Memorandum No. ___________

Pelorus Fund, LLC

a California limited liability company

124 Tustin Ave. #200
Newport Beach, CA 92663

PRIVATE PLACEMENT MEMORANDUM

$250,000,000

Minimum Investment Amount: $100,000

January 1, 2021

Pelorus Fund, LLC (hereinafter referred to as the "Fund" or "Company") is a California limited liability company. The Company is offering (the "Offering") by means of this Private Placement Memorandum (the "Memorandum") limited liability company membership interests ("Membership Interests" or "Interests") on a "best efforts" basis to qualified investors who meet the Investor Suitability standards set forth below. (See "Investor Suitability" below). The Company will be managed by Pelorus Management Group, LLC, a California limited liability company (hereinafter referred to as the "Manager").

As further described in the Memorandum, the Company has been organized to engage in the following business: (1) to originate, make, purchase, otherwise acquire, manage and/or sell loans (the "Loans") secured by interests in real or personal property, including properties operating in the cannabis industry, across the United States, with a primary focus in California; and (2) acquire, manage, remodel, develop, lease, repair and/or sell real estate owned properties ("REO") throughout the United States, with a primary focus in California. The REOs will be derived from the Company's lending activities. (See "Property Acquisition Guidelines and Policies" below).

In addition, the Fund intends to provide financing to companies in the legalized cannabis (marijuana) industry through Loans, equity investments, or a combination of both. (See "Lending Standards and Policies" below). The Company shall pursue these endeavors in accordance with and pursuant to state, county and local laws and regulations governing medical and/or recreational cannabis.

As of April 1, 2020, the Company 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).

Prospective investors ("Investors") who execute a subscription agreement ("Subscription Agreement") to invest in the Company will become a member of the Company ("Member") once the Manager deposits the Investor's investment into the Company's main operating bank account and subject to terms and conditions in the Memorandum and Subscription Agreement. An investment in the Company is subject to restrictions on withdrawal (See "Summary of Operating Agreement – Withdrawal" below). Subject to the terms and conditions provided herein, Members will have the option to either receive their income distributions from the Company or reinvest their distributable share of Company earnings back into the Company. (See "Terms of the Offering – Cash Distributions; Election to Reinvest" below). The Manager will receive a variety of compensation and income from the Company 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 Company 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 PRIVATE PLACEMENT 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(2) OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "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]	Selling Commissions [2]	Fund Proceeds [3]
Amount to be Raised Per Interest	$1,000	$0	$1,000
Minimum Offering Amount [4]	$100,000	$0	$100,000
Maximum Offering Amount [5]	$250,000,000	$0	$250,000,000

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

2. Membership Interests will be offered and sold directly by the Fund, Manager and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. The Fund or Manager may also sell Membership Interests through the services of independent broker/dealers who are member firms of the Financial Industry Regulatory Authority ("FINRA") and who will be entitled to receive commissions of up to Eight Percent (8%) of the gross proceeds received for the sale of Membership Interests. Furthermore, independent broker/dealers may be entitled to receive trailing commissions of up to Four Percent (4%) of the original investment amount per Investor annually payable at the broker/dealer discretion. These commissions will be paid by the Manager.

3. Net proceeds to the Company are calculated before deducting organization and Offering expenses. The expenses relating to this Offering are estimated to be approximately One Hundred Thousand Dollars ($100,000) (including, without limitation, legal, organizational, printing, binding and miscellaneous expenses). The remaining Offering proceeds will be available for investments pursuant to the business plan of the Company. The Manager will receive its compensation from a variety of sources, including,

without limitation, a management fee assessed to the Company and a share of the Company profits. (See "Manager's Compensation" below).

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

5. Assumes sale or ownership of the Maximum Offering Amount. It is possible that the Company will sell less than the Maximum Offering Amount but more than the Minimum Offering Amount.

THIS PRIVATE PLACEMENT 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 PRIVATE PLACEMENT 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 COVERED BY THIS PRIVATE PLACEMENT 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(2) OF THE ACT AND RULE 506(C) OF REGULATION D THEREUNDER. THESE SECURIITES 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 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 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 PRIVATE PLACEMENT MEMORANDUM; ANY OTHER INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF THE 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 PRIVATE PLACEMENT 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 PRIVATE PLACEMENT MEMORANDUM SET FORTH ABOVE.

PROSPECTIVE INVESTORS SHOULD NOT REGARD THE CONTENTS OF THIS PRIVATE PLACEMENT 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.

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 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, WHO ARE SUBJECT TO CERTAIN CONFLICTS OF INTEREST. PROSPECTIVE INVESTORS OF MEMBERSHIP INTERESTS SHOULD READ THIS PRIVATE PLACEMENT MEMORANDUM CAREFULLY AND IN ITS ENTIRETY.

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

IRS CIRCULAR 230 NOTICE

PURSUANT TO U.S. INTERNAL REVENUE SERVICE CIRCULAR 230, THE STATEMENTS SET FORTH HEREIN WITH RESPECT TO FEDERAL TAX ISSUES, AS DEFINED BELOW, WERE NOT INTENDED NOR WRITTEN TO BE USED, AND SUCH STATEMENTS CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH STATEMENTS WERE WRITTEN TO SUPPORT THE MARKETING OF THE MEMBERSHIP INTERESTS OR MATTERS ADDRESSED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT WOULD AFFECT THE FEDERAL TAX TREATMENT OF AN INVESTMENT IN THE FUND AND THE STATEMENTS CONTAINED HEREIN DO NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO SUCH ADDITIONAL ISSUES. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR. A "FEDERAL TAX ISSUE" IS A QUESTION CONCERNING THE FEDERAL TAX TREATMENT OF ANY ITEM OF INCOME, GAIN, LOSS, DEDUCTION OR CREDIT, THE EXISTENCE OR ABSENCE OF A TAXABLE TRANSFER OF PROPERTY, OR THE VALUE OF PROPERTY FOR PURPOSES OF ANY TAX IMPOSED BY OR PURSUANT TO THE U.S. INTERNAL REVENUE CODE. (SEE "INCOME TAX CONSIDERATIONS" BELOW).

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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 Private Placement Memorandum. This Private Placement Memorandum, together with the exhibits attached including, but not limited to, the Limited Liability Company Operating Agreement of the Fund (the “Operating Agreement”), a copy of which is attached hereto as Exhibit A, should be carefully read in its entirety before any investment decision is made. If there is a conflict between the terms contained in this Private Placement Memorandum and the Operating Agreement, the Operating Agreement shall prevail and control.

THE FUND AND ITS OBJECTIVES	Pelorus Fund, LLC, is a California limited liability company, located at 124 Tustin Ave. #200, Newport Beach, CA 92663. The Fund will raise money through this Offering of Membership Interests to: (1) to originate, make, purchase, otherwise acquire, manage and/or sell Loans secured by interests in real or personal property, including properties operating in the cannabis industry, across the United States, with a primary focus in California; and (2) acquire, manage, remodel, develop, lease, repair and/or sell real estate owned properties (“REO”) throughout the United States, with a primary focus in California. The REOs will be derived from the Company’s lending activities. (See “Property Acquisition Guidelines and Policies” below). The Fund also intends to provide financing to companies in the legalized cannabis (marijuana) industry through Loans, equity investments, or a combination of both. (See “Lending Standards and Policies” below).
THE MANAGER	The Manager of the Fund is Pelorus Management Group, LLC, a California limited liability company, located at 124 Tustin Ave. #200, Newport Beach, CA 92663.
THE OFFERING	The Fund is hereby offering to Investors an opportunity to purchase Membership Interests in the Fund in the maximum aggregate amount of Two Hundred and Fifty Million Dollars ($250,000,000). The minimum investment amount per Investor is One Hundred Thousand Dollars ($100,000); provided, however, that the Manager reserves the right to accept subscriptions in a lesser amount or require a higher amount.
COMPENSATION TO MANAGER	The Manager will receive a variety of fees for managing the Fund, including (without limitation) an Asset Management Fee as further described below. (See “Manager’s Compensation” below).
PRIOR EXPERIENCE	The officers and directors of the Manager have extensive prior experience in the real estate and mortgage industry. (See “The Manager” below).

