves the right to accept subscriptions in lower or higher amounts.

PRIOR EXPERIENCE	The principals of the Manager have prior experience in real estate finance and lending industries. (See "The Manager" below).
SUITABILITY STANDARDS	Membership Interests and Horizon Notes are offered exclusively to certain individuals, Keogh plans, individual retirement accounts ("***IRAs***"), and other qualified Investors who meet certain minimum standards of income and/or net worth. Each Investor must execute a Subscription Agreement making certain representations and warranties to the Fund, including, but not limited to, such purchaser's qualifications as an "Accredited Investor," as defined by the Securities and Exchange Commission in Rule 501(a) of Regulation D. (See "Investor Suitability" below).
CAPITALIZATION	The Fund will be funded with equity of a maximum of Fifty Million Dollars ($50,000,000) ("***Maximum Offering Amount***"). The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Minimum Investment Amount and/or the Maximum Offering Amount.
COMMISSIONS FOR SELLING MEMBERSHIP INTERESTS	Membership Interests or Horizon Notes will be offered and sold directly by the Fund, the Manager, and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests or Notes will be paid to the Fund, Manager, or the Fund's or Manager's respective officers or employees. While most Membership Interests or Notes are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Membership Interests or Notes through the services of independent brokers/dealers who are Member firms of the FINRA and who will be entitled to receive customary and standard commissions based on the proceeds received from the sale of Membership Interests or Notes. These commissions will be paid by the Investor admitted to the Fund through such broker/dealer (and such payment may reduce the Capital Account of the Investor). The amount and nature of commissions payable to the brokers/dealers are expected to vary on a case-by-case basis as agreed upon between the Investor and the broker/dealer. Notwithstanding the foregoing, the Manager may pay finders' fees to finders who introduce and/or refer Investors to the Fund, provided that, such compensation complies with applicable federal and/or state requirements and/or laws.
NO LIQUIDITY	There is no public market for the Membership Interests or Notes, and none is expected to develop. Additionally, there are substantial restrictions on transferability of Membership Interests or Notes. (See "Risk Factors" below). With respect to the Notes, Investors should not invest in Notes unless the Investor is able to wait until the applicable maturity date of the Note for a return of the Investor's money. (See "Terms of the Offering" below.)
LOAN ORIGINATOR AND SERVICER	The Manager, the Fund, an Affiliate, and/or third-party may originate, fund, sell, or broker Fund loans, and shall be herein referred to as the

	"***Originator***." In addition, the Manager intends to retain the services of a third-party loan servicer to service the loans. The servicer, whether a third party or the Manager or its Affiliate, shall be herein referred to as the "***Servicer***." The Servicer will be compensated by the Fund and/or borrowers for such loan servicing activities, as agreed upon by the Manager and Servicer. (See "Manager's Compensation" below). To the extent applicable, the Manager will oversee the activities and performance of the Servicer. At any time, at the sole and absolute discretion of the Manager, the Manager may decide to service the Fund loans itself, appoint an Affiliate, or elect to retain a third-party servicer at any time, for any reason (or no reason).
RECOVERY OF DEFERRED COMPENSATION	If the Manager or Servicer defers or assigns to the Fund any of its respective compensation, the Manager and/or Servicer may elect, in the sole and absolute discretion of the Manager, to recover the same at a later time within the same calendar year (or, if expressly approved by the Manager, in any subsequent calendar year). Notwithstanding the foregoing, the Manager and/or Servicer have no obligation to waive, defer, or assign to the Fund any portion of such compensation at any time.
SIDE LETTER	The Manager may, without any further act, approval, or vote of any of the members, enter into side letters or other similar arrangements with one or more Members that have the effect of establishing rights, or altering, supplementing, or modifying the terms of the Operating Agreement, including, the rights and terms which are more favorable to the recipients of such side letters.
LEVERAGING THE PORTFOLIO	The Fund and/or Sub-REIT may borrow funds from third-party lenders, investors, and/or financial institutions to fund the Fund and/or Sub-REIT's investments. These loans would be secured by the assets held by the Fund and/or Sub-REIT. Leveraging involves additional risks that are detailed later in this Memorandum. (See "Risk Factors – Business Risks – Risks of Leveraging the Fund" below).
PREFERRED RETURN	Members will generally be entitled to receive a non-cumulative annualized preferred return ("***Preferred Return***") on their investment, payable quarterly (and prorated as applicable for the amount of time that a member was a Member of the Fund). This Preferred Return will be payable prior to any profit participation by the Manager (however, all expenses and fees other than profit participation will be paid to the Manager prior to the Preferred Return). The Preferred Return for any Member shall be equal to a non-cumulative annualized rate of Eight Percent (8%), calculated and payable on a quarterly basis. (See "Terms of the Offering – Preferred Return; Cash Distributions; Election to Reinvest" below).
DISTRIBUTION OF PROFITS	Members will be eligible for quarterly distributions of the Fund's earnings as further described below. (See "Terms of the Offering – Preferred Return; Cash Distributions; Election to Reinvest" below). Noteholders will receive monthly interest distributions.

RETURN OF CAPITAL	The Manager reserves the right to return part or all of the Member's capital investment to the Member at any time during the investment, and to expel any Member for cause. (See "Summary of the Operating Agreement – Redemption Policy and Other Events of Disassociation" below).
VALUATION ALLOWANCE	A valuation allowance may be maintained by the Fund. The valuation allowance will be evaluated and established on a case-by-case basis at the sole and absolute discretion of the Manager. This valuation allowance is intended to temporarily protect Members from potential unrecoverable losses from the Fund's business and operating activities. Although the valuation allowance will help reduce the impact of defaults temporarily, ultimate repayment/resale of the loans will be jeopardized to the extent that any loans are in default and are not eventually repaid or resold, whether by the applicable borrower or by the Fund, to protect available collateral. Depending on allowance overages and the weighted risk levels of the portfolio, amounts may be reduced, eliminated, or increased accordingly in the sole and absolute discretion of the Manager. The valuation allowance may initially be funded from the proceeds of the Offering, and thereafter may be funded from Offering proceeds or cash flow and/or profits of the Fund (as is determined by the Manager in its sole discretion).
WITHDRAWAL	Members may not withdraw or redeem their Membership Interests until Twelve (12) months from the purchase of said Membership Interests. Members who have been Members of the Fund for a period longer than Twelve (12) months may request withdrawal (the "***Withdrawal Request***") from the Fund by providing prior written notice no later than Ninety (90) days from the intended date of withdrawal from the Fund. All Withdrawal Requests must be made in writing and include the intended date of withdrawal (the "***Withdrawal Date***") and the specific balance of Membership Interests the Member seeks to withdraw and redeem (the "***Withdrawal Balance***"). The withdrawal date shall be effective upon the Manager's approval of the Member's Withdrawal Request (the "***Effective Withdrawal Date***"). Members shall receive any and all distributions or distributable proceeds as set forth herein for all Membership Interests until those Membership Interests are fully redeemed and the associated contributions withdrawn. The Fund will use its best efforts to honor Withdrawal Requests subject to, among other things, the Fund's then cash flow, financial condition, and prospective transactions in assets. Any and all returns of contributions associated with Withdrawal Requests shall be processed at the Manager's discretion and in the best interest of the Fund. With respect to facilitating or accommodating any Member's request for withdrawal from the Fund, the Fund and the Manager are not, under any circumstances, obligated to (1) liquidate any assets in any efforts to accommodate or facilitate any Member's request for withdrawal from the Fund; or (2) cease business operations of the Fund, including but not limited to funding, making or

	acquiring new loans or real property, provided the Manager, in its sole and absolute discretion, determines that such activity is in the best interest of the Fund. The Fund shall deliver the Withdrawal Balance on a limited basis, as follows: Twenty Five Percent (25%) of such Member's Withdrawal Balance, remitted quarterly, such that it will take at least Four (4) quarters for a Member to withdraw the total Withdrawal Balance. Any remittance of a Member's Withdrawal Balance shall be made on the first day of the month. The foregoing shall be limited by the following restrictions: (1) The maximum aggregate amount of Withdrawal Requests that the Fund will process each fiscal year is limited to Ten Percent (10%) of the total outstanding contributions to the Fund, or One Million Dollars ($1,000,000), whichever is less. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, waive or modify such withdrawal requirements. Members who wish to withdraw before they have been Members for Twelve (12) months ("***Early Withdrawal***") can only withdraw if the Member produces evidence of undue hardship, and the Manager permits Early Withdrawal, in its sole and absolute discretion. Acceptability of a Member's hardship will be determined by the Manager, in its sole and absolute discretion. Members who request Early Withdrawal will be subject to a penalty of Three Percent (3%) of the Member's withdrawal proceeds. The Manager may, at its sole discretion, waive an Early Withdrawal penalty. It is presently intended that after April 1, 2026, the limitations on Withdrawal Requests described in the preceding paragraphs (with the exception of the Manager's right to suspend withdrawals) shall be removed, and upon Manager's approval, Withdrawal Requests shall be processed on a pro-rata basis as the Fund's loans mature and are paid off. The Manager may, at any time, suspend the withdrawal of Membership Interests from the Fund, upon the occurrence of any of the following circumstances: (i) whenever, as a result of events, conditions, or circumstances beyond the control or responsibility of the Manager or the Fund, disposal of the assets of the Fund is not reasonably practicable without being detrimental to the interests of the Fund or its Members, determined in the sole and absolute discretion of the Manager; (ii) it is not reasonably practicable to determine the NAV of the Fund on an accurate and timely basis; or (iii) if the Manager has determined to dissolve the Fund. Notice of any suspension will be given within Ten (10) business days from the time the decision was made to suspend distributions to any Member who has submitted a Withdrawal Request, and to whom full payment of the redemption proceeds has not yet been remitted. If a withdrawal request is not rescinded by a Member following notification of a suspension, the redemption will be effected as of the last day of the

	calendar month in which the suspension is lifted, on the basis of NAV of the Fund at that time, and in the order determined by the Manager in its sole and absolute discretion. A Noteholder may request an early withdrawal of the original principal balance of its Note if the Noteholder is experiencing hardship. Acceptability of a Noteholder's hardship will be determined by the Fund, in its sole and absolute discretion, subject to, among other things, the Fund's liquidity and financial condition. The Fund shall have no obligation or commitment (implied or express) to complete a request for early withdrawal. The Fund may charge fees, penalties and/or additional interest if the Fund elects to process any early withdrawal (in whole or in part).
FEATURES OF NOTES	The Fund will issue series of Notes which will be unsecured debt obligations of the Fund. Notes are not secured by assets of the Fund (including other loans) and are non-recourse obligations. The Fund does not guarantee payment of the Notes or the underlying loans, and Notes are not obligations of the Fund's underlying borrowers. Each Note will have its own set of terms. (See "General Terms of Notes" below.) Generally, each Note will bear interest from the date of issuance, but Notes will have different interest rates and have different terms to maturity. To review and evaluate the specific terms and conditions associated with a series of Notes, Noteholders must consult the Investment Disclosure Supplement for the corresponding series of Notes offered by Fund (a copy of which will be posted on the Fund's Platform).
LIQUIDATION DISTRIBUTIONS	Upon dissolution of the Fund, in any liquidation proceeding, Noteholders are generally paid prior to any Members of the Fund but after senior, secured, or preferred creditors of the Fund, which may include, but is not limited to, a credit facility from a bank or financial institution and other secured creditors. After payment of senior indebtedness, Notes will be paid from the Fund's remaining capital. See "General terms of the Notes – Risk Priority" below.
FUND ADMINISTRATION	The Fund intends to retain the services of a thirty-party fund administrator ("***Fund Administrator***") to perform back-office accounting and administrative services for the Fund. The Manager will oversee the activities and performance of the Fund Administrator, including, deployment of funds into loans and/or properties. Notwithstanding the foregoing, the Manager reserves the right to serve as the Fund Administrator or appoint an Affiliate to serve as Fund Administrator, at its sole and absolute discretion. Any fees payable to the Fund Administrator shall be considered an expense to the Fund.

TERMS OF THE OFFERING

This Offering is made to qualified Investors to purchase Membership Interests and/or Notes in the Fund. The Minimum Investment Amount for Members is Fifteen Thousand Dollars ($15,000) and Fifteen Thousand Dollars ($15,000) for Notes. (See "Investor Suitability" below).

While the Offering is still open, Members that have subscribed for at least the Minimum Investment Amount may purchase additional Membership Interests in increments of Five Thousand Dollars ($5,000). The Manager reserves the sole right, but has no obligation, to adjust the purchase price per Membership Interest at any time and for any reason (or no reason) and thereby require either a higher or lesser amount.

The Offering will continue until (1) it is terminated by the Fund or (2) the Fund has raised the Maximum Offering Amount. At such time, the Offering will be deemed closed. The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Minimum Investment Amount or the Maximum Offering Amount.

Notwithstanding the foregoing in "Terms of the Offering," the Fund reserves the right, in its sole and absolute discretion, at any time, and for any reason or no reason, to accept subscriptions in a lesser amount, require a higher amount, or reject any subscription in whole or in part.

Subscription Agreements; Admission to the Fund

To subscribe with the Fund and purchase any Membership Interests or Notes, an Investor must meet certain eligibility and suitability standards, some of which are set forth below. (See "Investor Suitability" below). Additionally, an Investor who wishes to become a Member of the Fund must sign and execute a Subscription Agreement in the form attached hereto as Exhibit B (together with payment in the amount of the capital contribution payable to the Fund), which shall be accepted or rejected by the Manager in its sole and absolute discretion. By executing the Subscription Agreement, an Investor makes certain representations and warranties upon which the Manager will rely on in accepting the Investor's subscription funds. INVESTORS SHOULD CAREFULLY READ AND COMPLETE THE SUBSCRIPTION AGREEMENT (WITH POWER OF ATTORNEY).

The Manager may reject an Investor's Subscription Agreement for any reason or no reason at all. If accepted by the Manager, the Investor's capital contribution will be temporarily deposited into a call account ("***Subscription Account***"). While an Investor's contribution is held in the Subscription Account, the Investor will not be considered a Member of the Fund, and the Investor's contribution will not accrue any interest from the Fund. An Investor shall become a Member of the Fund when the Investor's contribution is deposited into the Fund's operating account ("***Operating Account***") from the Subscription Account. In the event interest accrues on an Investor's capital contribution while being held in the Subscription Account, such interest shall be payable to the Investor. The Manager will transfer the Investor's contribution from the Subscription Account into the Fund's Operating Account on a first in, first out basis when capital is needed by the Fund (in the Manager's sole and absolute discretion) to make or purchase loans.

Notwithstanding the previous paragraph, should the process of depositing an Investor's funds into the Subscription Account and admitting a Member take longer than Ninety (90) days, the Investor may request in writing to recover his, her, or its investment funds. If, upon receipt of such request in writing, the Manager has not yet admitted the Investor as a Member, then Manager may, in its sole and absolute discretion, return the Investor's funds to the Investor and revoke the Subscription Agreement within Ten (10) business days of receipt of such request from the Investor. Admission to the Fund shall be made on the first day of each calendar month based on the preceding month's established NAV, *provided, however*, that

initial Investors may be admitted to the Fund on a day other than the first day of the calendar month, at the discretion of the Manager.

Subscription Agreements are non-cancelable and irrevocable by the Investor, and subscription funds are non-refundable for any reason, except with the express written consent of the Manager, or as expressly set forth herein or in the Subscription Agreement.

AN INVESTOR SHALL OWN MEMBERSHIP INTERESTS IN THE FUND IF AND ONLY IF THE INVESTOR'S SUBSCRIPTION FUNDS ARE TRANSFERRED INTO THE FUND'S OPERATING ACCOUNT.

With respect to Notes, an Investor shall become a Noteholder and the Fund shall issue a Note when such funds are deposited into the Operating Account of the Fund. The Investor will not be considered a Noteholder while an Investor's contribution is unfunded, and the Investor's contribution will not accrue any interest from the Fund nor be entitled to receive any interest payments from the Note until such Note is issued by the Fund. Should the process of depositing Investor's funds into the Operating Account and executing and issuing a Note and admitting Purchaser as a Noteholder, collectively, take longer than Fifteen (15) days, Investor may request in writing to recover its investment funds. If, upon receipt of such request in writing, the Manager has not yet admitted the Investor as a Noteholder, then Manager may, in its sole and absolute discretion, return the Investor's funds to the Investor and revoke the Subscription Agreement within Ten (10) days of receipt of such request from the Investor.

PROSPECTIVE INVESTORS SHOULD CAREFULLY READ THE TERMS AND PROVISIONS OF THE PROMISSORY NOTES IN THEIR ENTIRETY AND EXPRESSLY WAIVE ANY CAUSE OF ACTION OR CLAIM ASSERTING THAT IT RELIED ON THE SUMMARY OF THE NOTE BELOW IN LIEU OF THE TERMS AND PROVISIONS OF THE INVESTOR'S SPECIFIC PROMISSORY NOTE.

General Terms of the Notes

Notes are debt obligations of the Fund that are issued in series.

The Notes are unsecured obligations of the Fund and Noteholders will not have any security interest in any of the Fund's assets. The Notes will not be secured by any other assets of the Fund including other loans securing different Notes. Notes are non-recourse obligations of the Fund. The Fund does not guarantee payment of the Notes. Each Note will have its own unique set of terms. Generally, each Note will bear interest from the date of issuance, but Notes will have different interest rates and have different terms to maturity.

The Fund intends to offer the Notes to investors at varying interest rates (as defined below) per annum, which will vary based on the underlying risks, terms of the Loans, and prevailing market interest rates.

Term. Generally, the term of the loans will be between Three (3) months to Twenty-Four (24) months, but may have loan terms of shorter or longer duration.

Interest Rate. Noteholders shall begin earning interest on the Note upon issuance of the Note to the Noteholder by the Fund. The interest rate payable on each Note will vary depending on the interest rate set by the Fund for the respective Note series, which will vary based on the terms of the underlying loans, and prevailing market interest rates at such time. Consequently, the interest rate will vary

for each series of Notes, and the interest rate a Noteholder earns on one series of Notes may differ from the interest rate earned by other Noteholders in other series of Notes.

Within a series of Notes, interest rate schedules may be standardized, or, in some cases, those schedules may allow for increased interest rates for Noteholders contributing significant investment amounts. The Fund expects that the interest rate provided to Noteholders in the Notes will be less than the weighted average interest rate payable on the underlying loan portfolio, as the Fund may receive an economic "spread" of interest that will vary among the series of Notes.

Generally, Noteholders will be entitled to interest payments for the term of the Notes, and a balloon payment at maturity, provided that such payments to the Noteholders will be dependent upon the assets and cashflows of the Fund. Payments to Noteholders will only be made to the extent that the Fund has sufficient liquidity to service the debt. (See "Exhibit D– Form of Promissory Note".) Interest shall be calculated and prorated on a Three Hundred and Sixty (360) day calendar.

Interest Rate Payments. Payments on the Notes will depend on the terms of each series of Notes. Noteholders will receive monthly payments from the Fund as set forth in greater detail in the Note and Series Disclosure Supplement. Payments will only be made to the extent that the Fund has sufficient cashflows to service the debt. The Fund shall make these payments as interest-only and shall not be required to make any payment of the principal balance of the Note until each Note's Maturity Date or Extended Maturity Date (as defined below). The Fund will generally pay each Noteholder interest on such Investor's Note in an amount equal to the agreed upon terms of the corresponding series of Notes.

Maturity Date. Notes will mature at the end of their given term (the "***Maturity Date***"). In addition, all unpaid payments to the Noteholder shall be due and payable and added to the principal balance of the corresponding Notes; however, unpaid interest does not capitalize (see "Exhibit D–Form of Promissory Note"). Unless elected by the Noteholder to receive its payment due at the Maturity Date, the Notes will automatically renew for an additional three (3) months from the Maturity Date (the "***Extended Maturity Date***") at the same terms and conditions of the original Note and will continue to renew for subsequent three (3) month terms with corresponding updates to the Extended Maturity Date until elected by the Noteholder to receive its payment due at the Extended Maturity Date.