SUITABILITY STANDARDS	Membership Interests 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 and an Investor Questionnaire 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).
SIDE LETTER	The Manager may, without any further act, approval, or vote of any of the limited liability company, 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 ("Side Letter"). These side letters are typically reserved for Investors who have committed or otherwise contributed larger capital with the Fund. Side letter arrangements may vary depending on circumstances, economics, and agreements between the Fund and its Investors. However, such Side Letters shall not adversely affect the economic benefits of any other Member of the Fund.
CAPITALIZATION	The Fund will be funded with equity of a minimum of One Hundred Thousand Dollars ($100,000) (the "Minimum Offering Amount") and a maximum Offering amount of Two Hundred and Fifty Million Dollars ($250,000,000) (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 Minimum Investment Amount and/or the Maximum Offering Amount.
COMMISSIONS FOR SELLING MEMBERSHIP INTERESTS	Membership Interests will be offered and sold directly by the Fund, Manager and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. The Fund or Manager may also sell Membership Interests through the services of independent broker/dealers who are member firms of FINRA and who will be entitled to receive commissions of up to Eight Percent (8%) of the gross proceeds received for the sale of Membership Interests. Furthermore, independent broker/dealers may be entitled to receive trailing commissions of up to Four Percent (4%) of the original investment amount per Investor annually, payable at the broker/dealer's discretion. These commissions will be paid by the Manager.
NO LIQUIDITY	There is no public market for the Membership Interests and none is expected to develop. Additionally, there are substantial restrictions on transferability of Membership Interests. (See "Risk Factors" below).
INVESTMENT ORIGINATOR AND MANAGER	The Manager or its Affiliates, including Pelorus Equity Group, Inc., a California corporation, may originate and/or broker the Loans (and investment opportunities in Loans) as a licensed California Finance Lender

	or broker. The Manager shall retain the services of a third party to serve as loan servicer for the Fund's Loans. To the extent applicable, the Manager will oversee the activities and performance of the Servicer. Notwithstanding the foregoing, the Manager reserves the right to serve as Loan servicer, or have an Affiliate service the loans, at its sole and absolute discretion at any time for any reason (or no reason). The loan servicer, whether the Manager, an Affiliate, or a third party, shall be referred to as the "Servicer". "Affiliate" or "affiliate" shall mean any of the following: (1) a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Manager, (2) a Person who, directly or indirectly, owns or controls at least Ten Percent (10%) of the outstanding voting interests of the Manager, (3) a Person who is an officer, director, manager or member of the Manager, or (4) a Person who is an officer, director, manager, member, general partner, 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.
PROPERTY ORIGINATOR AND MANAGER	The Manager and/or an Affiliate will originate the acquisition opportunities for REO properties and may manage the properties or use a third-party property manager to manage the properties. (See "Manager's Compensation" below).
RECOVERY OF DEFERRED COMPENSATION	If the Manager or Servicer defers or assigns to the Fund any of their 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 provided it is within the same calendar year only. 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.
LEVERAGING THE PORTFOLIO	The Fund may borrow funds from a third-party lender to fund a portion of the Fund's investments. These loans would be secured by the assets held by the Fund. Leveraging involves additional risks that are detailed later in this Memorandum. (See "Risk Factors – Business Risks – Risks of Leveraging the Fund" below).
DISTRIBUTION OF NET PROFITS	Following the first full quarter after the Minimum Offering Amount is raised hereunder, Members will generally be eligible to receive regular monthly cash distributions of the Fund's Net Profits. Accordingly, Net Profits distributions will begin at the end of the first full month after the Minimum Offering Amount is raised by the Company. (See "Terms of the Offering – Cash Distributions; Election to Reinvest" below).
REINVESTMENT	Each Member has the option to receive cash distributions for his, her or its share of Net Profits (as defined below) that is payable to the Member, or

	having such amount(s) credited to his, her or its capital accounts and reinvested in the Company at the then current price of Membership Interests. (See "Cash Distributions; Election to Reinvest" below). Notwithstanding the foregoing, the Manager reserves the right to commence making cash distributions at any time to any Member(s) in order for the Fund to remain exempt from the ERISA plan asset regulations. (See "ERISA Considerations" and "Summary of Operating Agreement" below).
RETURN OF CAPITAL	The Manager reserves the right, at its sole and absolute discretion and notwithstanding any of the withdrawal restrictions described herein, to return part or all of the Member's capital investment to the Member at any time during the investment for any reason and/or to expel any Member for cause, including without limitation, if the Manager suspects the Member has violated federal or state law, rules, and/or regulations, or the Member is under investigation by federal, state, and/or local authorities. (See "Summary of Operating Agreement – Redemption Policy and Other Events of Disassociation" below).
LOSS RESERVE	A loss reserve may be maintained by the Fund. This loss reserve is intended to reflect estimated losses expected to be incurred and/or inherent in the Fund's investment portfolio. The loss reserve will be evaluated and established on a case-by-case basis, at the sole and absolute discretion of the Manager. This loss reserve is intended to temporarily protect Members from potential unrecoverable losses from the Fund's business and operating activities. Although the loss reserve will help reduce the impact of defaults and other losses temporarily, ultimate repayment/resale of the Loans or properties will be jeopardized to the extent that any Loans that 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 reserve overages and the weighted risk levels of the portfolio, reserve amounts may be reduced, eliminated or increased accordingly in the sole and absolute discretion of the Manager.
WITHDRAWAL	Members who invest in the Fund may not withdraw their capital until they have been members of the Fund for at least Twelve (12) months. Members who have been members of the Fund for a period longer than Twelve (12) months may request withdrawal from the Fund in writing and must give the Fund at least Thirty (30) days' written notice prior to expecting to be withdrawn from the Fund. The effective date of withdrawal shall be Thirty (30) days after the date of receipt of the Member's written withdrawal request. The Fund will use its best efforts to return capital subject to, among other things, the Fund's then cash flow, financial condition, and prospective transactions. Notwithstanding any of the withdrawal restrictions described herein, the Manager reserves the right to return part or all of the Member's capital investment to the Member, at its sole and absolute discretion, at any time during the investment for any reason, including without limitation, if the Manager suspects the Member has violated federal or state law, rules, and regulations or the Member is under investigation by federal, state, and/or local authorities.

	The Manager is not, under any circumstances, obligated to liquidate any assets, properties or Loans to accommodate or facilitate any Member(s)' request for withdrawal or redemption from the Fund. Following the effective date of a Member's withdrawal, the return of capital will be limited to 8.333% of such Member's capital account balance per month such that it will take at least Twelve (12) months for a Member to withdraw his, her, or its total investment in the Fund; provided, however, that the maximum aggregate amount of capital that the Fund will return to the Members, as follows: (1) up to Two Percent (2%) per month of the Fund's Assets Under Management[1]; (2) up to Five Percent (5%) per quarter of such Assets Under Management; and (3) up to Twenty Percent (20%) per fiscal year of such Assets Under Management. Withdrawal requests will be processed by the Fund on a first-come, first-served basis. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, waive or modify such withdrawal requirements or withdrawal prioritization, at any time for any reason (or no reason), including, if a Member is experiencing undue hardship. Acceptability of the Member's hardship will be determined by the Manager in its sole and absolute discretion. 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 Five Percent (5%) of the Member's withdrawal proceeds. The Manager may, at its sole discretion, waive an Early Withdrawal penalty. The Manager may at any time suspend the withdrawal of funds 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 net asset value 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 redemption request is not rescinded by a Member following notification of a suspension, the redemption will be effective within Ninety (90) days from the date the

[1] "Assets Under Management" means the total Fund assets, including notes (at book value), real estate owned (at the lower of cost or fair market value), accounts receivable, advances made to protect loan security, unamortized organizational expenses, cash and any other Fund assets valued at fair market value.

	suspension is lifted, on the basis of the net asset value of the Fund at that time and in the order determined by the Manager in its sole and absolute discretion. All prospective Investors should understand that the average term of loans is expected to range from One (1) to Five (5) years, and accordingly, the cash flow and access to cash availability of the Fund is likely to be limited on an ongoing basis (i.e. most of the Fund's available resources will be committed to pending loans or invested in existing loans and/or properties for significant periods of time). Further, prospective Investors should understand the loans are illiquid and the ability to sell Loans or properties (even if the Fund was inclined to do so) may be limited, and accordingly, any investment made in or through this Offering should be considered highly illiquid. (See "Summary of the Operating Agreement" below).

FORWARD LOOKING STATEMENTS

Investors should not rely on forward-looking statements because they 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. We 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.

TERMS OF THE OFFERING

This Offering is made to qualified Investors to purchase Membership Interests in the Company. The minimum purchase per Investor (the "Minimum Investment Amount") is One Hundred Thousand Dollars ($100,000). (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 One Thousand Dollars ($1,000). 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 Investor's funds may be deposited into the Fund's main operating bank account and the Offering will continue until it (1) is terminated by the Fund, (2) expires, or (3) 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 to, at any time, and for any reason or no reason, accept subscriptions in a lesser amount or to require a higher amount or to reject any subscription(s) in whole or in part.

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. (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 at April 1, 2020, 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 Company 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 Company 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 its second taxable year and must be present for at least 335 days of a taxable year of Twelve (12) months (or during a proportionate part of a taxable yar 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 Company and/or Sub-REIT for their business purposes. A copy of the private placement memorandum in connection 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.

Subscription Agreements; Admission to the Company

To subscribe with the Fund and purchase any Membership Interests, 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 Company must sign and execute a subscription agreement ("Subscription Agreement") in the form attached hereto as Exhibit B (together with a check in the amount of the purchase price 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 are encouraged to read the Subscription Agreement carefully and in its entirety. INVESTORS SHOULD CAREFULLY READ AND COMPLETE THE SUBSCRIPTION AGREEMENT (WITH POWER OF ATTORNEY) AND INVESTOR QUESTIONNAIRE.