Prepayment Ability. The Fund may prepay all or a portion of any principal before the Maturity Date or Extended Maturity Date in the Fund's sole and absolute discretion. The Fund will not incur any penalties for prepaying any Note at any time.

Restrictions on Offering. Fund intends to limit the entire Offering of unsecured Notes to a maximum of equity to debt ratio of 1:3 of the Fund. Notwithstanding the foregoing, the Manager reserves the right to exceed these limitations and restrictions in its sole and absolute discretion.

Risk Priority. Upon dissolution of the Fund, in any liquidation proceeding, Noteholders are generally paid prior to any Members of the Fund but after senior, secured, or preferred creditors of the Fund, which may include, but is not limited to, a credit facility from a bank or financial institution and other secured creditors.

Delinquency and Default. As further described in detail in the Note, certain events of default (that remain uncured) may cause the Note to become accelerated and immediately due and payable to the Noteholder. The events of default may include the failure to make payments pursuant to, and in accordance with, the terms of the Note, any material breach of any other promise or obligation under the Note or, bankruptcy, insolvency, and civil or criminal judgments for fraud.

Early Withdrawal. A Noteholder may request an early withdrawal of the original principal balance of its Note if the Noteholder is experiencing hardship. Acceptability of a Noteholder's hardship will be determined by the Fund, in its sole and absolute discretion, subject to, among other things, the Fund's liquidity and financial condition. The Fund shall have no obligation or commitment (implied or express) to complete a request for early withdrawal. The Fund may charge fees, penalties and/or additional interest if the Fund elects to process any early withdrawal (in whole or in part).

THE FOREGOING IS THE GENERAL INTENDED STRUCTURE FOR NOTES. INVESTMENT IN NOTES IS ON AS NEEDED BASIS. THE FUND, IN ITS SOLE AND ABSOLUTE DISCRETION, MAY REJECT AND/OR POSTPONE A NOTEHOLDER'S SUBSCRIPTION, FOR ANY OR NO REASON. FURTHER, THE FUND MAY, AT ITS SOLE AND ABSOLUTE DISCRETION, ACCEPT OR APPROVE TERMS FOR THE NOTES THAT ARE INCONSISTENT WITH THE TERMS SET FORTH ABOVE.

PROSPECTIVE INVESTORS MAY RECEIVE DIFFERING INTEREST RATES, TERMS, PREFERENCES, AND RESTRICTIONS AS SET FORTH IN EACH NOTE AND THE ACCOMPANYING TRADE CONFIRMATION CONFIRMING THE SPECIFIC TERMS OF THE NOTE AND UNDERLYING LOAN. SUCH NOTE TERMS WILL VARY DEPENDING UPON THE FUND'S THEN CURRENT LOAN PORTFOLIO AND PREVAILING INTEREST RATES FOR FUND LOANS. VARIATION BETWEEN NOTES MAY OCCUR WITHIN ANY GIVEN POINT IN TIME. IN OTHER WORDS, NOTEHOLDERS WHO SUBSCRIBE AT THE SAME TIME MAY BE OFFERED DIFFERENT NOTE TERMS.

Establishment of Real Estate Investment Trust

The Fund intends to establish a Sub-REIT, provided that the Sub-REIT qualifies and maintains its status as a REIT under the Internal Revenue Code of 1986, as amended (the "***Code***"). Establishing a REIT will allow the Fund and certain Members to benefit from the Tax Cuts and Jobs Act of 2017 (the "***Tax Act***"). The Manager and the Fund have been advised that the Members will benefit from the provisions of the Tax Act that allow for the deduction of up to Twenty Percent (20%) of qualifying business taxable income from federal income tax. The Manager and the Fund have also been advised that the REIT structure to be utilized by the Sub-REIT may eliminate potential unrelated business taxable income ("***UBTI***") to the Members, and provide certain state and/or local tax advantages. (See "Income Tax Considerations" below).

To commence the Sub-REIT operations and achieve the intended benefits associated with the creation, the Fund intends to transfer or assign substantially all of the Fund's assets and liabilities to the Sub-REIT as of commencement of its operations. The commencement date of Sub-REIT is currently anticipated in February 2023, which may be extended upon Manager's sole and absolute discretion. In addition, in the taxable year immediately following commencement of operations, the Sub-REIT intends to be owned by One Hundred (100) or more investors. The Fund expects to be the sole initial owner of the Sub-REIT until such time as One Hundred (100) or more investors become equity owners of the Sub-REIT. The Fund intends that the One Hundred (100) shareholder requirement will be satisfied by selling a nominal interest in the form of preferred membership interests or units to investors who will become equity owners of the Sub-REIT. These One Hundred (100) shareholders must be admitted to the Sub-REIT during the second taxable year and must be present for at least Three Hundred Thirty-Five (335) days of a taxable year of Twelve (12) months (or during a proportionate part of a taxable year of less than Twelve 12 months). The proceeds of sale may be distributed to the Fund and its Members as a return of capital, or used by the Fund and/or Sub-REIT for their business purposes. A copy of the private placement memorandum in connection with the offer for sale of securities to the One Hundred (100) shareholders is available for review upon the Member's request.

Upon commencement of operations of the Sub-REIT, it is intended that substantially all of the lending activity conducted by the Fund shall be conducted by the Sub-REIT. The Sub-REIT shall adhere to the lending policies and procedures of the Fund and shall be governed by the same internal compliance procedures as applicable to the Fund. (See "Lending Standards and Policies" below). Provisions described herein that restrict or govern the Fund's business operations shall apply jointly to the Fund and the Sub-REIT.

Like the Fund, the Sub-REIT will rely upon the Manager and its Affiliates, and their principals, officers, directors, managers, and other staff members, to carry out the Sub-REIT's business activities. Compensation to the Manager or an Affiliate shall be identical to compensation payable to the Fund for similar services, subject to requirements under the Code, including specifically, Sections 856 through 860. Expenses related to establishment of Sub-REIT will be paid by the Fund.
Although the risks associated with Sub-REIT are generally similar to that of the Fund, there are unique and additional risks in establishing and maintaining a REIT that are detailed later in this Memorandum. (See "Risk Factors – Risk Factors related to Real Estate Investment Trust" and "Income Tax Considerations" below). Distributions payable to Members are not expected to be adversely affected because the Sub-REIT expects to comply with REIT tax rules that require distribution of substantially all of its net income to its equity holders. After-tax returns to taxable Members who are individuals, trusts or estates, and subject to US federal income tax, are expected to be greater following commencement of operations by the Sub-REIT than would be the case if the Sub-REIT did not exist.

Preferred Return; Cash Distributions; Election to Reinvest

Preferred Return

Members will generally be eligible to receive a non-cumulative annualized preferred return ("***Preferred Return***") on their investment, calculated and payable on a quarterly basis (and prorated as applicable for the amount of time that a member was a Member of the Fund). The Preferred Return will be payable prior to any profit participation by the Manager (however, all expenses and fees other than profit participation will be paid to the Manager prior to the Preferred Return). The Preferred Return for any Member shall be equal to a non-cumulative annualized rate of Eight Percent (8%) of a Member's unreturned capital contribution, calculated and payable on a quarterly basis. All Preferred Returns shall be distributed after payment of all expenses and fees and to the extent that cash is available, and provided that such distribution will not impact the continuing operations of the Fund, as determined by the Manager in its sole and absolute discretion. If the Fund is unable to pay to Members the full Preferred Return in any accounting period, the shortfall shall neither cumulate nor compound into the following accounting period, and the Fund shall not be required to pay the shortfall in any succeeding accounting period. From the Fund's launch through the Fund's first full calendar quarter (the "***Initial Period***"), the Preferred Return shall accrue (prorated as applicable for the amount of time that a member was a Member of the Fund), and distributions of the Preferred Return are intended to begin after the Initial Period, in arrears.

Prospective Investors should understand that earnings, cash flow, and distributions of the Fund may necessarily fluctuate in accordance with the business and operations of the Fund. At the end of the fiscal year, the Fund may review all distributions paid during the year just ended and make ratable adjustments to the income distributions and Preferred Return distributions paid or payable to Members, in order to ensure that Members receive accurate Preferred Return distributions for the annual year, in accordance with the intent and provisions of the Operating Agreement and the Memorandum.

For purposes of illustration only, assume that a Member received the full annualized amount of the Preferred Return for the first quarterly distribution of a fiscal year. In the remaining quarterly periods of such fiscal year, if the Fund was unable to return to the Member the full annualized amount of the Preferred Return,

such amount would not cumulate nor compound into the following fiscal year as a Preferred Return distribution owing or required to be distributed to the Member in the succeeding fiscal year.

In addition, in this example, if the Fund had posted a substantial loss in the second quarterly period, the loss may be large enough such that Members may have received too large of a distribution of Preferred Return during the first quarterly distribution period of the fiscal year; in such a case, there is no mechanism for the Fund to necessarily claw-back or recall excess distributions already made to Members during the earlier part of the fiscal year. All Investors should understand that due to differences in timing and amounts of distributions, actual income/losses, and profits of the Fund, there may be a significant disparity between amounts distributed to Members and their distributable share of income and losses; such amounts and disparities may fluctuate and change from year to year.

DISTRIBUTIONS OF THE PREFERRED RETURN ARE NOT A GUARANTEED DISTRIBUTION AND ARE SUBJECT TO THE CASH AVAILABILITY OF THE FUND. THE MANAGER AND THE FUND MAKE NO GUARANTEES, ASSURANCES OR COMMITMENTS TO THE DISTRIBUTION OF ANY RETURNS. THE MANAGER WILL ONLY MAKE DISTRIBUTIONS TO THE EXTENT CASH IS AVAILABLE, IN THE SOLE AND ABSOLUTE DISCRETION OF THE MANAGER, AND TO THE EXTENT THAT ANY DISTRIBUTIONS WILL NOT IMPACT THE CONTINUING OPERATIONS OF THE FUND.

Cash Distributions

After the Preferred Return has been fully distributed to the Members, the remaining excess cash will be distributed as follows: Eighty Percent (80%) of the Net Profits of the Fund shall be distributed to the Members on a pro-rata basis, and Twenty Percent (20%) of the Net Profits shall be distributed to the Manager.

"***Net Profits***" means the Fund's quarterly gross revenue less (1) the Fund's quarterly operating expenses (including payment of outstanding debt [if any], administrative costs, legal expenses, and accounting fees), (2) an allocation of income for valuation allowance, (3) payment of the Asset Management Fee and other compensation to the Manager, and (4) payment of the Preferred Return to the Members.

More specifically, the Fund's income shall be distributed as follows:

1. First, to pay the Fund's operating expenses including, without limitation, payment of outstanding debt (if any), payments to Noteholders, administrative costs, legal expenses, and allocation of income for valuation allowance (as applicable);

2. Second, to pay the Asset Management Fee;

3. Third, to distribute the Preferred Return to the Members; and

4. Thereafter, Eighty Percent (80%) of the Net Profits shall be distributed to the Members on a pro-rata basis based on their respective Membership Interests, and Twenty Percent (20%) of the Net Profits shall be distributed to the Manager.

Any distribution of Net Profits will be made on a quarterly basis, in arrears, and distributions to Members shall be prorated as applicable for the amount of time a Member is a member of the Fund during the applicable accounting period. Net Profits shall accrue during the Initial Period, and distributions of Net Profits are intended to begin after the Initial Period, in arrears (and shall be prorated as applicable for the amount of time a Member is a member of the Fund).

DISTRIBUTIONS OF THE NET PROFITS ARE NOT A GUARANTEED DISTRIBUTION AND ARE SUBJECT TO THE CASH AVAILABILITY OF THE FUND. THE MANAGER AND THE FUND MAKE NO GUARANTEES, ASSURANCES, OR COMMITMENTS TO THE DISTRIBUTION OF ANY RETURNS. THE MANAGER WILL ONLY MAKE DISTRIBUTIONS TO THE EXTENT CASH IS AVAILABLE, IN THE SOLE AND ABSOLUTE DISCRETION OF THE MANAGER, AND TO THE EXTENT THAT ANY DISTRIBUTIONS WILL NOT IMPACT THE CONTINUING OPERATIONS OF THE FUND.

Maximum Offering

The Maximum Offering Amount of this Memorandum is Fifty Million Dollars ($50,000,000). The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Maximum Offering Amount or the Minimum Investment Amount.

The maximum gross proceeds will be the Maximum Offering Amount, which will comprise, subject to adjustments as described elsewhere in this Memorandum, the total equity capitalization of the Fund. This Offering may, however, be terminated at the sole option of the Manager at any time and for any reason (or no reason), before the Maximum Offering Amount is received.

Restrictions on Transfer

As a condition to this Offering, restrictions have been placed upon the ability of Members to resell or otherwise transfer any Membership Interests and/or Notes purchased hereunder. Specifically, no Member or Noteholder may resell or otherwise transfer any Membership Interests and/or Notes without the satisfaction of certain conditions designed to ensure compliance with applicable tax and securities laws, including, without limitation, the requirement that certain legal opinions be provided to the Fund with respect to such matters, and the requirement that any transfer of Membership Interests to a transferee does not violate any state or federal securities laws. Notwithstanding the foregoing, no Member may resell or otherwise transfer any Membership Interests without the prior written consent of the Manager, whose consent may be withheld in its sole and absolute discretion. (See "Summary of the Operating Agreement — Transfer Restrictions" below).

To the extent required by applicable law or in the sole and absolute discretion of the Manager, legends shall be placed on all instruments or certificates evidencing ownership of Membership Interests and/or Notes in the Fund, stating that the Membership Interests and/or Notes have not been registered under the federal securities laws and setting forth limitations on resale. Notations regarding these limitations shall be made in the appropriate records of the Fund, with respect to all Membership Interests and/or Notes offered through this Offering.

Any Noteholders or Member who transfers, upon the Manager's consent, any Membership Interests and/or Notes to another person shall pay the Manager, subject to the sole and absolute discretion of the Manager, a transfer fee of at least Five Hundred Dollars ($500) to cover administrative costs related thereto.

INVESTOR SUITABILITY

This investment is appropriate only for Investors who have no need for immediate liquidity in their investments and who have adequate means of providing for their current financial needs, obligations, and contingencies, even if such investments result in a total loss. Investment in the Membership Interests involves a high degree of risk and is suitable only for an Investor whose business and investment experience, either alone or together with a purchaser representative, renders the Investor capable of evaluating each and

every risk of the proposed investment. CAREFULLY READ THE ENTIRE "RISK FACTORS" SECTION OF THIS MEMORANDUM.

Each Investor seeking to acquire Membership Interests will be required to represent that he, she, or it is purchasing for his, her, or its own account for investment purposes and not with a view to resell or distribute. The Fund will sell the Membership Interests to an unlimited number of "***Accredited Investors***" only.

To qualify as an "Accredited Investor," an Investor must meet ONE of the following conditions:

1. Any natural person who had an individual income in excess of Two Hundred Thousand Dollars ($200,000) in each of the two most recent years, or joint income with that person's spouse or spousal equivalent in excess of Three Hundred Thousand Dollars ($300,000) in each of those years, and who has a reasonable expectation of reaching the same income level in the current year;

2. Any natural person whose individual net worth or joint net worth, with that person's spouse or spousal equivalent, at the time of their purchase, exceeds One Million Dollars ($1,000,000) (excluding the value of such person's primary residence);

3. A natural person holding one or more professional certifications or designations administered by the Financial Regulatory Authority, Inc., and in good standing: the Licensed General Securities Representative (Series 7), Licensed Investment Adviser Representative (Series 65), and Licensed Private Securities Offering Representative (Series 82);

4. A natural person holding, and in good standing, of one or more professional certifications or designations or other credentials from an accredited educational institution that the Commission has designated as qualifying an individual for accredited investor status;

5. A natural person who is considered a "knowledgeable employee" of a private fund as defined by Rule 3c-5(a)(4) under the Investment Company Act of 1940, including trustees and advisory board members, or person serving in a similar capacity of a fund relying on an exemption under Investment Company Act of 1940 Section 3(c)(1) or 3(c)(7), or an affiliated person of the fund that oversees the fund's investments, and employees of the private fund (other than employees performing solely clerical, secretarial, or administrative functions);

6. Any family office, as defined in rule 202(a)(11)(G)-1under the Investment Advisers Act of 1940: with assets under management in excess of Five Million Dollars ($5,000,000), that is not formed for the specific purpose of acquiring the securities offered, and whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risk of the prospective investment;

7. Any family client, as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in paragraph (a)(12) of this section and whose prospective investment in the issuer is directed by such family office pursuant to paragraph (a)(12)(iii);

8. Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities and Exchange Act of 1934 ("***Exchange Act***"); any investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; any investment adviser relying on the exemption from registering with the Commission under section 203(l) or (m) of the Investment Advisers Act of 1940; any insurance company as defined in Section 2(13) of the Exchange Act; any investment company

registered under the Investment Fund Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Fund ("***SBIC"***) licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act; any plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of Five Million Dollars ($5,000,000); any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of Five Million Dollars ($5,000,000) or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors;

9. Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

10. Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("***Code***"), corporation, Massachusetts or similar business trust, partnership, or limited liability company, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of Five Million Dollars ($5,000,000);

11. Any director or executive officer, or Fund of the issuer of the securities being sold, or any director, executive officer, or Fund of a Fund of that issuer;

12. Any trust, with total assets in excess of Five Million Dollars ($5,000,000), not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Section 506(B)(b)(2)(ii) of the Code;

13. Any entity not listed above which was not formed for the specific purpose of acquiring the securities offered, owning investments in excess of Five Million Dollars ($5,000,000); or

14. Any entity in which all the equity owners are accredited investors, as defined above.

Verification

The Fund will require that the Investor verify the Investor's status as an Accredited Investor through any reasonable means and steps deemed necessary or suitable by the Fund. A non-exhaustive list of verification steps that the Fund may use for, or require from, an Investor is noted in the Subscription Agreement. Every Investor is required to cooperate in the Fund's verification steps and methods before being permitted to invest in the Offering. The Fund may use differing or varied verification steps or methods for each Investor, as the facts and circumstances surrounding any particular Investor's financial situation would likely be different from any other Investor.

USE OF PROCEEDS

	Maximum Offering Amount	Percentage of Gross Offering Proceeds
Gross Offering Proceeds	$50,000,000	100%
Commissions Payable by the Fund [1]	$0	0%
Deployable Proceeds [2]	$50,000,000	100%

[1]Membership Interests or Notes will be offered and sold directly by the Fund, the Manager, and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests or Notes will be paid to the Fund, the Manager, or the Fund's or Manager's respective officers or employees. While most Membership Interests or Notes are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Membership Interests or Notes through the services of independent brokers/dealers who are member firms of the FINRA and who will be entitled to receive customary and standard commissions based on the proceeds received from the sale of Membership Interests or Notes. These commissions will be paid by the Investor admitted to the Fund through such broker/dealer (and such payment may reduce the Capital Account of the Investor). The amount and nature of commissions payable to the brokers/dealers are expected to vary on a case-by-case basis as agreed upon between the Investor and the broker/dealer. Notwithstanding the foregoing, the Manager may pay finders' fees to finders who introduce and/or refer Investors to the Fund, provided that, such compensation complies with applicable federal and/or state requirements and/or laws.

[2] Gross Offering proceeds to the Fund are calculated before deducting organization and offering expenses. The expenses relating to this Offering include, without limitation, legal, organizational, printing, binding, and miscellaneous expenses. The remaining Offering proceeds will be available for investment in assets pursuant to the business plan of the Fund. The Manager will receive its compensation from a variety of sources, including, without limitation, a portion of the Net Profits. (See "Manager's Compensation" below). The Manager may, in its sole and absolute discretion, elect to be responsible for some or all of the foregoing expenses related to the Offering, whether through direct payment or reimbursement of such expenses incurred to the Fund.