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 (the "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 not be payable to the Investor. The Manager will transfer the Investor's contribution from the Subscription Account into the Fund's main 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 and/or invest in properties.

Notwithstanding the previous paragraph, should the process from depositing an Investor's funds into the Subscription Account and admission as a Member take longer than One Hundred and Eighty (180) 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.

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 MAIN OPERATING ACCOUNT.

Cash Distributions; Election to Reinvest

Cash Distributions

Following the first full quarter after the Minimum Offering Amount is raised by the Fund, Net Profits shall be distributable to the Members on a monthly basis (and pro-rated within any month in which a Member was a member for only part of the month), as follows: One Hundred Percent (100%) of the Net Profits of the Fund shall be distributed to the Members on a pro-rata basis. No Net Profits shall be distributed to the Manager. Net Profits shall be distributed after all expenses and fees are paid to the Manager. All cash distributions will be made on a monthly basis, in arrears.

Net Profits distributions will begin at the end of the first full quarter after the Minimum Offering Amount is raised by the Company. "Net Profits" shall mean the Fund's monthly gross income less (1) the Fund's monthly liabilities and operating expenses (including administrative costs, legal and accounting fees) and (2) payment of the Asset Management Fee to the Manager and an allocation of income for a loss reserve.

Distribution of Net Profits are not a guaranteed. Net Profits shall only be distributed to the extent cash is available and provided that distributions will not impact the continuing operation of the Fund, subject to the sole and absolute discretion of the Manager.

Election to Reinvest

Each Member has the option of receiving cash distributions for his, her or its share of distributions of the Fund that is payable to the Member or having such amount(s) credited to his, her or its capital accounts and reinvested in the Fund at the then current price of Membership Interests. However, the Manager reserves the right to commence making cash distributions at any time to any Member(s) in order for the Company to remain exempt from the ERISA plan asset regulations. (See "ERISA Considerations" and "Summary of Operating Agreement" below).

Members must elect to (a) receive cash with respect to the monthly income distributions from the Fund in the amount of that Member's share of cash available for distribution, or (b) allow the reinvestment through purchase of additional Membership Interests with respect to monthly income distributions from the Fund in the amount of that Member's share of cash available for distribution. No partial reinvestment will be allowed.

An election to reinvest all or a portion of the monthly income distribution is revocable at any time upon a written request to revoke such election. If no election is made, then the monthly income distribution will be a cash disbursement. Members may change their election at any time upon Thirty (30) days written notice to the Fund. Upon receipt and after the Thirty (30) day notice has occurred, the Member's election shall be changed and reflected on the following first day of the monthly in which the Member is entitled to receive a distribution. Notwithstanding the preceding sentences, the Manager may at any time immediately commence with income distributions in cash only (hence, suspending the reinvestment option for such Member(s)) to any Member(s) in order for the Company to remain exempt from the ERISA plan asset regulations. (See "ERISA Considerations" and "Summary of Operating Agreement" below).

Minimum and Maximum Offering

The Maximum Offering Amount of this Offering is Two Hundred and Fifty Million Dollars ($250,000,000) and the Minimum Offering amount is One Hundred Thousand Dollars ($100,000). 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.

In addition, the maximum gross proceeds will be the Maximum Offering Amount which will comprise, subject to adjustments as described elsewhere in this Memorandum, the total 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 purchased hereunder. Specifically, no Member may resell or otherwise transfer any Membership Interests 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 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 in the Company stating that the Membership Interests have not been registered under the federal securities laws and setting forth limitations on resale, and notations regarding these limitations shall be made in the appropriate records of the Fund with respect to all Membership Interests offered through this Offering.

Any Member who transfers, upon the Manager's consent, any Membership Interests to another person shall, subject to the sole and absolute discretion of the Manager, pay 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 investment results 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 PRIVATE PLACEMENT 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 resale or distribution. The Fund will sell 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 spouse equivalent, at the time of their purchase exceeds One Million Dollars ($1,000,000) (excluding the 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 persons 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 $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 Securities 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 (the "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 advisor, 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 Advisors Act of 1940;

10. Any organization described in Section 501(c)(3)(d) of the Internal Revenue Code of 1986, as amended (the "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)(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.

Investor Contributions

The Fund may accept Investor capital contributions in the form of cash and/or from Investors whose proceeds that may have been derived from businesses operating in the recreational and/or medical cannabis industries. (See "Risk Factors; Investment Risks" below). If the Fund accepts Investor proceeds that may have been derived from businesses operating in the cannabis industry, the Fund shall ensure that said Investor is operating or has operated in accordance with and pursuant to state, county and local laws and regulations governing medical and/or recreational cannabis. In addition, such Investors will be required to provide the following information to the Fund at the time of subscription: (i) a valid business license; (ii) entity charter documents demonstrating the entity is in good standing (as applicable); (iii) copies of the Investor's most recent tax returns or sworn affidavit under penalty of perjury by Investor or Investor's CPA that the Investor's contributions have been properly accounted for and are a post-tax investment (meaning Investor has paid any and all applicable taxes payable on the contributions prior to investing those proceeds in the Fund); (iv) a letter from a Certified Public Accountant ("CPA") attesting that the Investor's contributions have been properly reported and the Investor is in compliance with applicable state, local and federal tax regulations and laws; (v) to the extent that it is applicable, a letter from a CPA certifying that the investment funds are not directly derived from cannabis related activities; and/or (vi) a letter from an attorney representing that the Investor is in compliance with all state and local regulations governing medical and/or recreational cannabis, or any other industries, as applicable. The Fund shall obtain the documents in order for the Fund to ensure the Investor has or is not violating or poses a risk to violate Anti-Money Laundering laws and tax regulations. Said Anti-Money Laundering laws and regulations shall be deemed to include the USA Patriot Act of 2001, Pub. L. No. 107-56 (the "Patriot Act"), the Bank Secrecy Act, the Trading with the Enemy Act, 50 U.S.C. App. Section 1 et seq., the International Emergency Economic Powers Act, 50 U.S.C. Section 1701 et seq., and the sanction regulations promulgated pursuant thereto by the Office of Foreign Assets Control ("OFAC"). (See "Risk Factors – Investments Risks" below).

USE OF PROCEEDS

	Maximum Offering Amount	**Percentage of Gross Offering Proceeds**
Gross Offering Proceeds	$250,000,000	100%
Commissions Payable by the Fund[1]	$0	0%
Deployable Proceeds[2]	$250,000,000	100%

[1] Membership Interests will be offered and sold directly by the Fund, Manager and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. The Fund or Manager may also sell Membership Interests through the services of independent broker/dealers who are member firms of the FINRA and who will be entitled to receive commissions of up to Eight Percent (8%) of the gross proceeds received for the sale of Membership Interests. Furthermore, independent broker/dealers may be entitled to

receive trailing commissions of up to Four Percent (4%) of the original investment amount per Investor annually payable at the broker/dealer's discretion but not later than annually. These commissions will be paid by the Manager.
(2) Deployable proceeds to the Company are calculated before deducting organization and Offering expenses. The expenses relating to this Offering are estimated to be approximately One Hundred Thousand Dollars ($100,000) (including, without limitation, legal, organizational, printing, binding and miscellaneous expenses). The remaining Offering proceeds will be available for investments pursuant to the business plan of the Company. The Manager will receive its compensation from a variety of sources, including, without limitation, a management fee assessed to the Company and a share of the Company profits. (See "Manager's Compensation" below).

LENDING STANDARDS AND POLICIES

The Fund will seek to originate, make, purchase, otherwise acquire, manage and/or sell Loans secured by interests in real or personal property, including properties operating in the cannabis industry. Loans secured by properties operating in the cannabis business will include, without limitation, commercial real estate intended to be used for the growth, manufacturing, distribution, production and/or extraction of recreational and/or medical cannabis. The Fund's Loans will not be guaranteed by any governmental agency or private entity, but may be guaranteed by members, shareholders, Affiliates, and/or associates of the underlying borrowers. The Fund will select Loans according to the standards provided below:

1. **Lien Priority.** The deeds of trusts and mortgages securing the Loans will be primarily first lien positions. The Company may also fund loans secured by (a) second deeds of trust or mortgages, (b) a pledge of the ownership interest in the borrowing entity ("Mezzanine loans"), and/or (c) a preferred equity interest in the borrowing entity ("Preferred Equity"), provided that, the aggregate loan-to-value ratios (as stated in Section 4 below) and certain technical REIT requirements will be met.

2. **Location of Real Property Securing Loans.** Deeds of trusts and mortgages will be secured by real property located across the United States, with a primary focus in California.

3. **Type of Property.** Loans will be secured primarily by commercial real property, including without limitation, the following: retail, office, warehouses, industrial, hospitality, and improved land.

4. **Loan-to-Value Ratio.** A Loan by the Company will generally not exceed the Loan-to-Value percentage ratio set forth below. The Loan-to-Value ratio is calculated by taking the amount of the Company'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 real estate broker giving his, her, or its opinion of value of the real property. Notwithstanding the foregoing, the Company may exceed the below stated Loan-to-Value ratio if the Manager determines in its 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 interest of the Company.

Type of Real Property Securing the Loan	Target and Maximum LTV Ratios
Commercial*	Target: 50% to 65%; Maximum: 70%
Construction Loans**	Target: 65% to 65%; Maximum: 75%
Unimproved Land	Target: 55%; Maximum: 55%

* Commercial includes retail, office, industrial, warehouses, self-storage, and specialized commercial properties (e.g. churches, synagogues, etc., if alternative use is viable). In addition, when lending to borrowers in the cannabis industry, the Fund will seek to secure the Loan with the following types of properties: commercial, industrial and warehouse.
** Determined on an "as completed" value

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

The Fund will seek to maintain a weighted Loan-to-Value ratio for the Fund of approximately Sixty Five Percent (65%) to Seventy Percent (70%); provided that the maximum LTV ratio for the Fund 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 to exceed such ratio in any single or multiple instances. The foregoing Loan-to-Value ratio does not apply to purchase-money financing offered by the Company. Examples of these types of loans may be, but are not limited to, real estate owned by the Company whereby the Company decides to sell the property and carry back a loan on the property to make it cash flow positive.

5. Cannabis Lending. The Fund will provide financing to companies in the cannabis industry. These loans would be secured by commercial real estate used in the recreational and/or medical cannabis industry ("Cannabis Loans"). Borrowers may use Cannabis Loan proceeds to engage in one of the following: (i) cultivation, growth, production, distribution and/or sale of medical cannabis; (ii) cultivation, growth, production, distribution and/or sale of recreational cannabis; and (iii) providing equipment, products and services to business engaged in cannabis cultivation, production, sale and distribution. (See "Risk Factors – Risks Associated with the Fund's Business in the Cannabis Industry" below). In addition, in order to mitigate the risks involved with cannabis lending, the Fund will request each borrower to verify the following: (i) that borrower has obtained a conditional use permit ("CUP") from applicable local authorities to develop and operate its business; (ii) that the borrower has a valid business license and is properly licensed and in good standing with the relevant state authorities; (iii) and request periodic reporting requirements.

6. Terms of Company Loans. The terms of the Loans, including Cannabis Loans, will vary. Loans will generally have a term between Six (6) months and Five (5) years, but may have loan terms exceeding Five (5) years. Most Loans originated or acquired by the Fund will generally provide for monthly payments of principal and/or interest and a "balloon" payment payable in full at the end of the term. At the end of the term, the Company 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. Loans whose term exceeds the life of the Fund will be sold, at the best prevailing rate, on the open market upon the dissolution of the Fund. In addition, the Company may allow Six to Twelve (6-12) month extensions and may charge an extension fee to the borrower. Finally, the Company 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.

7. 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 Company 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 business judgment in determining whether and to what extent title insurance shall be required. Title insurance insures only the validity and priority of the Company's deed of trust or mortgage, and does not insure the Company against loss from other causes, such as diminution in the value of the secured property, loan defaults, and other such losses.

8. Fire and Casualty Insurance. Satisfactory fire and casualty insurance will be obtained for all improved real property loans which insurance will name the Company as its loss payee in the amount equal to the improvements on the real property. (See "Business Risks – Uninsured Losses" below).

9. 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 Company foreclosed on a loan and there existed insufficient equity in the security property to repay all sums owed.

10. Acquiring Loans from Other Lenders. The Fund may also participate in Loans with other lenders (including other businesses organized by business partners or Affiliates of the Fund or the Manager), by providing funds for or purchasing a fractional undivided interest in a loan meeting the requirements set forth above. In the event the Company acquires loans from other lenders, the Company will receive assignments of all beneficial interest in any Loans purchased.

11. Purchase of Loans from Affiliates. The Company may purchase loans from the Manager or Affiliates so long as it meets the lending requirements set forth above. For the purposes hereof, the term "Affiliates" shall mean any of the following: (1) a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Manager, (2) a Person who, directly or indirectly, owns or controls at least Ten Percent (10%) of the outstanding voting interests of the Manager, (3) a Person who is an officer, director, manager or member of the Manager, or (4) a Person who is an officer, director, manager, member, general partner, 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.

12. Fractionalized Interests. The Company 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 Loan that meets the requirements set forth above.

13. Equity Participation and Mezzanine Positions. The Company may fund mezzanine Loans at lower than market interest rates in order to obtain an equity interest in the underlying real property in which the Company funds the loan. Generally, a Mezzanine loan is a type of subordinate real estate financing that is secured by a pledge of One Hundred Percent (100%) of the equity ownership interests in the entity that owns the real property. The Company may also make loans where it agrees to participate in the equity of the property securing the loan made by the Company. Such equity participation may include, but is not limited to, sharing in the proceeds from the sale price of the property or properties securing the Loan, or including additional exit fees upon loan repayment. The Manager will only authorize the Company to make such a loan if the Manager believes in its business judgment that it is in the best interests of the Company to do so.

14. Warrants. From time to time, the Company may engage in a warrant with a borrower, tenant, or a third-party, which gives the Company the right, but not the obligation, to buy or sell, a certain security of the counterparty at a certain price before expiration of the warrant. Such contract negotiations may be in connection with the making of the loans. Income from the exercise of a warrant and/or sale of the underlying security therefrom, will be part of the income to the Company and distributed to the Members in accordance with the waterfall. The Company will engage in a warrant to the extent that it will remain being exempted from registration under the Investment Company Act. (See "Risk Factors – Investment Company Act" below). There may be a potential tax implication to the Members, including, phantom income. (See "Risk Factors – Phantom Income" below).

15. Operating Expenses. The Company will pay for and/or reimburse the Manager for any and all costs and expenses incurred by the Company or Manager relating to, or in connection with, the

review, evaluation, analysis, structuring, negotiation and/or execution of any investment/acquisition opportunities in Loans.

Credit Evaluations

The Fund may consider the income level and general creditworthiness of a borrower to determine his, her or its ability to repay the Fund Loan according to its terms in addition to considering the loan-to-value ratios and sources of security for repayment. Loans may be made to borrowers 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. In addition, the Fund may require each borrower to verify that the borrower has approved plans and permits for the development of the property, has prior real estate experience and a minimum FICO score of 650, and verify that borrower has no record of prior bankruptcies or foreclosures. Notwithstanding the foregoing, the Manager reserves the right to adjust baselines for credit evaluations and worthiness if there are justifying factors to do so, at its sole and absolute discretion.

While the Fund will consider the income level and general credit worthiness of borrowers, it intends to focus on the value of the real estate collateral securing the loans made by the Fund.

Loan Packaging

The Manager or its Affiliates will assemble and/or obtain all necessary information required to make a funding decision on each Loan request. For those Loans funded by the Fund, the documents assembled and obtained for the purpose of making the funding decision will become the property of the Fund.

Loan Servicing

It is presently anticipated that all Fund loans will be serviced (i.e., loan payments collected and other services relating to the loan) by a third-party Servicer. The Servicer will be compensated by the Fund and/or borrowers for such loan servicing activities, as is 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 and Affiliates" below). At any time, at the sole and absolute discretion of the Manager, in an effort to maintain an effective cost structure or for any other reason (or no reason), the Manager may decide to service the loans at such time as conditions warrant. While the Manager shall not receive a loan servicing fee, it shall be reimbursed for any costs and expenses incurred as a result of servicing the Loans. (See "Manager's Compensation" below).

The Fund will generally require the Servicer to adhere to the following Payment, Delinquency, Default and Foreclosure practices, procedures and policies:

1. **Payment.** Generally, payments will be payable monthly, on the First (1st) day of each month. Interest is generally prorated to the First (1st) day of the month following the closing of the loan escrow.
2. **Delinquency.** Generally, Loans will be considered delinquent if no payment has been received within Ten (10) days of the payment due date. Borrower will be notified of delinquency by mail on the Twelfth (12th) day after the payment due date and a late charge will be assessed. The Servicer will refer to and rely upon the late charge provisions in the applicable loan documents for each loan.

3. **Default.** A Loan will be considered in default if no payment has been received within Thirty (30) days of the payment due date. Foreclosure will usually be initiated shortly after the Thirty-First (31st) day after a default, with the exact timing to be determined in each instance in the business judgment of the Fund, which could be delayed several months depending on borrower circumstances and loan to

value ratio of the security. Any costs of this process are to be posted to the borrower's account for reimbursement to the Fund.

4. **Foreclosure.** Statutory guidelines for foreclosures in each state are to be followed by the Servicer until the underlying property is liquidated and/or the account is brought current. Any costs of this process are to be posted to the borrower's account for reimbursement to the Fund. If a Loan is completely foreclosed upon and the property reverts back to the Fund, the Fund will be responsible for paying the costs and fees associated with the foreclosure process, maintenance and repair of the property, service of senior liens and resale expenses.