LENDING STANDARDS AND POLICIES

General Standards for Loans

The Fund will originate, acquire, make, fund, purchase, and/or otherwise sell loans secured by interests in real or personal property located in the of the United States. The Fund may also manage, remodel, repair, lease, and/or sell real properties acquired through the Fund's lending activities, including but not limited to, properties acquired through foreclosure and REO. The Fund's loans will not be guaranteed by any governmental agency, but may be guaranteed by members, shareholders, affiliates, and/or associates of the underlying borrowers, or by the underlying borrower itself. The Fund will select loans according to the standards provided below.

1. Lien Priority. Loans will be secured by senior deeds of trust or mortgages that are in first lien position only.

2. Loan-to-Value Ratio. A loan from or purchased by the Fund and/or the Sub-REIT will generally not exceed the loan-to-value ("***Loan-to-Value***" or "***LTV***") percentage ratios set forth below. The Loan-to-Value ratio is calculated by taking the amount of the Fund's loan, dividing that by the value of the real property securing the deed of trust or mortgage and multiplying that figure by One Hundred (100) to come to a percentage. "***Value***" shall be determined by an independent certified appraiser or non-certified appraiser doing an appraisal on the real property or the Manager or commercial or residential real estate broker giving his, her, or its opinion of value of the real property. For any loans where a portion of the proceeds will be used to improve the real property through repair, renovation, or construction (including fix-and-flip and ground-up construction loans), the Value will be based on the "after repair" or "as completed" value that accounts for the repair, renovation, or construction. Notwithstanding the foregoing,

the Fund and/or the Sub-REIT may exceed the below stated Loan-to-Value ratios if the Manager determines in its sole business judgment that a higher loan amount is warranted by the circumstances of that particular loan, such as being able to secure multiple properties, called "cross-collateralization," personal guaranties, prior loan history with the borrower, market conditions, if mortgage insurance is obtained, or other compensating factors that would support the Manager in making its decision in the best interests of the Fund and/or the Sub-REIT.

Type of Real Property Securing Loan/ Loan Type	Target and Maximum LTV Ratios
Non-Owner-Occupied Single Family Residential	Target: 60% to 65%; Maximum: 75%
Multi-Family Properties[1]	Target: 60% to 65%; Maximum: 75%
Commercial[2]	Target: 60% to 65%; Maximum: 75%
Construction loans[3]	Target: 60% to 65%; Maximum: 75%
Land	Target: 50% to 60%; Maximum: 70%

1. Multi-family includes apartments, manufactured housing, student housing, short term multifamily housing and senior apartments.
2. Commercial includes retail, office, industrial, self-storage, and specialized commercial properties (e.g., churches, synagogues, etc., if alternative use is viable).
3. Determined on an "as repaired" or "as completed" value. Includes all loan types where a portion of the loan proceeds will be used to improve the real property through fix and flip, rehabilitation, repair, renovation, and/or construction.

Upon analysis in approximately Twenty-Four (24) months, the Manager (as the manager of the Sub-REIT) may re-evaluate the portfolio and Loan-to-Value ratio maximums set by the Fund and/or the Sub-REIT and revise the Loan-to-Value ratio maximums at that time if it considers it to be in the best interests of the Sub-REIT (and the Fund). The Manager will inform Members of the new Loan-to-Value ratios when and if the Manager re-evaluates them.

In general, the Fund and/or the Sub-REIT will seek to maintain a weighted Loan-to-Value ratio for the Fund of approximately Sixty Percent (60%) to Sixty Five Percent (65%), provided that the maximum Loan-to-Value ratio for the Fund and/or the Sub-REIT shall not exceed Seventy-Five Percent (75%), unless the Manager determines in its sole discretion that it is in the best interests of the Fund and/or the Sub-REIT to exceed such ratio in any single or multiple instances.

The foregoing Loan-to-Value ratios do not apply to purchase-money financing offered by the Sub-REIT. An example of these types of loans is real estate owned by the Sub-REIT whereby the Sub-REIT decides to sell the property and carry back a loan on the property to make it cash flow positive.

3. Terms of Fund Loans. The terms of the Fund loans will vary. Loans can generally have terms as short as Six (6) months to as long as Twenty-Four (24) months. A loan may, however, be shorter in term or exceed the foregoing terms, if the Manager believes, in its sole and absolute discretion, that the loan is in the best interests of the Fund and/or the Sub-REIT. Many loans that the Fund and/or the Sub-REIT will originate or acquire may provide for interest-only payments followed by a balloon payment at the end of the term. For risk-hedging purposes, borrowers may be required to make principal and interest payments. At the end of the term, the Fund will require the borrower to pay the loan in full, to refinance the loan, or to sell the real property to pay back the loan. The Fund and/or the Sub-REIT may allow Three (3) to Twelve (12) month extensions for a fee paid by Fund borrowers. Finally, the Fund and/or the Sub-REIT may also charge exit fees on Loans, based on the existing Loan balance at maturity. These exit fees may range from Zero Percent (0%) to Ten Percent (10%) of the remaining loan balance at maturity.

4. Title Insurance. Satisfactory title insurance coverage will be obtained for all loans and will usually be paid by the borrower. The title insurance policy will name the lender and its successors

and/or assigns as the insured, and provide title insurance in an amount not less than the principal amount of the loan unless there are multiple forms of security for the loan, in which case the Manager shall use its sole business judgment in determining whether, and to what extent, title insurance shall be required. Title insurance insures only the validity and priority of the Fund's deed of trust or mortgage, and does not insure the Fund and/or the Sub-REIT against loss from other causes, such as diminution in the value of the secured property, loan defaults, and other such losses.

5. Fire and Casualty Insurance. Satisfactory fire and casualty insurance will be obtained for all improved real property loans, which insurance will name the borrower as the insured and the lender and its successors and/or assigns as an additional interest and mortgagee, in the amount equal to the improvements on the real property. (See "Business Risks – Uninsured Losses" below).

6. Mortgage Insurance. The Manager does not intend to, but may, if the property otherwise qualifies, arrange for mortgage insurance, which would afford some protection against loss, if the Fund and/or the Sub-REIT foreclosed on a loan and there existed insufficient equity in the security property to repay all sums owed.

7. Loan Guarantees. A loan from or purchased by the Fund and/or the Sub-REIT will have a personal guarantee, or in very limited circumstances, a corporate guarantee, where such guarantor is a member of or is affiliated with the borrower.

8. Acquiring Loans from Other Lenders. In the event the Fund acquires loans from other lenders, the Fund and/or the Sub-REIT will receive assignments of all beneficial interest in any loans purchased.

9. Purchase of Loans from Affiliates. The Fund and/or the Sub-REIT may purchase loans from the Manager or Affiliates, so long as it meets the lending requirements set forth above.

10. Fractionalized Interests. The Fund and/or the Sub-REIT may also invest in fractionalized interests in promissory notes secured by real property with other lenders (including other entities organized by the Manager), by providing funds for, or by purchasing a fractional undivided interest in, a first position loan that meets the requirements set forth above.

11. Sale of Loans. The Fund and/or the Sub-REIT may invest in loans for the purpose of reselling such loans in the course of business. The Fund may sell loans, or fractional interests in such loans, when the Manager determines (in its sole and absolute discretion) that it appears to be advantageous for the Fund and/or the Sub-REIT to do so, based upon the current interest rates, the length of time that the loan has been held by the Fund and/or the Sub-REIT and the overall investment objectives of the Fund and/or the Sub-REIT. (See "Risk Factors – Investment Risks" below).

12. Diversification of the Fund's Capital in Loans. After the Fund has Twenty Million Dollars ($20,000,000) in capital, no loan originated or acquired by the Fund shall exceed Twenty Percent (20%) of the total Fund capital at the time of the loan. A loan may exceed the foregoing percentage if the Manager believes, in its sole and absolute discretion, that the loan is in the best interest of the Fund.

13. Property Acquisition. Properties acquired by the Fund and/or the Sub-REIT will be acquired through the Fund's and/or the Sub-REIT's lending activities, including, but not limited to, properties acquired as a result of a borrower defaulting on a loan. The Fund and/or the Sub-REIT may establish limited liability companies that are wholly owned subsidiaries of the Fund and/or the Sub-REIT to own and hold title of a property that the Fund and/or the Sub-REIT has acquired and intends to improve, rent, and/or sell. These wholly owned subsidiaries will be single-purpose entities ("***SPE***") created solely

for the purpose of owning, improving, renting, and/or selling the properties the Fund and/or the Sub-REIT acquires. The Manager (or an Affiliate) shall serve as the sole manager of these SPEs.

Credit Evaluations

The Manager will consider the liquidity and general creditworthiness of a borrower to determine his, her, or its ability to repay the loan according to its terms in addition to considering the loan-to-value ratios described above, and secondary sources of security for repayment. The Fund and/or the Sub-REIT may acquire loans made to borrowers who are in default under other obligations (e.g., to consolidate their debts), or who do not have sources of income that would be sufficient to qualify for loans from other lenders, such as banks or savings and loan associations.

Loan Servicing

It is presently anticipated that all Fund and/or the Sub-REIT loans will be serviced (i.e., loan payments collected and other services relating to the loan) by a third-party. Notwithstanding the foregoing, at its sole election, the Manager may elect to service the Fund loans itself, appoint an Affiliate, or elect to retain a different third-party servicer at any time, for any reason (or no reason). The Servicer will be compensated by the borrowers and/or Fund for such loan servicing activities, as agreed upon by the Manager and Servicer. To the extent applicable, the Manager will oversee the activities and performance of the Servicer. (See "The Manager" below).

Borrowers will make loan payments in arrears (i.e., with respect to the preceding month) and will be instructed to send their loan payments either to the Manager or to the Servicer (as applicable) for deposit in the respective party's trust account.

Leveraging the Fund and/or the Sub-REIT / Borrowing / Note Hypothecation

The Fund and/or the Sub-REIT may borrow funds for the purpose of making and purchasing loans, and may assign all or a portion of its loans as security for such loans. The Fund and/or the Sub-REIT anticipates engaging in this type of transaction when the interest rate at which the Fund and/or the Sub-REIT can borrow funds is significantly less than the rate that can be earned by the Fund and/or the Sub-REIT when using those funds to make or acquire loans, giving the Fund the opportunity to earn a profit as a "spread." For purposes of illustration, these transactions will typically be loans secured by one or a series of loans belonging to the Fund. Such a transaction involves certain elements of risk, and entails possible adverse tax consequences. (See herein "Risk Factors," "Income Tax Considerations," and "ERISA Considerations" below).

The Fund and/or the Sub-REIT may also, in its sole discretion, elect, employ leverage, and borrow funds from third-party lenders, investors, and/or financial institutions to finance the Fund's investments in loans. Leverage usually involves a third-party loan in which the Fund's and/or the Sub-REIT's entire asset portfolio is provided as security to the lender for such loan(s). Leveraging involves additional risks that are detailed later in this Memorandum. (See "Risk Factors – Business Risks – Risks of Leveraging the Fund" below).

THE MANAGER

The Manager of the Fund is FTF Capital Management, LLC, a Delaware limited liability company. The Manager will manage and direct the affairs of the Fund. The principals, officers, and directors of the Manager, and their biographies, are as follows:

Matt Rodak, Chief Executive Officer, FTF Capital Management, LLC

Matt Rodak is the Founder and Chief Executive Officer of Fund That Flip, Inc. and FTF Capital Management, LLC. He is primarily responsible for leading the strategic direction of the company. Over the past ten years, Mr. Rodak has built the company from a nascent idea rooted in his own experience as a real estate investor into a business that has originated more than 8,000 loans for a total amount in excess of $3 billion. In building the company, Mr. Rodak has raised more than $600 million of capital. Prior to founding the company, Mr. Rodak spent seven years with a leading risk management firm, where he held leadership positions in sales, marketing and product development. Matt has a finance degree from John Carroll University.

Alex Goodwin, Chief Financial Officer, FTF Capital Management, LLC

Alex Goodwin, CFO of Upright and FTF Capital Management, brings over a decade of finance and accounting experience across real estate, financial services, and government. A licensed CPA and active real estate investor, Alex is also a military veteran, serving over four years as a US Marine Corps officer. He holds both a Master's in Accounting and an MBA.

Mahmud Naser, Credit Manager, FTF Capital Management, LLC

Mahmud, Credit Manager with Upright and FTF Capital Management has 10 years of experience spanning underwriting, asset management, servicing and operating his own real estate portfolio. He holds a degree in Actuarial Science from Bentley University.

MANAGER'S COMPENSATION

The following discussion summarizes some important areas of compensation to be received by the Manager and its Affiliates, and in certain instances, the Servicer. If the Manager or Servicer defers or assigns to the Fund any of their respective compensation, the Manager and/or Servicer will be entitled to recover the same at a later time, within the same calendar year or at any time thereafter. Notwithstanding the foregoing, the Manager and/or Servicer have no obligation to waive, defer, or assign to the Fund any portion of such compensation, at any time.

Form of Compensation	Estimated Amount or Method of Compensation
ASSET MANAGEMENT FEE	The Manager shall earn an asset management fee ("***Asset Management Fee***") equal to One Percent (1%) of the Net Asset Value or "NAV", calculated and accrued monthly at the beginning of each month and payable quarterly. "***Net Asset Value" or "NAV***" means, with respect to the Fund and/or the Sub-REIT, the excess of the Fund and/or Sub-REIT's total assets over its total liabilities as determined in accordance with the Fund's policies and procedures associated with valuation of assets, which shall be on a fair value basis in accordance with U.S. GAAP.
PROFIT PARTICIPATION	The Manager shall participate in the distribution of Net Profits as follows: the Manager shall receive Twenty Percent (20%) of the Net Profits. Net Profits shall be distributed on a quarterly basis.

LOAN ORIGINATION FEES AND LENDER DISCOUNT POINTS	Loan origination fees, exit fees, and lender discount points are generally collected from borrowers by the Originator. Such fees and points average (in the aggregate) between One and Ten Percent (1-10%) but could be as low as Zero Percent (0%) or as high as Fifteen Percent (15%) depending on market conditions. One Hundred Percent (100%) of such fees described in the foregoing paragraph shall be payable to the Originator. Loan origination fees consist of loan processing fees, underwriting fees, document preparation fees, escrow fees, disbursement fees, warehousing fees, administration fees, and other similar charges.
PURCHASE OF EXISTING LOANS	When the Fund purchases an existing loan (or pool of loans) from a third party, the Originator may be paid a fee comparable to a loan origination fee.
LOAN EXTENSION AND MODIFICATION FEES	Loan extension and modification fees are collected from borrowers. Such fees are typically between One and Three Percent (1-3%) of the original loan amount, but could be higher or lower depending on market rates and conditions. Such fees are collected by the Manager, Originator, and/or the Servicer (as applicable), and are shared between the Fund, and the Manager, Originator, and/or Servicer (as applicable) in the following manner: Fifty Percent (50%) of the loan extension and modification fees shall be payable to the Manager, Originator, or Servicer (as applicable), and the remaining Fifty Percent (50%) of the fees shall be payable to the Fund.
LOAN PROCESSING, LOAN DOCUMENTATION, AND OTHER SIMILAR FEES	Loan processing, documentation, and other similar fees are collected from the borrower and payable to the Manager, Originator, and/or Servicer, as applicable, at prevailing industry rates.
OTHER LOAN FEES	All other fees paid by borrowers on account of the Fund and/or the Sub-REIT loans will be shared between the Manager and/or Originator, as applicable, and the Fund as follows: Fifty Percent (50%) of the other loan fees shall be payable to the Manager and/or Originator, as applicable and the remaining Fifty Percent (50%) shall be payable to the Fund. All other fees include, but are not limited to, all forbearance fees, late fees, late charges, collection fees, default interest, and all other similarly related fees incurred by borrowers (including, but not limited to, other fees authorized by loan documents for work performed regarding the subject loan).

LOAN SERVICING FEE	Any loan servicing fees payable to the Servicer shall be calculated as an expense to the Fund. Should the Manager elect to service the loans itself, or the Manager elects to appoint an Affiliate to service the loans, the Manager may elect to charge a loan servicing fee. This fee shall be collected monthly from the payments received by the Fund and/or the Sub-REIT from the borrowers. In the event of a foreclosure, the Servicing Fee may be increased. Notwithstanding the foregoing, the loan servicing fee may vary from loan to loan.
FEES RELATED TO REO	To the extent applicable, the Manager or its Affiliates shall be entitled to any fees derived from REOs, which includes, without limitation, any real estate commissions, property management fees, and/or fees accrued in connection with the REOs. REOs acquired through the Fund's lending activities will be managed, remodeled, repaired, leased, and/or sold by the Fund, the Manager, and/or its Affiliates, as determined by the Manager in its sole and absolute discretion. The Manager or its Affiliates will receive fees at rates customarily charged for similar services by companies engaged in the same or substantially similar activities in the relevant geographical area.
OPERATING EXPENSES	The Manager shall be entitled to reimbursement by the Fund and/or Sub-REIT (but only to the extent that Fund assets are sufficient therefor) for reasonable and necessary out-of-pocket expenses incurred by the Manager on behalf of the Fund. Further, the Fund and/or Sub-REIT shall reimburse the Manager and its Affiliates for any reasonable formation, accounting, analyst, banking, transactional fees, and legal costs incurred in connection with the formation of the Fund and/or Sub-REIT and the capital raising activities undertaken by the Fund and/or Sub-REIT.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

Under applicable law, the Manager is generally accountable to the Fund as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to Fund affairs, and sound business judgment. This is a rapidly developing and changing area of the law, and Members and Noteholders should consult with their own legal counsel in this regard. The fiduciary duty of the Manager is in addition to the other duties and obligations of, and limitations on, the Manager, set forth in the Operating Agreement of the Fund. Investors should consult with their own independent counsel in this regard.

The Fund has not been separately represented by independent legal counsel in its formation or in the dealings with the Manager, and Members and Noteholders must rely on the good faith and integrity of the Manager to act in accordance with the terms and conditions of this Offering.

The Operating Agreement provides that the Manager will not have any liability to the Fund for losses resulting from errors in judgment or other acts or omissions, unless the Manager is guilty of fraud, bad faith or willful misconduct. The Operating Agreement also provides that the Fund will indemnify the Manager against liability and related expenses (including, without limitation, legal fees and costs) incurred in dealing with the Fund, Members, or third parties, as long as no fraud, bad faith, or willful misconduct on the part of the Manager is involved. Therefore, Members may have a more limited right of action than they would have, absent these provisions in the Operating Agreement. A successful indemnification of the Manager, or any litigation that may arise in connection with the Manager's indemnification, could deplete the assets of the Fund. Members who believe that a breach of the Manager's fiduciary duty has occurred, should consult with their own legal counsel in the event of fraud, willful misconduct, or bad faith.

It is the position of the U.S. Securities and Exchange Commission that indemnification for liabilities arising from, or out of, a violation of federal securities law is void as contrary to public policy. However, indemnification will be available for settlements and related expenses of lawsuits alleging securities law violations if a court approves the settlement and indemnification, and also for expenses incurred in successfully defending such lawsuits if a court approves such indemnification.

RISK FACTORS

Although the Fund will attempt to comply with requests for the early withdrawal of the Membership Interests or Notes if the financial position of the Fund can accommodate it (see "Summary of the Operating Agreement – Withdrawal" below), any investment in the Membership Interests or Notes involves a significant degree of risk and is suitable only for Investors who have NO NEED FOR LIQUIDITY in their investments. When analyzing this Offering, prospective Investors should carefully consider each of the following risks and the matters discussed herein under the captions "Manager's Compensation," "Conflicts of Interest," "Income Tax Considerations" and "ERISA Considerations."

INVESTMENT RISKS

No Registration: Limited Governmental Review

This Offering has not been registered with, nor reviewed by, the U.S. Securities and Exchange Commission or any state agency or regulatory body, nor is registration contemplated.

Dilution

The Membership Interests offered in the Offering consist of units of limited liability company interests of the Fund. Members may experience dilution of their respective Membership Interests in the Fund as more Investors are admitted as Members of the Fund. Further, under the Operating Agreement, the Manager has the right to cause the Fund to sell additional Membership Interests. Any such sale of additional Membership Interests would further dilute the percentage interests of the existing Members.