Sale of Loans

The Company does not plan on investing in Loans for the primary purpose of reselling such Loans in the course of business. However, the Company may sell Loans, or fractional interests in such Loans, when the Manager determines that it appears to be advantageous for the Company to do so, based upon then current interest rates, the length of time that the Loan has been held by the Company and the overall investment objectives of the Company.

Leveraging the Fund/Borrowing/Hypothecation

The Company may employ leverage and borrow funds from a third-party lenders or financial institutions to finance the Fund's investments in Loans. The Fund may assign all or a portion of its Loan portfolio as security for such loan(s). The Fund anticipates engaging in this type of transaction when the interest rate at which the Fund can borrow funds is significantly less than the rate that can be earned by the Fund on its 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 also entails possible adverse tax consequences. (See herein "Risk Factors", "Income Tax Considerations", and "ERISA Considerations" below). The Fund may also in its sole discretion elect to finance other Fund's investments with borrowed funds. Leveraging involves additional risks that are detailed later in this Memorandum. (See "Risk Factors – Business Risks – Risks of Leveraging the Company" below).

PROPERTY ACQUISITION GUIDELINES AND POLICIES

General Standards for Purchasing Properties

The Company will acquire, manage, remodel, develop, lease, repair and/or sell real estate owned properties ("REO") throughout the United States, with a primary focus in California. These REOs will be derived from the Company's lending activities. Properties may be acquired from individuals, entities, institutional investors, financial institutions, governmental agencies and other sellers of real or personal property. At least part of the Fund's capital invested in acquiring properties will be directed towards purchasing properties at a discount to current (or projected) fair market value and reselling these properties for a profit.

1. Loan-to-Value Ratio. The Fund may use the same standards as the Loan-to-Value Ratios set forth above to determine the maximum amount of leverage the Fund will incur when investing in a property. In other words, the Manager may generally seek to limit the total amount of debt, loans, or financing (i.e. leverage) to acquire a property to a maximum of Seventy Five Percent (75%) of a property's market value. The Manager, at its sole and absolute discretion, may exceed the below ratios dependent on the investment opportunity. Upon analysis in approximately Twenty-Four (24) months, the Manager may re-evaluate the portfolio and purchase price to market value ratio maximums set by the Fund and may revise

them at that time if it considers it to be in the best interests of the Fund. The Manager will inform Members of the new Loan-to-Value ratios when and if the Manager re-evaluates them.

2. Location of Real Property Securing Loans. Properties will be located throughout the United States, with a primary focus in California.

3. Sale of Properties Operating in the Cannabis Business. The Fund's primary focus, as it applies to the acquisition of properties in the cannabis industry, will be to sell these properties to qualified buyers, and secondarily lease them to cannabis operators and/or businesses. A "qualified buyer" is an experienced operator who has prior experience operating cannabis growth facilities with high revenues, and has not been subject to federal and/or state action.

4. Fire and Casualty Insurance. Satisfactory fire and casualty insurance will be obtained for all properties and will name the Company as its loss payee. (See "Business Risks – Uninsured Losses" below).

5. Title Insurance. Satisfactory title insurance coverage will be obtained for all properties. The title insurance policy will name the Fund as the insured and provide title insurance in an amount not less than the principal amount of the value of the property.

6. Environmental Reports. Environmental reports will not typically be ordered on Properties purchased or otherwise acquired by the Fund.

7. Third Party Servicers. It is presently anticipated that all Fund properties will be managed by the Manager. The Manager, at its sole and absolute discretion, may engage or partner with third party servicers to manage the acquisition, development, construction, leasing, management and sale of the various properties acquired by the Fund. The Manager will oversee these third-party servicers. These third-party servicers will be compensated by the Fund. The Fund will not be responsible for any sub-servicers engaged by the third part servicers to assist in performing their servicing activities.

8. Leverage. The Fund employ leverage and borrow funds from a third-party lenders or financial institutions to finance the Fund's investments in properties. Leverage usually involves a third-party loan in which the Fund'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 Company" below).

9. Operating Expenses. The Fund will pay for and/or reimburse the Manager for any and all costs and expenses incurred by the Fund or Manager relating to, or in connection with, the review, evaluation, analysis, structuring, negotiation and/or execution of any investment or acquisition opportunities in properties.

10. Distressed Properties. The Fund may, when commercially reasonable, acquire distressed properties. The Fund intends to acquire and otherwise invest in distressed properties for purposes of holding, developing, remodeling, rehabilitating, improving, renting and selling the associated and secured properties. Distressed properties are typically properties secured by non-performing notes, or properties impacted by specific issues such as, but not limited to, dilapidation, physical damage, devaluation caused by rezoning, and environmental contamination. The primary intent of the Fund is to purchase, invest, or otherwise acquire the distressed properties and properties tied to nonperforming notes and remodel, improve, develop, rehabilitate, hold and rent, and subsequently sell the properties for profit. The Fund will use an opportunistic investment strategy to identify and invest in distressed properties, unless the Manager, in its sole and absolute discretion, determines it is no longer in the best interests of the Fund.

11. Other Investment Vehicles. The Company may enter into joint venture agreements, acquire securities in entities, and other investment opportunities, including participating in partnerships, purchasing membership interests in other LLCs, and/or forming single purpose entities across the United States, to acquire, develop, manage rent, and/or sell properties. These properties may also include properties leased and/or sold for specific industrial uses related to or associated with the recreational and/or medical cannabis industry including, without limitation, indoor cannabis growth facilities, cannabis/marijuana manufacturing, and extraction facilities. The investments will likely be debt and equity investments primarily in the area of cannabis and real estate. This will involve negotiating, purchasing, and otherwise acquiring ownership interests, equity, and other forms of securities to be owned by the Company. Any fees, expenses and/or costs associated with these joint ventures or arrangements shall be paid by the Company. The Company will only make invest in investment funds to the extent the Company remains exempt under the Investment Company Act of 1940.

COMPANY PERFORMANCE

As of December 31, 2020, the Company holds Twenty-Five (25) loans in total aggregate amount of $83,015,364. The loan terms range between 12 months to 24 months with a weighted note rate of 15.27%. Further, the annualized income from such loans is approximately $16,088,730. Please refer to Exhibit C for more details on the Company's performance.

THE MANAGER

The Manager will manage and direct the affairs of the Company. The Manager of the Fund is Pelorus Management Group, LLC, a California limited liability company. The Manager is owned by Lost Winds Capital Inc., a California corporation, and JRS Capital USA Inc., a California corporation. The principals, officers, and directors of the Manager, and their biographies, are as follows:

Daniel Leimel Jr., *manager of Pelorus Management Group, LLC, Manager of the Fund*

Dan is the CEO of Pelorus Equity Group and the Managing Director of the Pelorus Fund. He has more than 32 years of extensive industry experience including operating, owning and managing several corporations, loan servicing entities and a real estate fund.

Over his career, Dan has successfully underwritten and closed thousands of real estate transactions by raising capital for both debt and equity. His vast transactional experience is invaluable when underwriting complicated scenarios and structuring solution based terms to satisfy a broad spectrum of situations.

Dan possesses deep experience in risk mitigation and has expertly navigated adverse market conditions while still maintaining a fully transparent and equitable upside for the investor. His primary investment philosophy is to focus on capital preservation and mitigating risk in every transaction.

Dan finds that the balance of his faith and his family are what motivates and drives him. He has been married for 22 years and has three beautiful children.

James Robert Sechrist, *manager of Pelorus Management Group, LLC, Manager of the Fund*

Rob is the Co-Founding President of Pelorus Equity Group and Co-Manager of the Pelorus Fund (a cannabis-focused CRE debt fund) with more than nineteen years of experience in the real estate finance industry. Since the formation of Pelorus in 2010, he has raised more than $300,000,000 in secured real estate transactions. Rob's primary role at Pelorus Equity Group is the development of strategic alliances with both private and institutional investors, the formation of equity partnerships, coordinating the company's growth into new markets. Today Pelorus funds several million a month through the Pelorus Fund, syndications with family offices and other various debt and equity partnerships. Rob earned a BA from San Diego State University. Licenses include California Real Estate Broker's License, NMLS License, and designated expert witness as an asset-based lender. He is also the CEO of JRS Capital USA, Inc., a real estate and technology investment firm based out of Newport Beach, California. Currently a member of Gen Next and a donor to the Gen Next Foundation. Rob is married and has a son.