Limited Transferability of Membership Interests and Notes

Although the Fund will attempt to redeem Membership Interests or Notes, when possible (see "Summary of the Operating Agreement - Withdrawal" below), there is no public market for the Membership Interests or Notes, and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of these Membership Interests or Notes are also restricted by the provisions of the Securities Act of 1933 and Rule 144 promulgated thereunder, and by the provisions of the Operating Agreement. Unless an exemption is available, these Membership Interests or Notes may not be sold or transferred without registration under the Securities Act of 1933 and the prior written consent of applicable state

securities regulators and agencies. Any sale or transfer of these Membership Interests or Notes also requires the prior written consent of the Fund. See herein "Summary of the Operating Agreement" below. Members possess very limited rights to withdraw from the Fund or to otherwise recover any of their invested capital. (See "Summary of the Operating Agreement – Withdrawal" below). Investors must be capable of bearing the economic risks of this investment with the understanding that these Membership Interests or Notes may not be liquidated by resale or redemption, and should expect to hold their Membership Interests or Notes as a long-term investment.

Size of the Offering

There is no assurance that the Fund will obtain capital investments equal to the amount required to close the Offering. In addition, receipt of capital investments of less than the Maximum Offering Amount will reduce the ability of the Fund to spread investment risks through diversification of its investment portfolio.

Speculative Nature of Investment

Investment in these Membership Interests are speculative and, by investing, each Investor assumes the risk of losing the entire investment. The Fund has limited operations as of the date of this Memorandum and will be solely dependent upon the Fund and the Fund's loan portfolio, both of which are subject to the risks described herein. Accordingly, only Investors who are able to bear the loss of their entire investment, and who otherwise meet the Investor suitability standards should consider purchasing these Membership Interests. (See "Investor Suitability" above).

Conflicts of Interest

There are several areas in which the interests of the Manager may conflict with those of the Fund. (See "Conflicts of Interest" below).

Provisions in the Promissory Notes

The Fund has set the terms of the Notes in a manner which is favorable to the Fund and has not made an attempt to consider the favorability or suitability of such terms for any prospective Investors.

Investors and Fund Not Independently Represented

The Fund has not been represented by independent legal counsel for its organization and dealings with the Manager. In addition, the attorneys who have performed services for the Fund have also represented the Manager, but have not represented the interests of the Investors or Members and Noteholders of the Fund. (See "Conflicts of Interest" below).

Investment Delays

There may be a delay between the time the Investor submits the Subscription Agreement to the Manager and is admitted as a Member, and the time the proceeds of this Offering are invested in loans and as investments by the Fund. During these periods, the Fund may invest these proceeds in short-term certificates of deposit, money-market funds, or other liquid assets with FDIC-insured and/or NCUA-insured banking institutions, which will not yield a return as high as the anticipated return to be earned on Fund loans and property investments.

Adverse Impact due to Economic Conditions

Generally, economic recessions or downturns may result in a prolonged period of market illiquidity, which could have an adverse effect on the Fund business, financial condition, and results of operations. Periods of economic slowdown or recession, significantly rising interest rates, declining employment levels, decreasing demand for real estate, or the public perception that any of these events may occur, have resulted in and could continue to result in, a general decline in acquisition, disposition, and leasing activity, as well as a general decline in the value of real estate and rents. These events could adversely affect the fund's demand among investors, which will impact the results of operations.

During an economic downturn, it may also take longer for us to dispose of real estate investments, or the disposition prices may be lower than originally anticipated. As a result, the carrying value of such real estate investments may become impaired, and the fund could record losses as a result of such impairment or experience reduced profitability related to declines in real estate values. These events could adversely affect the fund's performance, and, in turn, the fund's business, and negatively impact the results of operations.

Negative general economic conditions could continue to reduce the overall amount of sale and leasing activity in the commercial real estate industry, and hence the demand for the fund's securities, which may in turn adversely affect the fund's revenues. The fund is unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions in the United States and other countries.

Lack of Regulation

The Manager and the Fund are not supervised or regulated by any federal or state authority, except to the extent that the Manager's lending and brokerage activities are regulated and supervised by applicable authorities in at least the State of Delaware.

Reliance on Manager

The Manager (and/or its Affiliates) will participate in all decisions concerning the management of the Fund and/or the Sub-REIT, including (without limitation) determining which loans to purchase and originate. The Fund and/or Sub-REIT is dependent to a significant degree on its continued services. In the event of the dissolution, death, retirement, or other incapacities of the Manager or its principals, the business and operations of the Fund and/or Sub-REIT may be adversely affected. The Members will then elect a new Manager, or the Manager shall appoint a new Manager, pursuant to the Operating Agreement.

The Manager is wholly owned by Fund That Flip, Inc., doing business as Upright ("Upright"). The Manager shares certain management, operational, technology, and administrative resources with Upright and its affiliates. As a result, the Manager's operations are, to a large extent, dependent upon the continued financial condition, operational stability, and ongoing support of Upright.

Upright has experienced significant operating and profitability challenges, which have included financial pressures on its core business operations, cost reductions, workforce adjustments, and other restructuring efforts. These conditions may continue or worsen, and there can be no assurance that Upright's financial condition will improve. If Upright's financial condition materially deteriorates, such developments could adversely impact the Manager's ability to continue to provide services to the Fund, maintain operational continuity, or retain key personnel. In the event of further financial distress at Upright, the Manager may be required to seek alternative service providers or operational resources, which could disrupt the Fund's operations and performance.

Side Letters

The Manager may enter into Side Letters which may provide favorable treatment from one investor over another. The Fund may from time to time enter into Side Letters with one or more Members which provide such Member(s) with additional and/or different rights (including, without limitation, with respect to access to information, incentive allocations, minimum investment amounts, and liquidity terms) than such Member(s) have pursuant to this Memorandum. As a result of such Side Letters, certain Members may receive additional benefits (including, but not limited to, reduced fee or incentive allocation obligations, the ability to withdraw Membership Interests on shorter notice, and/or expanded informational rights) which other Members will not receive. For example, a Side Letter may permit a Member to withdraw Membership Interests on less notice and/or at different times than other Members. As a result, should the Fund experience a decline in performance over a period of time, a Member that is party to a Side Letter that permits less notice and/or different withdrawal times may be able to withdraw Membership Interests prior to other Members. The Manager will not be required to notify any or all Members of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Manager be required to offer such additional and/or different rights and/or terms to any or all Members. The Manager may enter into such Side Letters with any party as the Manager may determine in its sole and absolute discretion at any time. Members will have no recourse against the Fund, the Manager and/or any of their affiliates in the event that certain Members receive additional and/or different rights and/or terms as a result of such Side Letters.

Requirement of Additional Capital

Future capital requirements depend on many factors, including the Fund's ability to successfully locate investments, and whether further investment in these opportunities becomes necessary to protect the Fund's existing positions in the investments. If further capitalization becomes necessary to further stabilize, develop, or protect any of the Fund's assets, or if capitalization is needed for any other reason, any equity financing, if available at all, may not be on terms favorable to the Fund, and dilution to the Members could result. In any case such securities may have rights, preferences, and privileges that are senior to those of the Membership Interests offered herein. If adequate capital cannot be obtained, the Fund's business, operating results, and financial condition could be adversely affected.

Tax and ERISA Risks

Investment in the Fund involves certain tax risks of general application to all Members in the Fund, and certain other risks specifically applicable to Keogh accounts, Individual Retirement Accounts. and other tax-exempt investors. (See "Income Taxation Considerations" and "ERISA Considerations" below).

Tax Liability may Exceed Cash from Operations

As a result of decisions of the Manager in operating the Fund, which may require the suspension of cash distributions due to a need to maintain a higher level of cash reserves, along with other events, there is a risk that the tax liability owed by a Member in any tax year will exceed any cash distribution from the Fund in that year. As a result, some or all of the payment of taxes may be an out-of-pocket expense of the Members.

Unidentified Assets

None of the specific assets in which the Fund will invest are identified at this time. Therefore, a potential Investor will be unable to evaluate the Fund's loan portfolio to determine whether to invest in the Fund. However, the general business goals of the Fund are to make and acquire loans as further described herein.

Upon commencing operations, the Fund may later have specific, identifiable portfolio data which Members or Noteholders may review upon their request to the Manager.

Nature of Debt Obligations

The Notes represent debt obligations of the Fund, and as such, would entail risks and benefits for the Noteholders that are customary for creditors, including (without limitation) risk of default and/or non-payment by the borrower. In the event of any liquidation or bankruptcy or similar event, Noteholders may receive less than the principal amount of their investment.

Noteholders will generally have limited to no control in the management and operation of the Fund's business and its decisions. Other individuals and constituencies (such as Members of the Fund) may have greater control and rights (including, without limitation, approval or blocking rights with respect to business decisions of the Fund) than the Noteholders possess. Noteholders should understand that other participants in the Fund may have interests that are substantially different than, and directly adverse to, the interests of Noteholders.

Risks Associated with Horizon Notes

Noteholders will be subordinate to certain "Senior Indebtedness" of the Fund, which may include but is not limited to a credit facility from a bank or lending institution. In the event that there is insufficient cash flow generated from operations by the Fund and the Fund has to pay any lenders who are senior to Noteholders, it may affect the Fund's ability to pay the Noteholders. In addition, leverage may involve restrictive covenants, interest obligations and other risks that are customary to organizations that employ leverage in financing their investments.

Automatic Renewal of Notes

Unless the Noteholder elects to opt out of renewal by delivering a notice through the Fund's Platform or the Fund determines that a series of Notes will not be renewed, the Notes may automatically renew. In such event, the Noteholder will be subject to the same or substantially the same terms and conditions of the original Note.

Price of Membership Interests Arbitrarily Determined

The purchase price of the Membership Interests offered through this Memorandum has been arbitrarily determined and may not reflect their actual value. The purchase price of the Membership Interests is not the result of arm's-length negotiations. It bears no relationship to any established criteria of value, such as book value or earnings per share, or any combination thereof. Further, the price is neither based on past earnings of the Fund, nor does the price necessarily reflect the current market value of the Fund. No valuation or appraisal of the Fund or the Fund's potential business has been prepared.

Anti-Money Laundering

The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("***PATRIOT Act***") requires that financial institutions establish and maintain compliance programs to guard against money laundering activities, and requires the Secretary of the U.S. Treasury ("***Treasury***") to prescribe regulations in connection with anti-money laundering policies of financial institutions. The Financial Crimes Enforcement Network ("***FinCEN***"), an agency of the Treasury, has announced that it is likely that such regulations would subject certain pooled-investment vehicles to

enact anti-money laundering policies. There could be promulgated legislation or regulations that would require the Fund or its service providers to share information with governmental authorities with respect to prospective investors in connection with the establishment of anti-money laundering procedures. Such legislation and/or regulations could require the Fund to implement additional restrictions on the transfer of the Membership Interests. The Fund reserves the right to request such information as necessary, to verify the identity of prospective Investors and the source of the payment of subscription monies, or as necessary to comply with any customer identification programs required by FinCEN and/or the U.S. Securities and Exchange Commission. In the event of delay or failure by a prospective investor to produce any information required for verification purposes, an application for, or transfer of, the Interests may be refused.

Investment Company Act Risks

The Fund intends to avoid becoming subject to the Investment Company Act of 1940, as amended ("***1940 Act***"); however, the Fund cannot assure prospective Investors that under certain conditions, changing circumstances, or changes in the law, the Fund may not become subject to the 1940 Act in the future, as a result of the determination that the Fund is an "investment company" within the meaning of the 1940 Act, that does not qualify for an exemption as set forth below. Becoming subject to the 1940 Act could have a material, adverse effect on the Fund. Additionally, the Fund could be terminated and liquidated due to the cost of registration under the 1940 Act. In general, the 1940 Act provides that if there are 100 or more investors in a securities offering, then the 1940 Act could apply, unless there is an exemption; however, the 1940 Act generally is intended to regulate entities that raise monies where the entity itself "holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities" (Section 3[a][1][A] of the 1940 Act).

The second key definition of an "investment company" under the 1940 Act considers the nature of an entity's assets. Section 3(a)(1)(C) of the 1940 Act defines "investment company" as any issuer that "is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding Forty Percent (40%) of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis." Section 3(b)(1) of the 1940 Act provides that a company is not an "investment company" within the meaning of the 1940 Act, if it is "[an] issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities…"

Section 3(c) of the 1940 Act provides for the following relevant exemptions: "Notwithstanding subsection (a), none of the following persons is an investment company within the meaning of this title: (1) Any issuer whose outstanding securities (other than short-term paper) are beneficially owned ***by not more than one hundred persons*** [emphasis added] and which is not making and does not presently propose to make a public offering of its securities. Such issuer shall be deemed to be an investment company for purposes of the limitations set forth in subparagraphs (A)(i) and (B)(i) of section 12(d)(1) governing the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end investment company to any such issuer. For purposes of this paragraph: (A) Beneficial ownership by a company shall be deemed to be beneficial ownership by one person, except that, if the company owns 10 per centum or more of the outstanding voting securities of the issuer, and is or, but for the exception provided for in this paragraph or paragraph (7), would be an investment company, the beneficial ownership shall be deemed to be that of the holders of such company's outstanding securities (other than short-term paper). (B) Beneficial ownership by any person who acquires securities or interests in securities of an issuer described in the first sentence of this paragraph shall be deemed to be beneficial ownership by the person from whom such transfer was made, pursuant to such rules and regulations as the Commission shall prescribe as necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions

of this title, where the transfer was caused by legal separation, divorce, death, or other involuntary event... or (5) Any person who is not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in one or more of the following businesses: (A) Purchasing or otherwise acquiring notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance, and services; (B) making loans to manufacturers, wholesalers, and retailers of, and to prospective purchasers of, specified merchandise, insurance, and services; and (C) ***purchasing or otherwise acquiring mortgages and other liens on and interests in real estate*** [emphasis added]."

Based upon the above, the Fund has been advised that the Offering is exempt under the 1940 Act and that the 3(c)(1) and/or 3(c)(5) exemptions will apply. However, there are no assurances that this will ultimately be the case.

BUSINESS RISKS

Limited Operating History of Operations

The Fund has a limited history of operations. The Fund's projections are based upon the limited operating history, and limited publicly available information and industry knowledge. The Fund's projections may not be indicative of prospects or future performance, and ultimate operations expenses and potential losses cannot be projected with certainty. There can be no assurance that expenses and losses exceeding the Fund's total resources will not occur.

Risks Associated with Expansion

The Fund plans on expanding its business through aggressive marketing and networking with realtors, wholesalers, title companies, banks, real estate investment clubs, and real estate investors. Any expansion of operations the Fund may undertake will entail risks. Such actions may involve specific operational activities, which may negatively impact the profitability of the Fund. Consequently, investors must assume the risk that (i) such expansion may ultimately involve expenditures of funds beyond the resources available to the Fund at that time, and (ii) management of such expanded operations may divert the Manager's attention and resources away from its existing operations, all of which factors may have a material adverse effect on the Fund's present and prospective business activities.

Competition

The Fund and/or Sub-REIT will be competing for loans, investment opportunities, and property acquisitions with other mortgage funds, private investors, institutional lenders, and investors and others engaged in the mortgage lending and property acquisition business. These other lenders and investors may have greater financial resources and experience than the Fund and the Manager. Other lenders and investors may also generally be able to accept more risk than the Fund can manage. Competition may reduce the number of suitable prospective loans offered to the Fund and/or Sub-REIT.

Trends in Consumer Preferences and Spending

The Fund's operating results may fluctuate significantly from period to period as a result of a variety of factors, including competitive investment structures, foreclosures, regional unemployment, increases in interest rates, decreases in conventional lending, and general economic conditions. There is no assurance that the Fund will be successful in marketing any of its services, or that the revenues will be significant. Consequently, the Fund's revenues may vary by quarter, and the Fund's operating results may experience fluctuations.

Performance Projections

The Manager and its principals have experience in real estate investments, loans, and related loan syndications. The Manager and/or Affiliates, through its management of other funds and investment vehicles, has made other real estate investments and loans under other formats, but the performance of previous investments may not be indicative of the future performance of the investments relating to the Fund. The Fund does not yet know what its long-term loan loss experience will be.

Fluctuations in Interest Rates

Mortgage interest rates are subject to abrupt and substantial fluctuations and the purchase of Membership Interests or Notes is a relatively illiquid investment. If prevailing interest rates rise above the average interest rate being earned by the Fund's and/or Sub-REIT's portfolio, Members or Noteholders may wish to liquidate their investment to take advantage of higher available returns, but may be unable to do so due to restrictions on transfer and withdrawal.

Litigation Risks

The Manager will act in good faith and use reasonable judgment in selecting borrowers and making, purchasing, and managing the mortgage loans and investing in, purchasing, and managing properties. However, as a lender, the Manager and the Fund and/or Sub-REIT are exposed to the risk of litigation by a borrower for any warranted or unwarranted allegations regarding the terms of the loans or the actions or representations of the Manager in making, managing or foreclosing on subject properties. It is impossible to foresee the allegations borrowers will bring against the Manager or the Fund and/or Sub-REIT, but the Manager will use its best efforts to avoid litigation if, in the Manager's sole discretion, it is in the best interests of the Fund and/or Sub-REIT. If the Fund is required to incur legal fees and costs to respond to the lawsuit, the costs and fees could have an adverse impact on the Fund's profitability and distributions to Members.

Failure of Borrower to Pay First Mortgage

If the Fund's equity or profit margin on a particular Note is thin, so that little to no equity exists between all of the encumbrances on the underlying property and the Note, it may not make sense for the Fund to continue to hold and/or service the Note. Therefore, the fund will most likely not make a profit on that particular Note and may be at risk for losing almost all of the fund's investment in such a Note under these or similar circumstances.

Failure of Servicer to Comply with Regulations

The Fund's and/or Sub-REIT's business is subject to multiple laws including regulations applicable to note servicers. The lending industry is heavily regulated by laws governing lending practices at the federal, state, and local levels. In addition, proposals for further regulation of the financial services industry are continually being introduced. Failure of the Fund or its Servicer to comply with these laws could lead to loss of the property, legal fees, and other unexpected costs that could adversely affect investments. These laws and regulations to which the Fund and its Servicer is subject include those pertaining to:

- real estate settlement procedures;
- fair lending;
- compliance with federal and state disclosure requirements;
- debt collection;

- the establishment of maximum interest rates, finance charges, and other charges;
- secured transactions and foreclosure proceedings; and
- private regulations providing for the use and safeguarding of non-public personal financial information of borrowers.

Loan Defaults and Foreclosures

The Fund and/or Sub-REIT will participate in loans and take the risk that borrowers will default on those loans and other risks that lenders typically face, many of which are detailed in this Offering. Fund loans may be made to borrowers who do not qualify for loans from more traditional sources of financing, such as banks and savings and loans associations. Fund loans may generally provide for a monthly payment from the borrower followed by a "balloon" payment at the loan's maturity. Many borrowers may be unable to pay such a balloon payment and are compelled to refinance the balloon amount into a new loan. Fluctuations in the interest rates, unavailability of mortgage funds, and a decrease in the value of the real property securing the loan could adversely affect the borrower's ability to refinance their loans at maturity.

The Fund and/or Sub-REIT will generally look to the underlying property securing the loan to determine whether to make the loan to the borrower or to purchase a loan and, to a lesser extent, the credit rating a borrower has. Nonetheless, borrowers will need to demonstrate adequate ability to meet its financial obligations under the terms of any loan which the Fund originates or purchases.

To determine the fair market value of the property securing the loan, the Fund and/or Sub-REIT will primarily rely on an appraisal, Manager's opinion of value of the property, or other similar opinion. Appraisals are a judgment of an individual appraiser's interpretation of a property's value. Due to the differences in individual opinions, values may vary from one appraiser to another. Furthermore, the appraisal is merely the value of the real property at the time the loan is originated. Market fluctuations and other conditions could cause the value of real property to decline over time.