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 same at a later time, provided that it is within the same calendar year only. 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 annual asset management fee ("Asset Management Fee") of One Percent (1%) of Net Assets Under Management, calculated and payable on a monthly basis. As used herein, "Net Assets Under Management" means the total Fund assets, including notes (at book value), real estate owned (at the lower of cost or fair market value), accounts receivable, advances made to protect loan security, unamortized organizational expenses, cash and any other Fund assets valued at fair market value, less Fund liabilities. The Asset Management Fee will typically be paid on the last day of each calendar month with respect to Net Assets Under Management as of the first day of such month.
LOAN ORIGINATION FEES	Loan origination fees are generally collected from borrowers by the Manager on behalf of the Fund and shall be shared between the Manager (or an Affiliate of the Manager, including without limitation, Pelorus Equity Group, Inc., a California corporation) and the Fund as follows: Seventy-Five Percent (75%) of loan origination fees shall be payable to the Manager (or an Affiliate of the Manager) and Twenty-Five Percent (25%) shall be payable to the Fund. Such fees average between One to Six Percent (1-6%) but could be as low as Zero Percent (0%) or as high as Fifteen Percent (15%) depending on market conditions. 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.
EQUITY PARTICIPATION LOANS	The Fund may also make Loans, including Cannabis Loans, where it agrees to participate in the equity of the property securing the loan made by the Fund. Such equity participation may include, but is not limited to, sharing in the proceeds from the sale price of the property or properties securing the Loan, or including additional exit fees upon loan repayment. One Hundred Percent (100%) of the fees derived from equity participation Loans shall be payable to the Manager. Any proceeds and gains derived from equity participation Loans shall be shared between the Fund and Manager or as follows:

	Fifty Percent (50%) of proceeds shall be payable to the Manager and Fifty Percent (50%) shall be payable to the Fund.
ACQUISITION FEES	Acquisition fees of Two Percent to Four Percent (2% to 4%) of the value of Loans acquired by the Fund may be payable by the Company, on a case-by-case basis, to the Manager. Such acquisition fees are considered part of the Manager's compensation.
LOAN EXTENSION AND MODIFICATION FEES	Loan extension and modification fees collected from borrowers shall be shared between the Manager and the Fund as follows: Twenty-Five Percent (25%) of Loan extension and modification fees shall be payable to the Manager and Seventy-Five Percent (75%) shall be payable to the Fund. 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. Fees collected by the Company are collected on the Manager's behalf and are considered part of the Manager's compensation.
EXIT FEES	Any Loan exit fees collected from borrowers by the Manager on behalf of the Fund shall be shared between the Manager and the Fund as follows: Twenty-Five Percent (25%) of Loan exit fees shall be payable to the Manager and Seventy-Five Percent (75%) shall be payable to the Fund. Such fees will be based on the prevailing market rate at the time such fees are charged to the borrowers.
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 at prevailing industry rates as part of the Manager's compensation.
OTHER LOAN FEES	All other fees paid by borrowers on account of Loans will be shared between the Fund and the Manager as follows: Fifty Percent (50%) of all other fees shall be payable to the Manager and Fifty Percent (50%) shall be payable to the Fund. These fees include, without limitation, all forbearance fees, 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). Notwithstanding the foregoing, some of the aforementioned fees may be payable or assignable to the Servicer (and not the Fund).
LATE FEES AND PREPAYMENT PENALTIES	Any late fees, late charges, and prepayment penalties paid by borrowers on account of Loans will be shared between the Fund and the Manager as follows: Fifty Percent (50%) of all late fees, late charges, and prepayment penalties shall be payable to the Fund and Fifty Percent (50%) shall be payable to the Manager.

LOAN SERVICING FEE	Any loan servicing fees payable to the Servicer shall be calculated as an expense to the Fund. In addition. while the Manager shall not receive a loan servicing fee, it shall be reimbursed for any costs and expenses incurred as a result of servicing the Loans.
PURCHASE OF EXISTING LOANS	When the Company purchases an existing loan (or pool of loans) from a third party, the Manager or Affiliate will be paid a fee comparable to a loan origination fee.
REIMBURSEMENT OF OPERATING AND ADMINISTRATION FEES	The Manager may be reimbursed by the Fund for the Fund's operating and administrative expenses, provided, however, the amount of such reimbursement shall not exceed One-Half of One Percent (0.5%) per annum of the Fund's aggregate capital. This operating expense reimbursement fee will be calculated as of the first day of the month with regards to the aggregate capital in the Fund as of that day and paid out as of the first day of the following month. Notwithstanding the foregoing, the Manager may waive or defer reimbursement of operating and administrative expenses at its sole and absolute discretion. If the Manager defers or assigns to the Fund any of its respective reimbursement, the Manager shall only be entitled to recover the same at a later time if it is within the same calendar year.
REAL ESTATE COMMISSIONS	Additional sources of income to the Company will be from the potential purchase, remodeling, development, and resale of Company owned properties. Real estate commissions to list and sell real estate that the Company has acquired shall be shared between the Fund and the Manager as follows: Fifty Percent (50%) of real estate commissions shall be retained by the Fund and Fifty Percent (50%) shall be payable to the Manager. Notwithstanding the foregoing, the Manager may also hire brokers to sell the property and shall receive a portion of the commission paid to such brokers in consideration for assisting the brokers with the marketing process. In either case, the total commission paid by the Company shall not exceed the lesser of Six Percent (6%), or the rate then prevailing in the area where the property is located.
PROPERTY RENTAL	The Company may lease a portion of the properties it acquires and will earn income derived from the lease payments made by tenants on a monthly basis. Profits from the lease of any properties held by the Company shall be shared between the Manager and the Company as follows: Fifty Percent (50%) shall be retained by the Company and Fifty Percent (50%) shall be payable to the Manager.
PROPERTY MANAGEMENT FEE	A monthly property management fee shall generally be computed as a specified numerical percentage (which percentage shall be set by the Manager on a case-by-case basis for each subject property) multiplied by monthly gross rents for the property. Generally, the Manager expects to receive a property management fee between

	Four Percent and Ten Percent (4-10%). Notwithstanding the foregoing, the Fund may retain the services of a third-party property manager. Any fees charged by such third-party property manager shall be considered an expense to the Fund.

FIDUCIARY RESPONSIBILITY OF THE MANAGEMENT COMPANY

Under applicable law, the Manager is generally accountable to the Company as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to Company affairs and sound business judgment. This is a rapidly developing and changing area of the law, and Members 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 Company. Investors should consult with their own independent counsel in this regard.

The Company has not been separately represented by independent legal counsel in its formation or in the dealings with the Manager, and Members 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 Company 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 Company will indemnify the Manager against liability and related expenses (including, without limitation, legal fees and costs) incurred in dealing with the Company, Members, or third parties against any potential government action, criminal procedures, civil claim and/or administrative procedure 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 Company. 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 if the financial position of the Fund can accommodate it (See "Summary of Operating Agreement-Withdrawal" below), any investment in the Interests 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 should also carefully consider 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, or reviewed by, the U.S. Securities and Exchange Commission or any state agency or regulatory body, nor is registration contemplated.

Limited Transferability of Membership Interests

Although the Fund will attempt to redeem Membership Interests when possible (see "Summary of Operating Agreement - Withdrawal" below), there is no public market for the Membership Interests and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of these Membership Interests is 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 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 also requires the prior written consent of the Fund. (See herein "Summary of 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 Operating Agreement – Withdrawal" below). Investors must be capable of bearing the economic risks of this investment with the understanding that these Interests may not be liquidated by resale or redemption and should expect to hold their Membership Interests 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 is 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 Private Placement Memorandum and will be solely dependent upon the Fund and the Fund's asset 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).

Target Return Not a Guarantee or Estimate

The returns mentioned herein are only a target and is in no way a financial projection, estimated result, guarantee, warranty, representation or promise of the Fund. The Fund and Manager have no way of knowing or predicting whether such target return is realistic and achievable or whether such return will ever be realized for any Investor. (See "Description of Business – Investment Profile and Target Return" above).

Conflicts of Interest

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

Investors and Fund Not Independently Represented

The Company 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 Company have also represented the Manager but have not represented the interests of the Investors or Members of the Company. (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 the time the Minimum Offering Amount is reached, at which time the Company can commence making or investing in Loans or properties. After the Minimum Offering Amount is reached, there may be a delay between the time Membership Interests are sold and the time the proceeds of this Offering are invested by the Fund. During these periods, the Company 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 Company Loans and property investments.

Lack of Regulation

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

Reliance on Manager

The Manager will participate in all decisions with respect to the management of the Company, including (without limitation) determining which Loans and properties to purchase and originate, and the Company is dependent to a significant degree on its continued services. In the event of the dissolution, death, retirement or other incapacity of the Manager or its principals, the business and operations of the Company 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.

Speculative Nature of Investment

Each prospective member who invests in the Company must understand that investment in the Membership Interests is speculative. By investing, Members understand that they may lose their entire investment in investing with the Company.

Tax and ERISA Risks

Investment in the Company involves certain tax risks of general application to all Investors 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)

Unidentified Assets

None of the specific assets in which the Company will invest in are identified at this time. Therefore, any potential Investor is unable to evaluate the Company's Loans or properties portfolio to determine whether to invest in the Company. However, the general business goals of the Company are to invest and/or make Loans and acquire properties as further described herein. Upon commencing operations, the Company may later have specific, identifiable portfolio data which Members may review upon their request to the Manager.

Members and the Fund will have Little or no Recourse Against the Manager

There are very limited circumstances in which the Manager of the Fund can be held liable to the Fund. Generally, the Manager is not liable to the Fund, unless the Manager is guilty of fraud, bad faith or willful

misconduct, that had a material adverse effect on the interests of the Members. In addition, the Company will indemnify the Manager against liability and related expenses (including, without limitation, legal fees and costs) incurred in dealing with the Company, Members, or third parties against any potential government action, criminal procedures, civil claim and/or administrative procedure, as long as no fraud, bad faith, or willful misconduct on the part of the Manager is involved. Accordingly, the Manager may be entitled to advancement of expenses from the Fund prior to a final determination as to whether it is entitled to indemnification. The assets of the Fund will be available to satisfy any such indemnification obligations, should they arise.

Investment Profile and Mix May Change

The Manager reserves the right, in its sole and absolute discretion, to modify, change or revise its typical investment profile and the mix of properties and Loans that the Fund invests in, and accordingly, Members have no guarantee, and should not assume, that the investment mix and profile of the Fund will not change substantially over time. (See "Description of Business – Investment Profile and Target Return" above).

Risks Associated with Accepting Investment Contributions Derived from Cannabis Related Businesses

The Fund may accept capital contributions from Investors who may use proceeds derived from recreational and/or medical cannabis businesses to purchase Membership Interests. The Fund may accept contributions in accordance with and pursuant to state, county and local laws, including regulations governing medical and/or recreational cannabis.

Although many states in the United States have approved the cultivation, sale, and distribution of cannabis and cannabis related products for recreational and/or medicinal uses, the federal government still classifies marijuana and cannabis as a Class 1 controlled substance. The Fund may accept investment funds from Investors whose investment contributions may be indirectly or directly derived from cannabis related activities including the cultivation, distribution, product processing and/or retail of cannabis (for recreational or medical use). This means that the Fund and the owners and employees of such dispensaries, retail stores, cultivation sites and infused product companies could face criminal prosecution, fines or jail time if found in violation of federal and/or state and local laws and regulation, including the Federal Controlled Substances Act. While the Fund will take steps to mitigate any risks involved therein, including without limitation, ensuring Investor contributions are confirmed by a CPA not to be directly derived from cannabis operations and that such contributions are in compliance with applicable local and federal regulations, any fines imposed to the Fund as a result of accepting contributions from Investors who may have derived their investment funds from cannabis-related business activities, could impact the Fund's profitability and distributions to Members. Although unlikely, if the Fund becomes subject to prosecution or forfeiture action by the federal government, the Fund, the Manager, and potentially the Members may become subject to civil, criminal and/or administrative action brought by the United States Department of Justice.

In addition, due to banking regulations, the Fund may have difficulty securing bank accounts because many banks continue to deny access to businesses that are related to the cannabis industry. Banks and financial institutions may not provide services to the Fund as it relates receiving money originated in cannabis related businesses. For these reasons the Fund's operations may face delays which may diminish the Manager's ability to manage the Fund, pay taxes, and may subject the Fund to significant public safety issues (such as robbery, burglary, etc).. The Fund will use its best efforts to ensure it secures and maintains bank accounts to diminish this risk, this includes filing necessary paperwork with the applicable financial institutions, engaging depository processors that operate in compliance with federal banking and U.S. Treasury Department regulations, and ensuring that Investor contributions are confirmed by a licensed CPA to not

have been directly derived from cannabis operations and to be post-tax proceeds in compliance with applicable local and federal tax regulations.

Cannabis regulations vary from state to state and are subject to change. State (and local) marijuana zoning laws, regulations and local ordinances may change so as to diminish the Fund's ability accept Investors contributions derived from cannabis related businesses. Even in states where recreational use of cannabis is legal, local city ordinances may not allow such use and may not allow business industries to operate within their city boundaries. Similarly, a city may initially allow cannabis related businesses to operate but later on change its zoning laws and local ordinances to forbid such operation thereby requiring the business to immediately cease operations until further notice. Any changes to state or local regulations can subject the Fund to delays, potential civil, criminal or administrative liability and thereby negatively impact distributions of Net Profits to Members. The Fund will exercise due caution to diminish this risk by ensuring Investors who are affiliated or operating their businesses in the cannabis industry are compliant with local and state regulations by requesting the aforementioned documents (See "Investor Suitability" – "Investor Contributions" above). Further, the Fund intends to monitor local regulations, and Investor compliance by regularly requesting compliance documentation.

Compliance with Anti-Money Laundering Requirements

The Fund may be subject to certain provisions of the USA PATRIOT Act of 2001 ("the Patriot Act"), including, but not limited to, Title III thereof, the International Money Laundering and Abatement and Anti-Terrorist Financing Act of 2001 ("Title III"), certain regulatory and legal requirements imposed or enforced by the Office of Foreign Assets Control ("OFAC") and other similar laws of the United States. In response to increased regulatory concerns with respect to the sources of the Fund's capital used in investments and other activities, the Manager may request that Investors provide additional documentation verifying, among other things, such Investor's identity and source of funds to be used to purchase the Membership Interests. The Manager may decline to accept a subscription from an Investor if this information is not provided or on the basis of the information that is provided. Requests for documentation and additional information may be made at any time during which a Member holds Membership Interests in the Fund. The Manager may be required to report this information, or report the failure to comply with such requests for information, to appropriate governmental authorities, in certain circumstances without informing a Member that such information has been reported.

The Manager will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives, or special measures, including, but not limited to, those imposed or enforced by OFAC, the Patriot Act, and Title III. This includes, without limitation, prohibiting a Member from making further contributions of capital to the Fund, or causing the withdrawal of such Investor from the Fund.

Investment Company Act Risks

The Company intends to avoid becoming subject to the Investment Company Act of 1940, as amended (the "**1940 Act**"); however, the Company cannot assure prospective Investors that under certain conditions, changing circumstances or changes in the law, the Company may not become subject to the 1940 Act in the future as a result of the determination that the Company 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 Company. Additionally, the Company 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 purposes 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 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. (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 Company 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

Competition

The Company will be competing for mortgage 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 businesses. These other lenders and investors may have greater financial resources and experience than the Company and the Manager.

Fluctuations in Interest Rates

Mortgage interest rates are subject to abrupt and substantial fluctuations and the purchase of Membership Interests are a relatively illiquid investment. If prevailing interest rates rise above the average interest rate being earned by the Company's portfolio, Members 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.

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.

Litigation Risks

The Manager will act in good faith and use reasonable judgment in selecting borrowers and making, purchasing, and managing the Loans and investing in, purchasing and managing properties. However, as a lender, the Manager and the Company are exposed to the risk of litigation by a borrower for any warranted or unwarranted allegations by a borrower 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 Company, 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 Company. If the Company is required to incur legal fees and costs to respond to the lawsuit, the costs and fees could have an adverse impact on the Company's profitability.

Loan Defaults and Foreclosures

The Company will invest 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. Company 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. Company 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 Company will generally look to the underlying property securing the Loan to determine whether to make the loan to the borrower 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 Company originates or purchases.

To determine the fair market value of the property securing the Loan, the Company 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 Company may be forced to purchase the property at a foreclosure sale. If the Company cannot quickly sell the real property and the property does not produce significant income, the Company's profitability will be adversely affected.

Due to certain provisions of state law that may be applicable to all real estate loans, if real property security proves insufficient to repay amounts owing to the Company, it is unlikely that the Company will be able to recover any deficiency from the borrower.

Finally, the recovery of sums advanced by the Company 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 has the ability to 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 Company's profitability.

General Risks of Commercial Real Estate Market

The Company will concentrate its investments in commercial real property. Concentration in commercial real property entails risks that are specific to the industry. For example, the Company 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.

Risks Related to Tenancy and Leaseholds

There may be instances in which the Company may own and hold commercial real properties as a result of the Company's lending activities, including REOs. Although the Company 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:

- Tenancy 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, in the event the 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 return to the Members.

Participation in Other Loans

The Company may participate in Loans with other lenders. When participating in loans with other lenders, the Company 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 varied amounts of input into such decision-making process, including the ultimate decision-making power on if and when to enforce a default. If the Company participates with a lender affiliated with the Manager or its principals, it is possible that the Company 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 Company participates in ownership of a Loan with another entity.

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 Company.

Risks of Leveraging the Company

The Company may borrow funds from a third-party lender to fund investments in Loans or properties. These loans would be secured by the Loans held by the Fund. In order to obtain such a loan, the Fund may assign part or its entire asset portfolio to the lender. Such borrowed money may bear interest at a variable rate, whereas the Fund may be making fixed rate loans. Therefore, if prevailing interest rates rise, the Company's cost of money could exceed the income earned from that money, thus reducing the Fund's profitability or causing losses. Furthermore, leveraging the Fund 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).

Phantom Income

The Company may engage in certain business which may result in "phantom income." In short, phantom income is the recognition of gain or loss that has not yet been realized through a cash sale or a distribution. An example of an asset which can potentially produce phantom income may be a warrant or modification/re-formation of a non-performing loan. The phantom income will be recognized and reported by the Company (and its respective Members), even if there was no cash proceed received by the Fund. In effect, the Members' rate of return may be diminished, or otherwise, incur taxes from such activities. The Members are strongly advised to consult with their tax counsel regarding phantom income.