If the borrower defaults on the loan, the Fund may be forced to purchase the property at a foreclosure sale. If the Fund cannot quickly sell the real property and the property does not produce significant income, the Fund's profitability will be adversely affected.

Due to certain provisions of state law that may apply to all real estate loans, if real property security proves insufficient to repay amounts owed to the Fund, it is unlikely that the Fund and/or Sub-REIT will be able to recover any deficiency from the borrower.

Finally, the recovery of sums advanced by the Fund and/or Sub-REIT in making or investing in mortgage loans and protecting its security may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the loan was made. Any borrower may delay a foreclosure sale for a period ranging from several months to several years by filing a petition in bankruptcy which automatically stays any actions to enforce the terms of the loan. It can be assumed that such delays and the costs associated therewith will reduce the Fund's and/or Sub-REIT's profitability.

Speculative Value of Property and Notes

Some properties and/or notes may not sell for the anticipated value. This result may cause a loss of principal, and/or a reduction in or loss of profits and/or returns on investment for the Fund and its Members.

Risks Related to Rehabilitation Loans

Rehabilitation loans involve particular risks, involving, among other things, the timeliness of the project's completion, the integrity of appraisal values, whether or not the completed property can be sold for the amount anticipated, and the length of the ultimate sale process.

If rehabilitation work is not completed (due to contractor abandonment, unsatisfactory work performance, or various other factors) and all the loan funds have already been expended, then, in the event of a default the Fund may have to invest significant additional funds to complete rehabilitation work. Any such investment would be recouped by the Fund prior to the Member being paid back. If the value of an uncompleted property is materially less than the amount of the loan, even if the work were completed, then, upon a default, the Fund and/or Sub-REIT might need to invest additional funds in order to recoup all or a portion of the investment. Default risks also exist when it takes a borrower longer than anticipated either to construct or resell the property, or if the borrower does not receive sufficient proceeds from the sale to repay the corresponding loan in full.

Participation in Other Loans

The Fund and/or Sub-REIT may be participating in loans with other lenders. When participating in loans with other lenders, the Fund and/or Sub-REIT or its Manager may not have control over the determination of when and how to enforce a default. Depending on the terms of any participation agreement with the other lenders, other lenders may have varying amounts of input into such a decision-making process, including the ultimate decision-making power on if and when to enforce a default. If the Fund and/or Sub-REIT participates with a lender affiliated with the Manager or its principals, it is possible that the Fund and/or Sub-REIT would not be the lead lender, although the principal of the Manager who is affiliated with the other lender may be the decision-making party. There is no certainty who will be a lead lender in a situation where the Fund and/or Sub-REIT participates in ownership of a loan with another entity.

Increase in Loss Rates

Loss rates on loans may be significantly affected by economic downturns or general economic conditions beyond the Fund's control, and beyond the control of individual borrowers. In particular, loss rates on corresponding loans may increase due to factors such as (among other things) local real estate market conditions, prevailing interest rates, the rate of unemployment, the level of consumer confidence, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets, and other factors.

Risks of Government Action

While the Manager will use its best efforts to comply with all laws, including federal, state, and local laws and regulations, there is a possibility of governmental action to enforce any alleged violations of mortgage lending laws, which may result in legal fees and damage awards that would adversely affect the Fund and/or Sub-REIT.

Risks of Leveraging the Fund and/or Sub-REIT

The Fund and/or Sub-REIT may borrow funds from a third-party lender, investors, and/or financial institutions to make or acquire loans and properties. These loans may be secured by the loans held by the Fund and/or Sub-REIT. In order to obtain such a loan, the Fund and/or Sub-REIT may also assign part or its entire asset portfolio to the lender. Such borrowed money may bear interest at a variable rate, whereas the Fund and/or Sub-REIT may be making fixed rate loans. Therefore, if prevailing interest rates rise, the

Fund's cost of money could exceed the income earned from that money, thus reducing the Fund's and/or Sub-REIT's profitability or causing losses. Furthermore, leveraging the Fund and/or Sub-REIT may also result in the receipt of some taxable income by investors (such as ERISA plans) that are otherwise tax-exempt. (See "Income Taxation Considerations" below).

Risks Associated with Fund Performance

If the Fund's investments in assets do not perform and generate income, the Fund may not be able to make expected distributions to its Members. Several factors may adversely affect the economic performance and value of the Fund's investments. These factors include but are not limited to, decrease in value of the loans, borrower non-performance, decrease in real estate or other asset values, increase in investor competition, lengthy legal proceedings, adverse legal judgments, changes in the national, regional, and local economic climate, and local conditions that may cause borrowers to not be able to make their interest payments, which may devalue the Fund's collateral and other assets to the extent that exit strategies and liquidation of assets become unavailable. The Fund's performance would also depend on the Fund's ability to collect rent from tenants and to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which could increase over time. In addition, the expenses of owning and operating real property and other assets are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes), and the possibility of bankruptcies of tenants or borrowers may adversely affect the Fund's financial condition and results of operations.

Diversification Risks

The Fund may participate in a limited number of loans and the Fund lending activities may not be widely diversified. As a consequence, the Fund's aggregate return may be substantially adversely affected by the unfavorable performance of even a single investment. The ability of the Fund to diversify the risks of making investments will depend upon a variety of factors, including the size, characteristics, type and class of the investments being made, and with regard to short-term loans, the number and quality of borrowers in need of financing. The Fund may not be able to make investments that would provide a desired level of diversification.

General Risks of Commercial Real Estate Market

The Fund may invest in the commercial real estate market. Concentration in commercial real property entails risks that are specific to the industry. For example, the Fund may experience fluctuations in occupancy rates, rent schedules, and operating expenses, among other factors, which can adversely affect operating results of the commercial real property and the borrower's ability to make payments on the loans. Operating performance will also depend on adverse changes in local population trends, market conditions, neighborhood values, national, regional or local economic and social conditions, federal, state or local regulations, controls or fiscal policies, including those affecting rents, prices of goods, fuel and energy consumption, environmental restrictions, real estate taxes, zoning and other factors affecting real property. Additionally, there may be a need for capital improvements and repairs, accounting for inflation, financial condition and profitability of tenants, uninsured losses, acts of nature such as floods and earthquakes, and other risks. Some or all of these factors may also affect the financial condition of borrower's on loans secured by commercial real property and thus their ability to make payments on these loans.

In addition, in the event a borrower defaults on a loan and lacks sufficient assets to satisfy the loan, the fund may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, the Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy

the loan. If a borrower defaults on the loan or on debt senior to the loan, or in the event of a borrower bankruptcy, the loan will be satisfied only after the senior debt is paid in full. Where debt senior to the loan exists, the presence of intercreditor arrangements may limit the fund's ability to amend the loan documents, assign loans, accept prepayments, exercise remedies (through "standstill periods"), and control decisions made in bankruptcy proceedings relating to borrowers.

Risks Related to Sale of Loans

The Fund may participate in the sale of loans with Affiliates or third parties, including institutions. In certain sales contracts there may be a buy-back clause which may be enforced by the purchaser of the loans, in the event that the Fund has breached a representation or warranty contained in such sale agreement. In that instance, the Fund may be forced to repurchase one or more loans sold to the purchaser. The breach of a representation or warranty by the Manager may impact the Fund's ability to originate new loans, collect fees, and strip interest income which the Fund and Manager use to fund its operations and distribute returns to the Members.

U.S. State Licensing Requirements

The Manager believes that the Fund or its Affiliates have either obtained the licenses necessary for (or are exempt from) participating lawfully in the business of business-purpose lending in each state in which it plans to make loans prior to commencing operations, based on current assessment of the regulatory requirements of each such state. This means that while the Fund and Manager may believe that that the Fund's practices in a particular state are compliant with that state's current regime, it is possible that that regime might come under question from state or other regulatory authorities, and/or be changed in such a way as to adversely affect the Fund's ability to continue lending or conducting business in that state or may prohibit continuation of the Fund's loans in that state. The Fund intends to monitor such regulatory activity closely, but may fail to correctly or adequately anticipate regulatory action in this developing arena.

Uninsured Losses

The Manager will arrange for title, fire, and casualty insurance on the real properties securing the Fund's investments. However, there are certain types of losses, including catastrophic, war, floods, mudslides, and other acts of God, which are either uninsurable or economically uninsurable. Should any such disaster occur, or if the insurance policies lapse through oversight, the Fund and/or Sub-REIT could suffer a loss of principal and interest on the loan secured by the uninsured property.

Possible Repeal of Usury Exemption

Depending on the state, loans arranged by or through a mortgage lending licensee are generally exempt from the otherwise applicable state's usury limitation. Should this exemption be repealed, the Fund and/or Sub-REIT may no longer be able to originate loans in excess of the usury limit, potentially reducing its return on investment or forcing it to limit its lending or investing activities. In addition, some states have maximum interest rates that may be charged on a loan by a lender. If the Fund and/or Sub-REIT were to exceed the maximum interest rate allowed by law in any of those states, it could become subject to penalties and fees, thus potentially reducing the Fund's return on its investment on a loan, or forcing the Fund to limit its lending or investing activities.

Risks of Real Estate Ownership

There is no assurance that the Fund's and/or Sub-REIT's owned properties will be profitable or that cash from operations will be available for distribution to Members. Because real estate, like many other types

of long-term investments, historically has experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of property interests. The marketability and value of the Fund's properties will depend upon many factors beyond the control of the Manager and the Fund and/or Sub-REIT, including, without limitation:

- changes in general or local economic conditions;
- changes in supply or demand for competing properties in a geographical area (e.g., as a result of over-building);
- changes in interest rates;
- the promulgation and enforcement of governmental regulations relating to land use and zoning restrictions, environmental protection, and occupational safety;
- condemnation and other taking of property by the government;
- unavailability of mortgage funds that may increase borrowing costs and/or render the sale of a property difficult;
- unexpected environmental conditions;
- the financial condition of tenants, ground lessees, ground lessors, buyers, and sellers of properties;
- changes in real estate taxes and any other operating expenses;
- energy and supply shortages and resulting increases in operating costs or the costs of materials and construction;
- various uninsured, underinsured, or uninsurable risks (such as losses from terrorist acts), including risks for which insurance is unavailable at reasonable rates or with reasonable deductibles; and
- imposition of rent controls.

Risks of Development, Renovation, and Undeveloped Property

The Manager anticipates that the Fund and/or Sub-REIT may invest primarily in existing properties that require varying degrees of development. In addition, some properties may be under construction or under contract to be developed or redeveloped. Properties that involve development or redevelopment will be subject to the general real estate risks described above, and will also be subject to additional risks, such as unanticipated delays or excess costs due to factors beyond the control of the Manager and the Fund and/or Sub-REIT. These factors may include (without limitation):

- strikes;
- adverse weather;
- earthquakes and other "force majeure" events;
- changes in building plans and specifications;
- zoning, entitlement, and regulatory concerns, including changes in laws, regulations, elected officials, and government staff;
- material and labor shortages;
- increases in the costs of labor and materials;
- changes in construction plans and specifications;
- rising energy costs;
- delays caused by the foregoing (which could result in unanticipated inflation, the expiration of permits, unforeseen changes in laws, regulations, elected officials and government staff, and losses due to market timing of any sale that is delayed); and
- delays in completing any development or renovation project will cause corresponding delays in the receipt of operating income and, consequently, the distribution of any cash flow by the Fund with respect to such property.

Risks Associated with Buying Contaminated Properties

The Fund and/or Sub-REIT presently does not intend to originate and/otherwise invest in loans secured by properties with known environmental conditions. Notwithstanding the foregoing, in the event a property is found to have environmental conditions and/or is contaminated after the Fund and/or Sub-REIT has acquired such loan, the Fund and/or Sub-REIT may be required to take steps to complete the remediation of such property (or properties), in order to be able to sell the property to a third-party. The Manager would plan to use contractors, service providers, and/or Affiliates to help the Manager in evaluating, servicing, and managing issues associated with contaminated properties, who will be covered under their own insurance policies. However, costs related to remediating such properties will likely negatively impact the Fund's and/or Sub-REIT's business operations, as unanticipated costs may arise.

In addition, if toxic environmental contamination is discovered to exist on a property underlying a corresponding loan, it might affect the borrower's ability to repay the corresponding loan, and the Fund could suffer from a devaluation of the loan security. To the extent that the Fund is forced to foreclose and/or operate such a property, potential additional liabilities include reporting requirements, remediation costs, fines, penalties, and damages, all of which would adversely affect the likelihood that Members would receive a return of capital on their Membership Interests.

Of particular concern may be those properties that are, or have been, the site of manufacturing, industrial, or disposal activity. These environmental risks may give rise to a diminution in value of the security property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the real property or the principal balance of the related mortgage loan. For this reason, the Fund may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

Under the laws of certain states, an owner's failure to perform remedial actions required under environmental laws may give rise to a lien on mortgaged property to ensure the reimbursement of remedial costs. In some states this lien has priority over the lien of an existing mortgage against the real property. Because the costs of remedial action could be substantial, the value of a mortgaged property as collateral for a mortgage loan could be adversely affected by the existence of an environmental condition giving rise to a lien.

The state of the law is currently unclear as to whether, and under what circumstances clean-up costs, or the obligation to take remedial actions, can be imposed on a secured lender. If a lender does become liable for cleanup costs, it may bring an action for contribution against the current owners or operators, the owners or operators at the time of on-site disposal activity, or any other party who contributed to the environmental hazard, but these persons or entities may be bankrupt or otherwise judgment-proof. Furthermore, an action against the borrower may be adversely affected by the limitations on recourse in the loan documents, pursuant to state law.

Pandemic Risks

In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, surfaced in Wuhan, China. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. The short-term and long-term impact of COVID-19 on the operations of the Fund and its performance is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain

COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Fund's lending activities.

Rise in Insurance Costs

Real estate properties are typically insured against risk of fire, damage, and other typically-insured property casualties, but are sometimes not covered by severe weather or natural disaster events, such as landslides, earthquakes, or floods. Changes in the conditions affecting the economic environment in which insurance companies do business could affect the borrower's ability to continue insuring the property at a reasonable cost, or could result in insurance being unavailable altogether. Moreover, any hazard losses not then covered by the borrower's insurance policy would result in the corresponding Loan becoming significantly under secured or in the property being at risk, and a Member could sustain a significant reduction, or complete elimination, of the return on investment.

Compliance with the Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations

Under the Americans with Disabilities Act of 1990 ("***ADA***"), all public properties are required to meet certain federal requirements related to access and use by disabled persons. Properties acquired by the Fund, or in which the Fund and/or Sub-REIT makes a property investment, may not be in compliance with the ADA. If a property is not in compliance with the ADA, then the Fund and/or Sub-REIT may be required to make modifications to such property to bring it into compliance, or face the possibility of imposition, or an award, of damages to private litigants. In addition, changes in governmental rules and regulations or enforcement policies affecting the use or operation of the properties, including changes to building, fire, and life-safety codes, may occur, which could have adverse consequences to the Fund and/or Sub-REIT.

Dodd-Frank Wall Street Reform and Consumer Protection Act (amending the Federal Truth in Lending, Real Estate Settlement Procedures, and Equal Credit Opportunity Acts)

Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("***Dodd-Frank***") created the Consumer Financial Protection Bureau ("***CFPB***") and transferred regulatory and rulemaking authority for the federal laws regulating consumer mortgage lending to the CFPB. Title XIV of Dodd-Frank, the Mortgage Reform and Anti-Predatory Lending Act, provides for substantial amendments to the statutes and regulations which govern consumer-purpose loans secured by one to four residential properties.

Many of the final rules implementing the Dodd-Frank amendments took effect in January 2014. In part, the new rules require creditors to document and verify a consumer's ability to repay the mortgage loan; require appraisals for all higher-cost and high cost loan transactions; restrict prepayment penalties on higher-cost loans and prohibit them on high-cost loans; require creditors to establish escrow accounts for all higher-cost and high-cost loan transactions; and require creditors to obtain written certification that a consumer has received homeownership counseling prior to closing a high-cost mortgage loan. Failure to comply with the new rules implemented in Regulation Z may subject the Fund to, among other things, rescission of the loan and a loss of all finance charges and fees paid by the consumer.

Risks Related to Tenancy and Leaseholds

The Fund does not intend to engage in any direct commercial real property acquisition. However, there may be instances in which the Fund may own and hold commercial real properties as a result of the Fund's lending activities, including REOs. Although the Fund intends to divest these properties as soon as practicable, that may not always be the case, and the Manager (or an Affiliate or third party) may have to manage the property and lease to tenants until sold. In such instances, there are risks associated with certain aspects of leases, including, without limitation:

- Tenant bankruptcy;
- Cost of unlawful detainer and lessor remedies, including, breach of lease agreement covenants;
- Risks of noncompliant eviction;
- Contest of leases related to businesses and/or franchisees;
- Unintended consequences of remedies provided under the lease agreements, including, borrower defaults; and
- Occupancy risks, such that the real property may fail to stabilize and/or generate income.

All of the above risks will diminish the overall financial return to the Members.

Economic Conditions

Changes in national or local economic conditions (including economic recessions, as noted above) could result in unanticipated declines in real estate values. Any decline in real estate values could have an adverse effect upon the Fund and could result in losses to Members. No assurance exists that the Fund would be able to avoid losses if real estate assets decline materially.

Borrower Fraud

Borrowers and property developers supply a variety of information regarding the current rental income, property valuations, market data, and other information. The Fund attempts to verify much of the information provided, but as a practical matter, cannot verify all of it, which may result in the information being incomplete, inaccurate, or intentionally false. Borrowers and developers may also misrepresent their intentions for the use of loan proceeds. The Fund may not verify any statements by applicants as to how proceeds are to be used. If a borrower or developer supplies false, misleading, or inaccurate information, Members may lose all or a portion of the investment in the loans.

When the Fund finances a loan, its primary assurances that the financing proceeds will be properly spent by the borrower or developer are the contractual covenants agreed to by the borrower or developer, along with their business history and reputation. Should the proceeds of a financing be diverted improperly, the borrower or developer might become insolvent, which could cause the Members to lose their entire investment.

Unforeseen Changes

While the Fund and/or Sub-REIT has enumerated certain material risk factors herein, it is impossible to know all risks which may arise in the future. In particular, Members may be negatively affected by changes in any of the following: (i) laws, rules and regulations; (ii) regional, national and/or global economic or health factors and/or real estate trends; (iii) the capacity, circumstances and relationships of partners of Affiliates, the Fund, and/or Sub-REIT or the Manager; (iv) general changes in financial or capital markets, including (without limitations) changes in interest rates, investment demand, valuations or prevailing equity or bond market conditions; or (v) the presence, availability, or discontinuation of real estate and/or housing incentives.

The Fund and/or Sub-REIT continuously encounters changes in its operating environment, and the Fund and/or Sub-REIT may have fewer resources than many of its competitors to continue to adjust to those changes. The operating environment of the Fund and/or Sub-REIT is undergoing rapid changes, with frequent introductions of laws, regulations, competitors, market approaches, and economic impacts. Future success will depend, in part, upon the ability of the Fund and/or Sub-REIT to address the needs of its

borrowers, sponsors, and clients by adapting to those changes and providing products and services that will satisfy the demands of their respective businesses and projects. Many of the competitors have substantially greater resources to adapt to those changes. The Fund and/or Sub-REIT may not be able to effectively react to all of the changes in its operating environment or be successful in adapting its products, services, and approach.

RISKS RELATED TO REAL ESTATE INVESTMENT TRUSTS

No Operating History of Sub-REIT

The Sub-REIT will be in its early stages of its development and has a limited operating history. Although the Fund and its Affiliates have experience in real estate investments and loans stated herein, the performance of previous investments may not be indicative of the future performance of investments related to the Sub-REIT (as well as the Fund and its Affiliates). The Sub-REIT does not yet know what its long-term loan loss experience will be.

Failure in Maintaining its Status as a REIT

In establishing the Sub-REIT, the Fund will expect to operate the Sub-REIT so as to maintain its qualification as a REIT under the Code. However, qualification as a REIT involves the application of highly technical and complex Code provisions for which only a limited number of judicial or administrative interpretations exist. Even a technical or inadvertent mistake could jeopardize the Sub-REIT's REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for the Sub-REIT to qualify as a REIT. If the Sub-REIT fails to qualify as a REIT in any tax year, then:

- the Sub-REIT would be taxed as a regular domestic corporation, which under current laws, among other things, means being unable to deduct distributions to its shareholders (including the Fund) in computing taxable income and being subject to federal income tax, and potentially state income tax, on its taxable income at regular corporate rates;
- unless the Sub-REIT was entitled to relief under applicable statutory provisions, it would be required to pay taxes, and thus, its cash available for distribution to the Fund and, consequently, the Members would be substantially reduced for each of the years during which the Sub-REIT did not qualify as a REIT; and
- the Sub-REIT may also be disqualified from re-electing REIT status for the four taxable years following the year during which it became disqualified. (See "Failure to Qualify" below for further explanation).

Loss of Investment Opportunities as a REIT

In order to qualify a Sub-REIT as a REIT for federal income tax purposes, the Sub-REIT would be required to continuously satisfy tests concerning, among other things, its sources of income, the nature and diversification of its investments in residential real estate and related assets, the amounts it distributes to its shareholders and the ownership of its stock. The Sub-REIT could also be required to make distributions to its shareholders at disadvantageous times or when it does not have funds readily available for distribution. The REIT provisions of the Code could limit the Fund's ability to hedge the Sub-REIT's financial assets and related borrowings. Thus, compliance with REIT requirements could hinder the Fund's ability to operate solely with the objective of maximizing profits.

REIT Compliance Risks

In order to qualify a Sub-REIT as a REIT, the Fund would need to ensure that at the end of each calendar quarter, at least Seventy Five Percent (75%) of the value of the Sub-REIT's assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of the Sub-REIT's investment in securities could not include more than Ten (10%) of the outstanding voting securities of any one issuer or Ten (10%) of the total value of the outstanding securities of any one issuer. In addition, no more than Five Percent (5%) of the value of the Sub-REIT's assets may consist of the securities of any one issuer. If the Sub-REIT were to fail to comply with these requirements, it would be required to dispose of a portion of its assets within Thirty (30) days after the end of the calendar quarter in order to come back into compliance and avoid losing its REIT status and suffering adverse tax consequences.

Investing in Taxable TRS

To qualify as a REIT, a Sub-REIT must continually satisfy various tests regarding the sources of its income, the nature and diversification of its assets, the amounts it distributes to its shareholders and the ownership of its shares of beneficial interest. To meet these tests, a Sub-REIT may be required to forego investments it might otherwise make or may be required to hold certain investments through a taxable REIT subsidiary ("***TRS***"). Any TRS will be fully subject to U.S. federal corporate income tax (and any applicable state and local tax). Thus, compliance with the REIT requirements may hinder the investment performance of the Sub-REIT, and in turn, the Fund. However, the Fund would not be prohibited from executing such transactions at the Fund level rather than the subsidiary level. The Fund does not currently anticipate executing any such transactions that would cause the Sub-REIT to be unable to satisfy the applicable tests regarding its sources of income, the nature and diversification of its assets, or the amounts to be distributed to the Members.

CONFLICTS OF INTEREST

The following is a list of some of the important areas in which the interests of the Manager and its Affiliates may conflict with those of the Fund and/or Sub-REIT. The Members must rely on the general fiduciary standards and other duties that may apply to a manager of a limited liability company to prevent unfairness by any of the aforementioned in a transaction with the Fund. (See "Fiduciary Responsibility of the Manager" above).

Loan Origination and Renewal Commissions and Forbearance Fees

The Manager and/or its Affiliates will have the sole and absolute discretion to determine whether or not to make, acquire or sell a particular loan or property. None of the Manager's compensation set forth under "Manager's Compensation" was determined through arms-length negotiations. Any increase in such charges may have a direct, adverse effect upon the interest rates that borrowers will be willing to pay the Fund, thus reducing the overall rate of return to Members. Conversely, if the Fund reduces the loan fees charged, a higher rate of return might be obtained for the Fund and the Members. This conflict of interest will exist in connection with every transaction the Fund participates in.

Fund and/or Sub-REIT Management Not Required to Devote Full-Time

The Manager is not required to devote its capacities full-time to the Fund's and/or Sub-REIT's affairs, but only such time as the affairs of the Fund and/or Sub-REIT may reasonably require.

Competition with Affiliates of the Fund and/or Sub-REIT

Though they currently have no intention to do so, there is no restriction preventing the Fund and/or Sub-REIT or any of its affiliates, principals, or management from competing with the Fund and/or Sub-REIT by investing in collateral liens or sponsoring the formation of other investment groups like the Fund and/or Sub-REIT to invest in similar areas. If the Fund and/or Sub-REIT or any of its principals were to do so, then when considering each new investment opportunity, the Fund and/or Sub-REIT or such affiliate, principal, or manager would need to decide whether to originate or hold the resulting transaction in the Fund and/or Sub-REIT, as an individual or in a competing entity. This situation would compel the Manager to make decisions that may, at times, favor persons other than the Fund and/or Sub-REIT. The Operating Agreement exonerates the Fund and its Affiliates, principals, and management from any liability for investment opportunities given to other persons.

Loan Transactions by Managers

The Manager and/or its principals and Affiliates may contribute loans to the Fund and/or Sub-REIT that otherwise meet the lending and underwriting criteria discussed herein. Such transactions would generally increase the Membership Interests or percentage ownership or interest of the Manager as a Member of the Fund, and correspondingly would dilute the ownership and percentage interests of other Members.

Loan Servicing by the Fund or Manager

The Manager has reserved the right to retain other firms in addition to, or in lieu of, the Manager acting as the loan servicer, to perform the various brokerage services, loan servicing, and other activities in connection with the Fund's investment portfolio that are described in this Memorandum. Such other firms may or may not be affiliated with the Fund and/or Sub-REIT or Manager. Loan servicing firms not affiliated with the Fund and/or Sub-REIT or Manager may provide comparable services on terms more favorable to the Fund and/or Sub-REIT. The Manager has very wide discretion in determining which entity (including, but not limited to, the Manager itself, an Affiliate of the Manager, or an unaffiliated third party) will service the loans.

Other Companies, Partnerships, or Businesses

The Manager and its managers, principals, directors, officers, or affiliates may engage, for their own account or for the account of others, in other business ventures similar to that of the Fund and/or Sub-REIT or otherwise, and neither the Fund nor any Member or Noteholder shall be entitled to any interest therein. As such, there exists a conflict of interest on the part of the Manager because there may be a financial incentive for the Manager to arrange or originate transactions for private investors and other mortgage funds. Further, the Manager may be involved in creating other mortgage or real estate funds that may compete with the Fund and/or Sub-REIT.

The Fund and/or Sub-REIT will not have independent management and it will rely on the Manager and its managers, principals, directors, officers, and/or affiliates for the operation of the Fund and/or Sub-REIT. The Manager and these individuals/entities will devote only so much time to the business of the Fund and/or Sub-REIT as is reasonably required. The Manager may have conflicts of interest in allocating management time, services, and functions between various existing companies, the Manager and any future companies, which it may organize as well as other business ventures in which it or its managers, principals, directors, officers, and/or affiliates may be or become involved. The Manager believes it has sufficient staff to be fully capable of discharging its responsibilities.

Purchase, Sale, and/or Hypothecation of Loans

The Fund and/or Sub-REIT and its managers, principals, directors, officers and/or affiliates may sell, buy or hypothecate loans (use loans as collateral for another loan) to the Fund and/or Sub-REIT, provided that such loans meet the then-existing underwriting criteria of the Fund and/or Sub-REIT. The Fund and/or Sub-REIT may pay a price greater or less than the remaining balance on such loans. The price at which existing loans are bought and sold is normally a function of prevailing interest rates and the term of the loan. Therefore, the Fund and/or Sub-REIT or its managers, principals, directors, officers and/or affiliates, may make a profit on the sale of an existing loan from or to the Fund and/or Sub-REIT. There will be no independent review of the value of such loans or of compliance with the conditions set forth above.

Lack of Independent Legal Representation

Investors and the Fund and/or Sub-REIT have not been represented by independent legal counsel to date. The use of the Manager's counsel in the preparation of this Memorandum and the organization of the Fund and/or Sub-REIT may result in a lack of independent review. Investors are encouraged to consult with their own attorney for legal advice, in connection with this Offering. Also, since legal counsel for the Manager prepared this Offering, legal counsel will not represent the interests of the Members at any time.

Conflict with Related Programs

The Manager and its managers, principals, directors, officers, and/or Affiliates may cause the Fund to join with other entities organized by the Manager for similar purposes as partners, joint venturers, or co-owners under some form of ownership in certain loans or in the ownership of repossessed real property. The interests of the Fund and those of such other entities may conflict, and the Fund controlling or influencing all such entities may not be able to resolve such conflicts in a manner that serves the best interests of the Fund.

Other Services Provided by the Manager or its Affiliates

The Manager or its Affiliates may provide other services to persons dealing with the Fund or the loans. The Manager or its Affiliates are not prohibited from providing services to, and otherwise doing business with, the persons that deal with the Fund, the Membership Interests, or the Members.

Sale of Real Estate to Affiliates

In the event the Fund and/or Sub-REIT becomes the owner of any real property by reason of foreclosure on a Fund loan or otherwise, the Manager’s first priority will be to arrange for the sale of the property for a price that will permit the Fund and/or Sub-REIT to recover the full amount of its invested capital, plus accrued, but unpaid, interest and other charges, or so much thereof as can reasonably be obtained in light of current market conditions. In order to facilitate such a sale, the Manager may, but is not required to, arrange a sale to persons or entities controlled by it, (e.g., to another limited liability company formed by the Manager for the express purpose of acquiring foreclosure properties from lenders, such as the Fund and/or Sub-REIT). The Manager will be subject to conflicts of interest in arranging such sales, since it will represent both parties to the transaction. For example, the Fund and/or Sub-REIT and the potential buyer will have conflicting interests in determining the purchase price and other terms and conditions of sale. The Manager’s decision will not be subject to review by any outside parties. The Fund and/or Sub-REIT may sell a foreclosed property to the Manager or an Affiliate at a price that is fair and reasonable for all parties, but no assurance can be given that the Fund could not obtain a better price from an independent third party.

CERTAIN LEGAL ASPECTS OF FUND LOANS

Each of the Fund's and/or Sub-REIT's loans will be secured by, among other things, a deed of trust, mortgage, leasehold deed of trust or leasehold mortgage, or security agreement. The deed of trust and the mortgage are the most commonly used real property security devices. A deed of trust has three parties: a debtor, referred to as the "trustor;" a third party, referred to as the "trustee;" and the lender, referred to as the "beneficiary." The trustor irrevocably grants the property until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the deed of trust, and the directions of the beneficiary. The Fund will be the beneficiary under all deeds of trust securing the Fund's loans. In a mortgage loan, there are only two parties: the mortgagor (borrower) and the mortgagee (lender).

In the United States, each state's laws determine how a mortgage is foreclosed. The route usually requires a judicial process, but varies from state to state. For properties located in the United States, some states have a statute known as the "one form of action" rule, which requires the beneficiary of a collateral lien to exhaust the security under the security lien (i.e., foreclose on the property) before any personal action may be brought against the borrower. Foreclosure statutes vary from state to state. Loans by the Fund secured by mortgages will be foreclosed in compliance with the laws of the state where the real property collateral is located.

Bankruptcy Laws

If a borrower or property owner on which a lien is imposed files for protection under the federal bankruptcy statutes, the Fund and/or Sub-REIT will be initially barred from taking any foreclosure action on its real property security by an "automatic stay order" that goes into effect upon the borrower's filing of a bankruptcy petition. Thereafter, the Fund would be required to incur the time, delay, and expense of filing a motion with the bankruptcy court for permission to foreclose on the real property security ("relief from the automatic stay order"). Such permission is granted only in limited circumstances. If permission is denied, the Fund and/or Sub-REIT will likely be unable to foreclose on its security for the duration of the bankruptcy, which could be years. During such delay, a borrower may or may not be required to pay current interest on the Fund loan. Also, a property owner may or may not be able to pay down the lien. The Fund would therefore lack the cash flow it anticipated from the loan, and the total indebtedness secured by the security property would increase by the amount of the defaulted payments, perhaps reaching a total that would exceed the market value of the property.

In addition, bankruptcy courts have broad powers to permit a sale of the real property free of the Fund's and/or Sub-REIT's lien, to compel the Fund to accept an amount less than the balance due under the loan, and to permit the borrower to repay the loan over a term which may be substantially longer than the original term of the loan.

"Due-on-Sale" Clauses

The Fund's forms of promissory notes and deeds of trust, like those of many lenders, contain "due-on-sale" clauses, which permit the Fund and/or Sub-REIT to accelerate the maturity of a loan if the borrower sells, conveys, or transfers all or any portion of the property, but may or may not contain "due-on-encumbrance" clauses, which would permit the same action if the borrower further encumbers the property (i.e., executes further deeds of trust). The enforceability of these types of clauses has been the subject of several major court decisions and legislation in recent years.

(1) Due-on-Sale. Federal law now provides that, notwithstanding any contrary pre-existing state law, due-on-sale clauses contained in mortgage loan documents are enforceable in accordance with their terms

by any lender, after October 15, 1985. On the other hand, acquisition of a property by the Fund, by foreclosure on one of its loans, may also constitute a "sale" of the property, and would entitle a senior lienholder to accelerate its loan against the Fund and/or Sub-REIT. This would be likely to occur if then-prevailing interest rates were substantially higher than the rate provided for under the accelerated loan. In that event, the Fund may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

(2) Due-on-Encumbrance. With respect to mortgage loans on residential property containing four or fewer units, federal law prohibits acceleration of the loan merely by reason of the further encumbering of the property (e.g., execution of a junior deed of trust). This prohibition does not apply to mortgage loans on other types of property. Although the Fund does not currently intend to hold any junior lien mortgages, any junior liens that the Fund may hold may be on properties that qualify for the protections afforded by federal law, and some of these loans may be secured by properties that do not qualify for the protection, including (without limitation) small apartment buildings or commercial properties. Any junior lien mortgage loans made by the Fund and/or Sub-REIT may trigger acceleration of senior loans on properties if the senior loans contain valid due-on-encumbrance clauses, although both the number of such instances and the actual likelihood of acceleration are anticipated to be minor. Failure of a borrower to pay off the senior loan would be an event of default, and subject the Fund and/or Sub-REIT (as junior lienholder) to the risks attendant thereto. It will not be customary practice of the Fund and/or Sub-REIT to make loans on non-residential property, where the senior encumbrance contains a due-on-encumbrance clause. (See "Special Considerations in Connection with Junior Encumbrances.")

Prepayment Charges

Loans may provide for certain prepayment charges to be imposed on the borrowers, in the event of certain early payments on the loan. The Manager reserves the right, but has no obligation, at its business judgment, to waive collection of prepayment penalties. Applicable federal and state laws may limit the prepayment charge on residential loans. For commercial or multi-family loans there is no federal law that limits the prepayment amount charged, but applicable state laws may vary.

LEGAL PROCEEDINGS

Neither the Fund and/or Sub-REIT, Manager, nor any of its managers, principals, directors, or officers of the Fund and/or Sub-REIT are now, or within the past Five (5) years, have been involved in any material litigation or arbitration.

The Manager's Affiliates, are, from time to time, involved in litigation, arbitration, regulatory inquiries, and other legal proceedings arising in the ordinary course of their business activities, including but not limited to matters related to the enforcement of loan obligations, foreclosure actions, title disputes, borrower defaults, lien priority disputes, bankruptcy proceedings, and other creditor remedies common to real estate lending activities.

The Manager believes that such matters are generally incidental to the normal conduct of its business as a real estate lender, loan servicer, or fund sponsor, and does not believe that any such pending or threatened matters, individually or in the aggregate, are likely to have a material adverse effect on the Fund, the Manager's ability to perform its obligations to the Fund, or the Fund's financial condition or operations.

However, there can be no assurance that future legal proceedings will not arise, that such proceedings will be resolved in favor of the Manager or its affiliates, or that such matters will not have an adverse effect on the Fund.

Investors should recognize that legal disputes, borrower litigation, and enforcement actions are a routine part of real estate lending and investing, and may involve the Manager, the Fund, or their affiliates from time to time.

INCOME TAX CONSIDERATIONS

Federal Income Tax Aspects

The following discussion generally summarizes the material federal income tax consequences of an investment in the Fund, based upon the existing provisions of the Code, and applicable Treasury regulations thereunder, current administrative rulings and procedures, and applicable judicial decisions. However, it is not intended to be a complete description of all tax consequences to prospective Investors with respect to their investment in the Fund. No assurance can be given that the Internal Revenue Service ("***IRS***") will agree with the interpretation of the current federal income tax laws and regulations summarized below. In addition, the Fund or the Investors may be subject to state and local taxes in jurisdictions in which the Fund may be deemed to be doing business.

ACCORDINGLY, ALL PROSPECTIVE INVESTORS SHOULD INDEPENDENTLY SATISFY THEMSELVES REGARDING THE POTENTIAL FEDERAL AND STATE TAX CONSEQUENCES OF PARTICIPATION IN THE FUND, AND ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS, ATTORNEYS, OR ACCOUNTANTS IN CONNECTION WITH ANY INTEREST IN THE FUND. EACH PROSPECTIVE INVESTOR SHOULD SEEK AND RELY UPON THE ADVICE OF THEIR OWN TAX ADVISORS IN EVALUATING THE SUITABILITY OF AN INVESTMENT IN THE FUND, IN LIGHT OF THEIR PARTICULAR INVESTMENT AND TAX SITUATION.

Tax Law Subject to Change

Frequent and substantial changes have been made, and will likely continue to be made, to the federal and state income tax laws. The changes made to the tax laws by legislation are pervasive, and in many cases, have yet to be interpreted by the IRS or the courts.

State and Local Taxes

A description or analysis of the state and local tax consequences of an investment in the Fund is beyond the scope of this discussion. Prospective Members or Noteholders are advised to consult their own tax counsel and advisors regarding these consequences, and the preparation of any state or local tax returns that an Investor may be required to file.

In addition to the United States Federal Income tax considerations described herein, Members or Noteholders should consider the potential state and local tax consequences of a purchase of Membership Interests or Notes. In addition to being taxed and subject to tax-filing obligations in its own state or locality of residence or domicile, a Member or Noteholder may be subject to the tax filing obligations and income, franchise, and other taxes in jurisdictions in which the Fund conducts its activities. Although no assurances can be provided, the Fund intends to conduct its activities in such a manner that will not cause Members or Noteholders who are not otherwise subject to taxation in states other than their state of residence, to be taxed and subject to tax filing obligations in other states, solely as a result of owning Membership Interests or Notes. The Fund itself may also become subject to tax in certain jurisdictions. This discussion does not purport to discuss the state and local tax consequences of an investment in the Membership Interests or Notes.

Federal Partnership Treatment

The Fund is likely to be treated as a partnership under the Code. Assuming that the Fund has been properly formed under Delaware law, is and operated in accordance with applicable Delaware corporate and business law and the terms of the Operating Agreement, it is the Fund's opinion (subject to the discussion regarding "Taxable Mortgage Pools" below) that, if the matter were litigated, it is more likely than not that the Fund would prevail as to its classification, and would be taxed as a partnership for federal income tax purposes. If the IRS determined that the Fund was an association taxable as a corporation for federal income tax purposes, there would be significant adverse tax consequences to the Fund, and possibly to its investors, including (without limitation) that the Fund would have to pay tax on its net income, and then the investor would have to pay tax on any distributions as dividends, as opposed to interest income.

IRS Audits

Informational returns filed by the Fund are subject to audit by the IRS. The IRS devotes considerable attention to the proper application of the tax laws, to partnerships. An audit of the Fund's return may lead to adjustments which adversely affect the federal income tax treatment of Membership Interests, and cause Members to be liable for tax deficiencies, interest thereon, and penalties for underpayment. An audit of the Fund's tax return could also lead to an audit of their individual tax return that may not otherwise have occurred, and to the adjustment of items unrelated to the Fund. Prospective Investors should make their determination to invest based on the economic considerations of the Fund, rather than any anticipated tax benefits. Furthermore, the IRS has taken the position in Temp. Reg. 1.163-9T that any interest on income taxes owed by an individual is personal interest, subject to limitations on deduction, regardless of the nature of the activity that produced the income that was the source of the tax.

If the IRS makes audit adjustments to the Fund's income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment, directly from the Fund. Generally, the Fund may elect to have the Members take such audit adjustment into account, in accordance with their interest in the Fund during the tax year under audit, but there can be no assurance that such election will be effective in all circumstances, and the manner in which the election is made and implemented has yet to be determined. If the Fund is unable to have the Members take such audit adjustment into account, in accordance with their interests in the Fund during the tax year under audit, current Members may bear some or all of the tax liability resulting from such audit adjustment, even if such Member did not own Membership Interests in the Fund during the tax year under audit. If, as a result of any such audit adjustment, the Fund is required to make payments of taxes, penalties, and interest, cash available for distribution to Members might be substantially reduced. The Fund may, at any time during the existence of the Fund or any predecessor of the Fund, directly seek reimbursement of underpaid taxes, penalties, and interest from the Members who held Membership Interests during the year, which is under IRS, state, or local audit examination, even if such Member has since redeemed its Membership Interest and is no longer a Member of the Fund. The Fund will designate the Manager to act as the partnership representative who shall have the sole authority to act on behalf of the Fund, with respect to dealings with the IRS under these audit procedures. The acts of the Manager in its capacity as the partnership representative, including the extension of statutes of limitation, will bind the Fund and all Members. The Members will not have a right to participate in the audit proceedings.

Profit Objective of the Fund

Deductions will be disallowed if they result from activities not entered into for profit, to the extent that such deductions exceed an amount equal to the greater of: (a) the gross income derived from the activity; or (b) deductions (such as interest and taxes) that are allowable in any event. The applicable Treasury Department regulations indicate a transaction will be considered as entered into for profit, where there is an expectation

of profit in the future, either of a recurring type or from the disposition of property. In addition, the Code provides, among other things, an activity is presumed to be engaged for profit, if the gross income from such activity for Three (3) of the Five (5) taxable years ending with the taxable year in question exceeds the deductions attributable to such activity. It is anticipated that the Fund will satisfy this test.

Property Held Primarily for Sale: Potential Dealer Status

The Fund and/or Sub-REIT has been organized to invest in loans and notes primarily secured by deeds of trust or mortgages on real property, and to acquire real estate properties. However, if the Fund and/or Sub-REIT were at any time deemed for federal tax purposes, to be holding one or more Fund loans, notes, or properties, primarily for sale to customers in the ordinary course of business (a "dealer"), any gain or loss, realized upon the disposition of such loans, notes, or properties would be taxable as ordinary gain or loss rather than as capital gain or loss. The federal income tax rates for ordinary income are currently higher than those for capital gains. In addition, income from sales of loans, notes, and properties to customers in the ordinary course of business would also constitute unrelated business taxable income to any Members which are tax-exempt entities. Under existing law, whether or not real property is held primarily for sale to customers in the ordinary course of business must be determined from all the relevant facts and circumstances. The Fund and/or Sub-REIT intends to make and hold the Fund loans, notes and properties for investment purposes only, and to dispose of Fund loans, notes, and properties, by sale or otherwise, at the discretion of the Manager, and as consistent with the Fund's investment objectives. It is possible that, in so doing, the Fund and/or Sub-REIT will be treated as a "dealer" in mortgage loans, notes, and properties, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt Investors in the Fund and/or Sub-REIT. In addition, being a "dealer" can have adverse consequences pertaining to qualification of the Sub-REIT, including, specifically, in the event that the income generated by the Sub-REIT is derived from "dealer" property under § 1221(a)(1).

Taxable Mortgage Pool Rules

Notwithstanding the check-the-box provisions, the IRS may still reclassify certain partnerships as corporations for federal income tax purposes, if they meet the definition of a "taxable mortgage pool" under Internal Revenue Code Section 7701(i)(2)(A)(ii). A taxable mortgage pool is any entity whose assets consist substantially of debt instruments, who is the obligor under debt obligations with Two (2) or more maturities, and where there is a relationship between the debt instruments and the debt obligations of the entity. The issue of what constitutes debt obligations with Two (2) or more maturities is unclear. The regulations state that "[t]he purpose of section 7701(i) is to prevent income generated by a pool of real estate mortgages from escaping Federal income taxation, when the pool is used to issue multiple class mortgage-backed securities." The Fund has only one class of Membership Interests. A literal reading of this provision could lead to the conclusion that the Fund would not be reclassified as a taxable mortgage pool and taxed as a corporation. In order to further explain any such interpretation, the Manager has committed that, to the extent it leverages the Fund assets (i.e., borrows funds from another lender for purpose of making loans and pledges one or more loans of the Fund as collateral for such borrowing), the Fund intends to only have one line of credit at a time so that the IRS would find it difficult to make the argument that the Fund has debt obligations with Two (2) or more maturities. However, due to the lack of clarity with respect to this provision, there is no assurance (and no opinion of any kind can be given) that the IRS would not attempt to tax the Fund as a corporation and not a partnership. Any such taxation would have an adverse effect on the Fund, and the return an Investor would receive on their investment in the Fund.

Portfolio Income

A primary source of Fund income will be interest, which is ordinarily considered "portfolio income" under the Code. Similarly, Temporary Regulations issued by the Internal Revenue Service in 1988 (Temp. Reg. Section 1.469 2T[f][4][ii]) confirmed that net interest income from an equity-financed lending activity such as the Fund, will be treated as portfolio income, and not as passive income, to Members. Therefore, Members will not be entitled to treat their proportionate share of Fund income as passive income, against which passive losses (such as deductions from unrelated real estate investments) may be offset. Another source of Fund income will be capital gains from selling real property. Capital gains are also treated as portfolio income, and not as passive income to the Members. Additionally, income from the Sub-REIT would generally be an ordinary dividend (i.e., not eligible for preferential rates of a qualified dividend), and some portion thereof can be characterized as a capital gain, to the extent recognized by the REIT. Thus, Members will not be entitled to treat their proportionate share of Fund income as passive income, against which passive losses may be offset.

Understatement Penalties

The Fund will be subject to substantial understatement penalty in the event that it understates its income tax. The IRS imposes a penalty of Twenty Percent (20%) on any substantial understatement of income tax. Furthermore, the IRS can charge interest on underpayments of income tax exceeding One Hundred Thousand Dollars ($100,000) for any tax year owing by certain corporations at a rate that is higher than the normal interest rate. The Manager strongly advises prospective investors to consult with their own tax advisor to be sure that they fully evaluate the proposed tax treatment of the LLC as described herein.

Unrelated Business Taxable Income

The Fund may generate unrelated business taxable income for Members that are qualified plans such as self-directed IRA's, or tax-exempt organizations, such as pension/benefit plan investors, colleges, universities, private foundations, and charitable remainder trusts. Particularly if the Fund pursues a credit facility or leverage, it is highly likely that the Fund may generate unrelated business taxable income for such Members. Investors should also be aware that the issue of how the unrelated business taxable income of a qualified plan or exempt organization should be taxed is regularly under discussion by one or more committees of Congress. The Fund advises that all Members, particularly Members with qualified plans or exempt organizations, consult with their own tax advisor to be sure they fully evaluate the impact of unrelated business taxable income for Members.

TAX CONSIDERATIONS RELATED TO REAL ESTATE INVESTMENT TRUST

Real Estate Investment Trusts

The Fund plans to hold all or substantially all of its assets through the Sub-REIT, an entity that intends to elect to be taxable as a REIT commencing with its taxable year beginning January 1, 2023. As a REIT, the Sub-REIT generally will not be subject to U.S. federal taxes on income to the extent it currently distributes all of its income to its shareholders (including the Fund) and maintains its qualification as a REIT.

Qualification and taxation as a REIT depends on the Sub-REIT's ability to meet on a continuing basis, through actual operating results, distribution levels and diversity of share ownership, various qualification requirements imposed upon REITs by the Code. The Sub-REIT's ability to qualify as a REIT also requires that it satisfy certain asset tests, some of which depend upon the fair market values of assets owned by the Sub-REIT. Such values may not be susceptible to a precise determination. Accordingly, no assurance can

be given that actual results of operations for any taxable year satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, qualification and taxation as a REIT depends upon the Sub-REIT's ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Code. The material qualification requirements are summarized below under "Real Estate Investment Trusts—Requirements for Qualification—General." While the Fund intends to operate the Sub-REIT so that it qualifies as a REIT, no assurance can be given that the IRS will not challenge its qualification, or that it will be able to operate in accordance with the REIT requirements in the future.

If the Sub-REIT qualifies as a REIT, it will generally be entitled to a deduction for dividends that it pays and therefore will not be subject to U.S. federal corporate income tax on taxable income that is currently distributed to its shareholders, including the Fund. This treatment substantially eliminates the "double taxation" at the corporate and shareholder levels that generally results from investment in a corporation. Rather, income generated by a REIT generally is taxed only at the shareholder level upon a distribution of dividends by the REIT.

If the Sub-REIT qualifies as a REIT, it will nonetheless be subject to U.S. federal tax in the following circumstances:

- It will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

- If the Sub-REIT has net income from prohibited transactions, which are, in general, sales or other dispositions of inventory or property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a One Hundred Percent (100%) tax. (See "Prohibited Transactions" and "Foreclosure Property" below).

- If the Sub-REIT elects to treat property that it acquires in connection with a foreclosure of a mortgage loan or certain leasehold terminations as "foreclosure property," it may thereby avoid a One Hundred Percent (100%) tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), but the income from the sale or operation of the property may be subject to corporate income tax at the highest applicable rate (currently Twenty One Percent (21%)).

- If the Sub-REIT should fail to satisfy the Seventy Five Percent (75%) gross income test or the Ninety Five Percent (95%) gross income test, as discussed below, but nonetheless maintain its qualification as a REIT because there is a reasonable cause for the failure and other applicable requirements are met, the Fund may be subject to a One Hundred Percent (100%) tax on an amount based on the magnitude of the failure adjusted to reflect the profit margin associated with its gross income.

- If the Subsidiary REIT should fail to satisfy the asset or other requirements applicable to REITs, as described below, yet nonetheless maintain its qualification as a REIT because there is reasonable cause for the failure and other applicable requirements are met, it may be subject to an excise tax. In that case, the amount of the tax will be at least Fifty Thousand Dollars ($50,000) per failure, and, in the case of certain asset test failures, will be determined as the amount of net income generated by the assets in question multiplied by the highest corporate tax rate (currently Twenty One (21%)) if that amount exceeds Fifty Thousand Dollars ($50,000) per failure.

- If the Fund should fail to distribute during each calendar year at least the sum of (a) Eighty Five Percent (85%) of its REIT ordinary income for such year, (b) Ninety Five Percent (95%) of its REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, it would be subject to a non-deductible Four Percent (4%) excise tax on the excess of the required distribution over the sum of (i) the amounts actually distributed, plus (ii) certain retained amounts.

- A One Hundred Percent (100%) tax may be imposed on transactions between a REIT and a "taxable REIT subsidiary" (as defined in the Code), or TRS, that do not reflect arm's length terms.

- If the Sub-REIT acquires appreciated assets from a C corporation that is not a REIT (i.e., a corporation taxable under subchapter C of the Code) in a transaction in which the adjusted tax basis of the assets in its hands are determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, it may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if it subsequently recognizes gain on a disposition of any such assets during the five-year period following their acquisition from the subchapter C corporation.

In addition, the Sub-REIT may be subject to a variety of taxes, including payroll taxes and state, local and foreign income, property and other taxes on assets and operations. The Sub-REIT could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification—General

The Code defines a REIT as a corporation, trust or association:

(i) that is managed by one or more trustees or directors;

(ii) the beneficial ownership of which is evidenced by transferable shares of beneficial interest, or by transferable certificates of beneficial interest;

(iii) that would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;

(iv) that is neither a financial institution nor an insurance company subject to specific provisions of the Code;

(v) the beneficial ownership of which is held by 100 or more persons;

(vi) in which, during the last half of each taxable year, not more than Fifty Percent (50%) in value of the outstanding shares of beneficial interest is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Code to include specified tax-exempt entities);

(vii) that makes an election to be treated as a REIT for the current taxable year or has made an election for a previous taxable year which has not been terminated or revoked; and

(viii) which meets other tests described below, including with respect to the nature of its income and assets.

The Code provides that conditions (i) through (iv) must be met during the entire taxable year, and that condition (v) must be met during at least Three Hundred Thirty Five (335) days of a taxable year of Twelve (12) months, or during a proportionate part of a shorter taxable year. Conditions (v) and (vi) need not be met during an entity's initial tax year as a REIT. The Operating Agreement contains restrictions regarding the ownership and transfer of Membership Interests, which are intended to assist the Sub-REIT in satisfying the share ownership requirements described in conditions (v) and (vi) above.

An entity generally may not elect to become a REIT unless its taxable year is the calendar year. The Sub-REIT has adopted December 31 as its year end, and thereby satisfies this requirement.

Income Tests

To qualify as a REIT, the Sub-REIT annually must satisfy two gross income requirements. First, at least Seventy Five Percent (75%) of gross income for each taxable year, excluding gross income from sales of inventory or dealer property in "prohibited transactions," and certain hedging transactions generally must be derived from investments relating to real property or mortgages on real property, including interest income derived from mortgage loans collateralized by real property, "rents from real property," dividends received from other REITs, and gains from the sale of real estate assets, as well as "qualified temporary investment income." Second, at least Ninety Five Percent (95%) of gross income in each taxable year, excluding gross income from prohibited transactions and certain hedging transactions, must be derived from some combination of such income from investments in real property (i.e., income that qualifies under the Seventy Five Percent (75%) income test described above), as well as other dividends, interest and gain from the sale or disposition of stock or securities, none of which need have any relation to real property.

The Fund believes that the Sub-REIT's investments in mortgage loans will generate income that complies with both the Seventy Five Percent (75%) test and the Ninety Five Percent (95%) test, and it intends to monitor compliance on an ongoing basis. If the Sub-REIT fails to satisfy one or both of the Seventy Five Percent (75%) or Ninety Five Percent (95%) gross income tests for any taxable year, it may still qualify as a REIT for the year if it is entitled to relief under applicable provisions of the Code. These relief provisions will be generally available if the failure to meet the gross income tests was due to reasonable cause and not due to willful neglect and the Sub-REIT files a schedule of the source of its gross income in accordance with Treasury Regulations. It is not possible to state whether the Sub-REIT would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving the Sub-REIT, it would not qualify as a REIT. Even where these relief provisions apply, a tax would be imposed based upon the amount by which the Sub-REIT failed to satisfy the particular gross income test.

Asset Tests

At the close of each quarter of the taxable year, the Sub-REIT must satisfy seven tests relating to the nature of its assets.

(i) At least Seventy Five Percent (75%) of the value of its total assets must be represented by "real estate assets," cash, cash items and government securities, as such terms are defined in the Code.

(ii) Not more than Twenty Five Percent (25%) of the value of its total assets may be represented by securities, other than those in the Seventy Five Percent (75%) asset class.

(iii) Except for certain investments in REITs, TRSs and other securities in the Seventy Five Percent (75%) asset class, the value of any one issuer's securities owned by the Sub-REIT may not exceed Five Percent (5%) of the value of its total assets.

(iv) Except for certain investments in REITs, TRSs and other securities in the Seventy Five Percent (75%) asset class, the Sub-REIT may not own more than 10% of the total voting power of any one issuer's outstanding securities.

(v) Except for certain investments in REITs, TRSs and other securities in the Seventy Five Percent (75%) asset class, the Sub-REIT may not own more than 10% of the total value of the outstanding securities of any one issuer, other than securities that qualify for certain debt safe harbors.

(vi) The aggregate value of all securities of TRSs held by the Sub-REIT may not exceed Twenty Percent (20%) of the value of its gross assets.

(vii) No more than Twenty-Five (25%) of the value of the Sub-REIT's total assets may consist of debt instruments issued by "publicly offered REITs" (as defined in the I Code) to the extent such debt instruments are not secured by real property or interests in real property.

Certain relief provisions are available to REITs to satisfy the asset requirements or to maintain REIT qualification notwithstanding certain violations of the asset and other requirements. One such provision allows a REIT which fails one or more of the asset requirements to nevertheless maintain its REIT qualification if (a) it provides the IRS with a description of each asset causing the failure, (b) the failure is due to reasonable cause and not willful neglect, (c) the REIT pays a tax equal to the greater of (i) Fifty Thousand Dollars ($50,000) per failure and (ii) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate (currently Twenty One Percent(21%)), and (d) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time period.

In the case of de minimis violations of the Ten Percent (10%) and Five Percent (5%) asset tests, a REIT may maintain its qualification despite a violation of such requirements if (a) the value of the assets causing the violation does not exceed the lesser of One Percent (1.0%) of the REIT's total assets and Ten Million Dollars ($10,000,000), and (b) the REIT either disposes of the assets causing the failure within Six (6) months after the last day of the quarter in which it identifies the failure, or the relevant tests are otherwise satisfied within that time period.

The Fund believes that the Sub-REIT's holdings of securities and other assets will comply with the foregoing REIT asset requirements, and it intends to monitor compliance on an ongoing basis. No independent appraisals will be obtained, however, to support the Fund's or the Sub-REIT's conclusions as to the value of total assets, or the value of any particular security or securities. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Accordingly, there can be no assurance that the Service will not contend that the Subsidiary REIT's asset holdings do not meet one or more of the REIT assets tests.

Annual Distribution Requirements

To qualify as a REIT, the Sub-REIT is required to distribute dividends, other than capital gain dividends, to its shareholders (including the Fund) in an amount at least equal to:

- the sum of
  - Ninety Percent (90%) of the Sub-REIT's "REIT taxable income," computed without regard to net capital gains and the deduction for dividends paid, and

- Ninety Percent (90%) of the Fund's net income, if any (after tax), from foreclosure property (as described below), minus

- the sum of specified items of non-cash income.

These distributions generally must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Sub-REIT timely file its tax return for the year and if paid with or before the first regular dividend payment after such declaration. For distributions to be counted for this purpose, and to give rise to a tax deduction by the Sub-REIT, they must not be "preferential dividends." A dividend is not a preferential dividend if it is pro rata among all outstanding shares of Sub-REIT within a particular class, and is in accordance with the preferences among different classes of Sub-REIT shares as set forth in the Subsidiary REIT's organizational documents.

To the extent that the Sub-REIT distributes at least Ninety Percent (90%), but less than One Hundred Percent (100%), of its "REIT taxable income," as adjusted, the Sub-REIT will be subject to tax at ordinary corporate tax rates on the retained portion. The Sub-REIT may elect to retain, rather than distribute, its net long-term capital gains and pay tax on such gains. In this case, the Sub-REIT could elect to have its shareholders (including the Fund) include their proportionate share of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax paid by the Sub-REIT. The shareholders (including the Fund) would then increase the adjusted basis of their Sub-REIT shares by the difference between the designated amounts of capital gains from the Sub-REIT that they include in their taxable income, and the tax paid on their behalf by the Sub-REIT with respect to that income.

If the Sub-REIT should fail to distribute during each calendar year at least the sum of (a) Eighty Five (85%) of its REIT ordinary income for such year, (b) Ninety Five Percent (95%) of its REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, it would be subject to a non-deductible Four Percent (4%) excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed and (y) certain retained amounts.

It is possible that the Sub-REIT, from time to time, may not have sufficient cash to meet the distribution requirements due to timing differences between (a) the actual receipt of cash and (b) the inclusion of items in income by the Sub-REIT for U.S. federal income tax purposes. In the event that such timing differences occur, in order to meet the distribution requirements, it might be necessary to make distributions in the form of Sub-REIT shares or taxable in-kind distributions of property.

The Sub-REIT may be able to rectify a failure to meet the distribution requirements for a year by paying "deficiency dividends" to its shareholders (including the Fund) in a later year, which may be included in the Sub-REIT's deduction for dividends paid for the earlier year. In this case, the Sub-REIT may be able to avoid losing its REIT qualification or being taxed on amounts distributed as deficiency dividends. However, the Sub-REIT will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If the Sub-REIT failed to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, it could avoid disqualification if the failure is due to reasonable cause and not to willful neglect and the Sub-REIT pays a penalty of Fifty Thousand Dollars ($50,000) for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described above under "Income Tests" and "Asset Tests."

If the Sub-REIT failed to qualify for taxation as a REIT in any taxable year, and the relief provisions described above did not apply, it would be subject to tax on its taxable income at regular corporate rates

(currently Twenty One Percent (21%)). Distributions to shareholders of the Sub-REIT (including the Fund) in any year in which the Sub-REIT were not a REIT would not be deductible by it, nor would they be required to be made. In this situation, to the extent of current and accumulated earnings and profits, distributions to domestic shareholders of the Sub-REIT that are individuals, trusts and estates would generally be taxable at capital gains rates and, subject to limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless the Sub-REIT was entitled to relief under specific statutory provisions, it would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the taxable year during which qualification was lost. It is not possible to state whether, in all circumstances, the Sub-REIT would be entitled to this statutory relief.

Prohibited Transactions

Net income derived by a REIT from a prohibited transaction is subject to a One Hundred Percent (100%) tax. The term "prohibited transaction" generally includes a sale or other disposition of property (other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business. The Fund intends that the Sub-REIT will conduct its operations so that no asset owned by it will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of business. Whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the particular facts and circumstances. No assurance can be given that any property sold by the Sub-REIT will not be treated as property held for sale to customers, or that it can comply with certain safe harbor provisions of the Code that would prevent such treatment.

Foreclosure Property

Foreclosure property is real property and any personal property incident to such real property (i) that is acquired by a REIT as the result of the REIT having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and collateralized by the property, (ii) for which the related loan or lease was acquired by the REIT at a time when default was not imminent or anticipated, and (iii) for which such REIT makes a proper election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate rate (currently Twenty One Percent (21%)) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the Seventy Five Percent (75%) gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the One Hundred Percent (100%) tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property in the hands of the selling REIT. To the extent that the Sub-REIT receives any income from foreclosure property that is not qualifying income for purposes of the Five Percent (75%) gross income test, it intends to make an election to treat the related property as foreclosure property.

Section 199A Deduction

In December 2017, as part of the Tax Act, Section 199A was added to the Code and became effective for tax years beginning after December 31, 2017, and before January 1, 2026. Under Section 199A of the Code, subject to certain limitations, an individual taxpayer and estates and trusts may deduct Twenty Percent (20%) of their aggregate "qualified business income" ("***QBI***"). In general, QBI is the net amount of income, gain, loss, and deduction (other than any items of capital gain or loss and certain other enumerated investment-type items of income or deduction) that is effectively connected with the conduct of a trade or business within the United States (other than certain service businesses enumerated in Section 199A of the Code) and included or allowed in determining taxable income for the taxable year. QBI also includes the combined qualified REIT dividends, including REIT dividends earned through a pass-through

entity. Qualified REIT dividends include any dividend from a REIT received during the tax year that is not (i) a capital gain dividend or (ii) qualified dividend income.

If a taxpayer is permitted to take the full QBI deduction, the maximum effective tax rate on such income will be Twenty-Nine and Six Tenths Percent (29.6%) (as opposed to the maximum Thirty Seven Percent (37%) tax rate generally applicable to ordinary income). Because the Fund plans to operate a significant part of its business through the Sub-REIT, the qualified REIT dividends from the Sub-REIT that are allocated to an Investor should generally be eligible for the Twenty Percent (20%) QBI deduction.

Net Investment Income Tax

In addition to all other taxes, there is imposed for each year beginning after December 31, 2012, a tax on the net investment income of every individual, other than nonresident aliens, estates and trusts. For individuals, the tax equals Three and Eight Tenths Percent (3.8%) of the lesser of an individual's net investment income for such taxable year or the excess, if any, of the modified adjusted gross income for such taxable year over the threshold amount. In the case of an estate or trust, the tax equals Three and Eight Tenths Percent (3.8%) on the lesser of the undistributed net investment income for such taxable year or the excess, if any, of the adjusted gross income over the dollar amount at which the highest tax bracket for estates and trusts begins. Generally, net investment income means the excess, if any, of gross income from interest, dividends, annuities, royalties, and rents as well as trade or business income if such trade or business is a "passive activity" to the taxpayer over the deductions which are properly allocable to such gross income or net gain. Modified adjusted income means adjusted gross income increased by certain foreign earned income while threshold amount means Two Hundred Fifty Thousand Dollars ($250,000) for taxpayers making a joint return or surviving spouse and Two Hundred Thousand Dollars ($200,000) in any other case. Accordingly, each Investor should consult with his or her own personal tax advisor regarding the possible application of the net investment income tax.

ERISA CONSIDERATIONS

The following is a discussion of how certain requirements of the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***") and the Code relating to Employee Benefit Plans and certain Other Benefit Arrangements (each as defined below) may affect an investment in the Membership Interests or Notes. It is not, however, a complete or comprehensive discussion of all employee benefits aspects of such an investment. If the Investors are trustees or other fiduciaries of an Employee Benefit Plan or Other Benefit Arrangement, before purchasing Membership Interests or Notes, they should consult with their own independent legal counsel to assure that the investment does not violate any of the applicable requirements of ERISA or the Code, including, without limitation, the ERISA fiduciary rules and the prohibited transaction requirements of ERISA and the Code.

ERISA Fiduciary Duties

Under ERISA, persons who serve as trustees or other fiduciaries of an Employee Benefit Plan have certain duties, obligations, and responsibilities with respect to the participants and beneficiaries of such plans. Among the ERISA fiduciary duties are the duty to invest the assets of the plan prudently, and the duty to diversify the investment of plan assets so as to minimize the risk of large losses. An "Employee Benefit Plan" is a plan subject to ERISA that is an employee pension benefit plan (such as a defined benefit pension plan or a section 401[k] or 403[b] plan), or any employee welfare benefit plan (such as an employee group health plan).

Prohibited Transaction Requirements

Section 406 of ERISA and Section 4975 of the Code proscribe certain dealings between Employee Benefit Plans or Other Benefit Arrangements on the one hand, and "parties-in-interest" or "disqualified persons" with respect to those plans or arrangements on the other. An "Other Benefit Arrangement" is a benefit arrangement described in Section 4975(e)(1) of the Code such as a self-directed retirement account IRA, other than an Employee Benefit Plan.

Prohibited transactions include, directly or indirectly, any of the following transactions between an Employee Benefit Plan or Other Benefit Arrangement, and a party-in-interest or disqualified person:

(a) sales or exchanges of property;

(b) lending of money or other extension of credit;

(c) furnishing of goods, services, or facilities; and

(d) transfers to, or use by or for the benefit of, a party-in-interest or disqualified person of any assets of the Employee Benefit Plan or Other Benefit Arrangement.

In addition, prohibited transactions include any transaction where a trustee or other fiduciary of an Employee Benefit Plan or Other Benefit Arrangement:

(a) deals with plan assets for his own account,

(b) acts on the behalf of parties whose interests are adverse to the interest of the plan, or

(c) receives consideration for his personal account from any party dealing with the plan, with respect to plan assets.

The terms "party-in-interest" under ERISA, and "disqualified person" under the Code, have similar definitions. The terms include persons who have particular relationships with respect to an Employee Benefit Plan or Other Benefit Arrangement, such as:

(a) fiduciaries;

(b) persons rendering services of any nature to the plan;

(c) employers, any of whose employees are participants in the plan, as well as owners of Fifty Percent (50%) or more of the equity interests of such employers;

(d) spouses, lineal ascendants, lineal descendants, and spouses of such ascendants or descendants of any of the above persons;

(e) employees, officers, directors, and Ten Percent (10%) or more owners of such fiduciaries, service providers, employers, or owners;

(f) entities in which any of the above-described parties hold interests of Fifty Percent (50%) or more; and

(g) Ten Percent (10%) or more joint venturers or partners of certain of the parties described above.

Certain transactions between Employee Benefit Plans or Other Benefit Arrangements and parties-in-interest or disqualified persons that would otherwise be prohibited transactions are exempt from the prohibited transaction rules, due to the application of certain statutory or regulatory exemptions. In addition, the United States Department of Labor ("***DOL***") has issued class exemptions and individual exemptions for certain types of transactions. Violations of the prohibited transaction rules may require the prohibited transactions to be rescinded, and will cause the parties-in-interest or disqualified persons to be subject to excise taxes under Section 4975 of the Code.

Investments in the Fund

If any Investor is a fiduciary of an Employee Benefit Plan, the investor must act prudently and ensure that the plan's assets are adequately diversified to satisfy the ERISA fiduciary duty requirements. Whether an investment in the Fund is prudent and whether an Employee Benefit Plan's investments are adequately diversified must be determined by the plan's fiduciaries, in light of all of the relevant facts and circumstances. A fiduciary should consider, among other factors, the limited marketability of the Membership Interests or Notes.

Investors also should be aware that under certain circumstances, the DOL may view the underlying assets of the Fund as "plan assets," for purposes of the ERISA fiduciary rules and the ERISA and Internal Revenue Code prohibited transaction rules. DOL regulations indicate that Fund assets will ***not*** be considered plan assets, if less than Twenty Five Percent (25%) of the value of the Membership Interests are held by Employee Benefit Plans and Other Benefit Arrangements.

The Fund anticipates that if any Investor is an Employee Benefit Plan subject to ERISA, the Fund will limit the investments by all Employee Benefit Plans and Other Benefit Arrangements to ensure that the Twenty Five Percent (25%) limit is not exceeded. Because the Twenty Five Percent (25%) limit is determined after every subscription or redemption, the Fund has the authority to require the redemption of all or some of the Membership Interests held by any Member that is an Employee Benefit Plan or Other Benefit Arrangement, if the continued holding of such Membership Interests, in the sole opinion of the Fund, could result in the Fund being subject to the ERISA fiduciary rules.

If there are no Employee Benefit Plan investors in the Fund, the Fund anticipates that investments by Other Benefit Arrangements (such as self-directed IRAs) may exceed the Twenty Five Percent (25%) limit. This situation may cause the underlying assets of the Fund to be considered plan assets for purposes of the Code prohibited transaction rules. In such a case, the Other Benefit Arrangement investors must ensure that their investments do not constitute prohibited transactions, under Section 4975 of the Code. Such investors should consult with independent legal counsel on these issues.

Special Limitations

The discussion of the ERISA fiduciary aspects and the ERISA and Code prohibited transaction rules contained in this Memorandum is not intended as a substitute for careful planning. The applicability of ERISA fiduciary rules and the ERISA or Code prohibited transaction rules to Investors may vary from one Investor to another, depending upon that Investor's situation. Accordingly, Investors should consult with their own attorneys, accountants, and other personal advisors as to the effect of ERISA and the Code on their situation of a purchase and ownership of the Membership Interests or Notes, and as to potential changes in the applicable law.

SUMMARY OF THE OPERATING AGREEMENT

The following is a summary of the Operating Agreement, and is qualified in its entirety by the terms of the Operating Agreement itself. In the event of any conflict, misunderstanding, or ambivalence between, or resulting from, the summary below and the actual terms of the Operating Agreement, the latter shall govern. Potential Investors are urged to carefully read the entire Operating Agreement, which is set forth as Exhibit A-2 to this Memorandum.

Accounting and Reports

Annual reports concerning the Fund's business affairs, including the Fund's annual income tax return, will be provided to Members who request them in writing. Each Member will receive his, her, or its respective K-1 Form as required by applicable law. The Manager may, at its sole and absolute discretion, designate any Person to provide tax and accounting advice to the Fund, at any time and for any reason.

The Manager presently intends to maintain the Fund's books and records on the accrual basis for bookkeeping and accounting purposes, and also intends to use the accrual basis method of reporting income and losses for federal income tax purposes. The Manager reserves the right to change such methods of accounting upon written notice to Members. Any Member may inspect the books and records of the Fund at reasonable times.

Adjustment of Membership Interest Holdings

Allocations of profit, gain, and loss in the Fund are made, as required by law, in proportion to the Members' respective capital accounts. Voting rights are based upon the number of Membership Interests each Member owns. Because some Members may choose to reinvest their share of profits, gains, and losses, it is likely that the value of their capital accounts will increase, relative to the capital accounts of Members who take quarterly income distributions of their share of profits, gains, and losses. The Manager, at its discretion, may set the membership interest value for additional Membership Interests, by adjusting the book value of the assets of the Fund to reflect the fair market value of those assets, and determining the liabilities of the Fund.

Capital Distributions

The Fund may, in the sole and absolute discretion of the Manager, make distributions of capital to Members, in proportion to their capital account balances as of the date the distribution is declared.

Compensation to Manager and Affiliates

The Fund will compensate the Manager and Affiliates, as described in "Manager's Compensation" herein.

Manager's Interest

The Manager may withdraw from the management of the Fund at any time, upon Thirty (30) days' written notice to all Members. A successor manager of the Fund may only be elected by the Members. In any such event, a majority of the Members shall promptly elect a successor as Manager; provided, however, if the then Manager desires to appoint an Affiliate as the new Manager, then such Affiliate may become the Manager without Member approval.

Cash Distributions

The Fund will make distributions to Members as described in the "Terms of the Offering" above.

Operating Expenses

The Manager shall be entitled to reimbursement by the Fund and/or Sub-REIT (but only to the extent that Fund and/or Sub-REIT assets are sufficient therefor) for reasonable and necessary out-of-pocket expenses incurred by the Manager, on behalf of the Fund and/or Sub-REIT. Further, the Fund and/or Sub-REIT shall reimburse the Manager and its Affiliates for any reasonable formation, accounting, analyst, banking, transactional fees, and legal costs incurred in connection with the formation of the Fund and/or Sub-REIT and the capital raising activities undertaken by the Fund and/or Sub-REIT.

Profits and Losses

The Fund's profit or loss for any taxable year, including the taxable year in which the Fund is dissolved, will be allocated among the Members, in proportion to their capital account balances that they held during the applicable tax reporting period.

Restrictions on Transfer

The Operating Agreement places substantial limitations upon transferability of Membership Interests. Any transferee must be a person that would have been qualified to purchase a Membership Interest in this offering. No Membership Interest may be transferred if, in the sole judgment of the Manager, a transfer would jeopardize the availability of exemptions from the registration requirements of federal securities laws, jeopardize the tax status of the Fund as a limited liability company taxed as a partnership, or cause a termination of the Fund for federal income tax purposes.

A transferee may not become a substitute Member, without the consent of the Manager. Such consent may not be unreasonably withheld if the transferor and the transferee comply with all the provisions of the Operating Agreement and applicable law. A transferee who does not become a substitute Member, has no right to vote in matters brought to a vote of the Members, or to receive any information regarding the Fund, or to inspect the Fund books, but is entitled only to the share of income or return of capital to which the transferor would be entitled.

Rights and Liabilities of Members

The rights, duties, and powers of Members are governed by the Operating Agreement and applicable Delaware corporate and business law, and the discussion herein of such rights, duties, and powers are qualified in its entirety by reference to them.

Rights, Powers, and Duties of Manager

Subject to the right of the Members to vote on specific matters, the Manager will have complete charge of the business of the Fund. The Manager is not required to devote itself full-time to Fund affairs, but only such time as is required for the conduct of Fund business. The Manager has the power and authority to act for, and bind, the Fund. The Manager is granted the special power of attorney of each Member, for the purpose of executing any document which the Members have agreed to execute and deliver.

Fund Brought to Close

The Fund will not cease to exist immediately upon the occurrence of an event of dissolution, but will continue to exist until its affairs have been brought to a close. Upon dissolution of the Fund, the Manager will bring a close to the Fund's affairs by liquidating the Fund's assets as promptly as is consistent with obtaining the fair market value thereof, either by sale to third parties or by collecting loan payments under the terms of the loan(s), until a suitable sale can be arranged. All funds received by the Fund shall be applied to satisfy or provide for Fund debts and liabilities, and the balance, if any, shall be distributed to Members on a pro-rata basis.

Withdrawal

The Members will be eligible for withdrawal, subject to provisions set forth in "Summary of the Offering – Withdrawal" above.

Redemption Policy and Other Events of Disassociation

The Manager may, at its sole and absolute discretion, cause the Fund to repurchase Membership Interests from Members desiring to resign from membership, or as a part of a plan to reduce the outstanding capital of the Fund. There is no guarantee that the Fund will have sufficient funds to cause the redemption of any Membership Interests. Therefore, any investment in the Fund should be considered illiquid.

The Fund may also expel a Member for cause, if the Member has materially breached or is unable to perform the Member's material obligations under the Operating Agreement. A Member's expulsion from the Fund will be effective upon the Member's receipt of written notice of the expulsion by the Fund.

Upon any expulsion, transfer of all of Membership Interests, withdrawal, or resignation of any Member, an event of disassociation shall have occurred and (a) the Member's right to participate in the Fund's governance, receive information concerning the Fund's affairs, and inspect the Fund's books and records will terminate, and (b) unless such disassociation resulted from the transfer of the Member's Membership Interests, the Member will be entitled to receive the distributions to which the Member would have been entitled as of the effective date of the dissociation, had the dissociation not occurred. The Member will remain liable for any obligation to the Fund that existed prior to the effective date of the dissociation, including, without limitation, any costs or damages resulting from the Member's breach of the Operating Agreement. Under most circumstances, the Member will have no right to any return of his or her capital prior to the termination of the Fund, unless the Manager elects, at its sole and absolute discretion, to return capital to a Member.

The effect of redemption or disassociation on Members who do not sell or return their Membership Interests will be an increase in each Member's respective percentage interest in the Fund, and therefore an increase in each Member's respective proportionate interest in the future earnings, losses, and distributions of the Fund, and an increase in the respective relative voting power of each remaining Member. Notwithstanding anything to the contrary herein, redemption shall be at the sole and absolute discretion of the Manager, and the Manager shall not be compelled to redeem or repurchase Membership Interests at any time or for any reason.

The redemption of Membership Interests shall be subject to the Fund's availability of sufficient cash to pay the expenses of the Fund, maintain any loan loss reserve, and pay the redemption or withdrawal amounts to other Members who requested withdrawal or redemption in the order of the request. No redemption or withdrawal may be made that would render the Fund unable to pay its obligations as they become due. The Fund shall not be required to sell its assets to raise cash to effectuate any redemption or withdrawal.

A redeeming Member shall have the rights of a transferee until such time as the Fund has actually redeemed those Membership Interests. That is, the Member shall be entitled to receive distributions, but shall not be entitled to vote. Redeemed Membership Interests revert to authorized, but unissued, Membership Interests, and the former holder retains no interest of any kind in such Interests.

LEGAL MATTERS

The Fund has retained Geraci Law Firm of Irvine, California to advise it in connection with the preparation of this Offering, the Operating Agreement, the Subscription Agreement, and any other documents related thereto. Geraci Law Firm has not been retained to represent the interests of any Investors or Members in connection with this Offering. Investors that are evaluating or purchasing Membership Interest or Notes should retain their own independent legal counsel to review this Offering, the Memorandum, the Operating Agreement, the Subscription Agreement, and any other documents related to this Offering, and to advise them accordingly.

ADDITIONAL INFORMATION AND UNDERTAKINGS

The Fund and Manager undertake to make available to each Investor every opportunity to obtain any additional information from them necessary to verify the accuracy of the information contained in this Memorandum, to the extent that they possess such information or can acquire it without unreasonable effort or expense. This additional information includes all the organizational documents of the Fund, recent financial statements for the Fund, and all other documents or instruments relating to the operation and business of the Fund that are material to this Offering and the transactions described in this Memorandum.