Uninsured Losses

The Manager will arrange for title, fire, and casualty insurance on the real properties securing the Company'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 could suffer a loss of principal and interest on the Loan secured by the uninsured property.

Possible Repeal of Usury Exemption

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 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.

Risks of Real Estate Ownership

There is no assurance that the Fund'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, including, without limitation:

- changes in general or local economic conditions;
- changes in supply or demand for competing properties in an 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 Fund may make Loans secured by properties or acquire 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. 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.

U.S. States Licensing Requirements

The Manager believes that the Company or its Affiliates have either obtained the licenses necessary for (or are exempt from) participating lawfully in the lending and/or investment activities 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 Company and Manager may believe that that the Company'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 Company's ability to continue conducting business in that state or may prohibit continuation of Company's business activities in that state. The Company intends to monitor such regulatory activity closely, but may fail to correctly or adequately anticipate regulatory action in this developing arena.

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 the property being at risk, and a Member could sustain a significant reduction, or complete elimination of, the return on investment.

Borrower Fraud

Borrowers and property developers supply a variety of information regarding the current rental income, property valuations, market data, and other information. The Company makes an attempt to verify as much information possible from the ones provided, but as a practical matter, cannot verify all of it. This may result in the use of incomplete, inaccurate or intentionally false information. Borrowers and developers may also misrepresent their intentions for the use of investment proceeds. The Company may be unable to verify any or all of the statements by applicants as to how proceeds are to be used. If a borrower or developer supplies false, misleading or inaccurate information, the Company (and its Members) may lose all or a portion of the investments.

When the Company 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.

Risks Associated with Warrants

From time to time, the Company may purchase warrants issued by the Company's borrowers, tenants, and/or other third parties. The warrants have inherent risks, which may adversely impact the Company and its Members. For example, the holder of the warrant has the ability to exercise its right at a certain negotiated price, and become a shareholder of the counterparty at a future date prior to the expiration of the warrant. However, the strike price may be higher than the share price of the counterparty at the time of exercise. Specifically, after the purchase of warrants, the counterparty's valuation may decrease such that the exercise price may be higher than the counterparty's valuation. Further, in the event the counterparty becomes bankrupt or insolvent, the warrant becomes worthless, and the Company and the Members may lose the potential income derived from the warrants. In addition, the warrants are not the actual underlying shares of the counterparty. Accordingly, the Company cannot exercise its right as a shareholder, including voting rights or rights to distributions, and the Company may be adversely impacted due to these risks.

Side Letters

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 Asset Management 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. These Side Letter arrangements are typically reserved for those Investors who contribute or commit to a larger capital with the Fund. 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, and the Manager shall monitor the implementation and compliance with the terms of such Side Letters. 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. Such Side Letters shall not adversely affect the economic benefits of any other Member of the Fund.

Risks Associated with Loans Secured by Contaminated Properties

The Fund may make or buy Loans secured by properties with known environmental conditions. Such Loans would generally be made or purchased only where the Manager believes that the liabilities associated with loaning against such a property can be appropriately protected against through insurance, indemnification or otherwise. The Manager would plan to use contractors, consultants and service providers to help the Manager in evaluating the risks associated with contaminated properties, who will be covered under their own insurance policies.

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

Under the Americans with Disabilities Act of 1990 (the "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 Company makes a property investment may not be in compliance with the ADA. If a property is not in compliance with the ADA, then the Company 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.

Unforeseen Changes

While the Fund 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 factors and/or real estate trends; (iii) the capacity, circumstances and relationships of partners of Affiliates, the Fund 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 continuously encounters changes in its operating environment, and the Fund may have fewer resources than many of its competitors to continue to adjust to those changes. The operating environment of the Fund 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 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 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 ASSOCIATED WITH THE FUND'S BUSINESS IN THE CANNABIS INDUSTRY

Cannabis Remains Illegal Under Federal Law

Although the Company will not engage in the production, sale or distribution of cannabis itself, it will seek to provide financing to businesses that do operate in the cannabis industry, including in the cultivation, manufacturing, extraction, equipment provision and sales, real property lessors, etc. In addition, while many states in the United States have approved the cultivation, sale, and distribution of cannabis and cannabis related products for recreational and/or medicinal uses, the federal government still classifies marijuana and cannabis as a Schedule I controlled substance. Accordingly, even in jurisdictions where the medical and/or recreational use of cannabis has been legalized at the state level, its prescription and use are, technically, a violation of federal law. For instance, the United States Supreme Court has ruled in *United States v. Oakland Cannabis Buyers' Coop*., that the federal government has the right to regulate and criminalize cannabis, even for medical purposes. Therefore, federal law criminalizing the use of cannabis may preempt state laws that legalize its use for medicinal purposes. Notwithstanding the foregoing, many states are maintaining existing laws and passing new ones in this area. While the previous presidential administration made a policy decision to allow states to implement these laws and not prosecute anyone operating in accordance with applicable state law, the new administration may adopt a less favorable policy. A change in the federal policy towards enforcement could adversely affect the Company's proposed business.

In addition, the Company intends to invest in the development of commercial real estate property that may be used for cannabis cultivation, distribution, manufacture and/or extraction facilities, in order to resell or lease them to qualified buyers, which may also include the Company retaining equity in the developed property. While the Company does not intend to produce, market or sell cannabis or cannabis related products, there is a risk that the Company could be deemed to be facilitating the sale or distribution of cannabis in violation of the federal Controlled Substances Act, or be deemed to be aiding or abetting, or being an accessory to, a violation of the Controlled Substances Act. This means that the Company, the Manager, or its Members, along with the owners and employees of such cannabis business, could face criminal prosecution, fines or jail time. Any fines imposed on the Company as a result of its involvement in the business of cannabis could impact the Company's profitability, cause losses of substantial assets, and potentially lead to substantial litigation expenses, thereby affecting distribution to Members.

In addition, the Company's lending activities may subject it to enforcement actions. Enforcement actions related to the Company or a borrower could jeopardize the Company's collateral (e.g., real estate securing repayment of the Loans). Lending to businesses operating in the legalized cannabis industry is a high-risk business activity, and potential Investors should consider this before investing in the Company. Enforcement actions or other legal proceedings involving a borrower under a Company Loan or a business in which the Company makes an equity investment in could have a significant and negative impact on the Company's business, profits, and distributions to Members.

Forfeiture Action by Federal Authorities

Although the cultivation, sale and distribution of cannabis and cannabis related products for recreational and/or medical use is approved in many states, if the Company becomes subject to prosecution by the federal government, the Company's business assets could become subject to a forfeiture action. Furthermore, the Members and the Manager may potentially be subject to criminal liability for violating the federal Controlled Substances Act. Members could become subject to criminal liability under federal law and all of the assets they contribute to the Company could be subject to asset forfeiture by the federal government.

In some states, dispensaries have been raided by federal and local agents, and in some circumstances, this has resulted in the arrest of owners and employees. In the past, government officials have targeted dispensaries with no clear explanation. Landlords, such as the Company, who lease to dispensaries and cultivation clients may be forced to evict tenants or risk having their assets seized by the relevant government agency. If any of the Company's properties, or properties securing Loans, were to become subject to a raid by federal, state, and/or local authorities, the Company's business and profitability would be adversely impacted, thereby affecting distributions to Members.

Varying State Laws and Local Regulations

State and municipal governments where the recreational and/or medical cannabis use has been previously legalized may change their regulations and adopt laws and regulations to criminalize or negatively affect cannabis businesses. States that currently have laws that decriminalize or legalize certain aspects of cannabis, such as medical or adult recreational use of cannabis, could, in the future, reverse course and adopt new laws that criminalize or negatively affect the cannabis industry. Additionally, municipal and local governments in these states may have laws that adversely affect cannabis businesses, even though there are no such laws at the state level. For example, municipal governments may enact zoning laws that restrict where cannabis operations can be located, limit the manner or type of cannabis related property use permissible in certain zones, or prohibit all cannabis related property uses within that municipality's jurisdiction. These municipal laws, like federal laws, may adversely affect the Company's ability to do business, and adverse enforcement actions under these laws may lead to costly litigation and a closure of the businesses with which the Company has provided Loans or acquired, which could significantly and negatively impact the Company's business, operations and financial condition.

In addition, even in states where recreational use of cannabis is legal, local city ordinances may not allow such use and may not allow business industries to operate within their city boundaries. Similarly, a city may initially allow cannabis related businesses to operate but later on change its zoning laws and local ordinances to forbid such operation, thereby requiring the business to cease operations. Any changes to state or local regulations can negatively impact any investments and expectation of profits for the Company and thereby impact distributions of Net Profits to Members.

Tax Liability

Tax law may prohibit cannabis businesses from deducting ordinary business expenses, thus subjecting the business to contend with higher effective federal tax rates than similar companies in other industries. The effective tax rate of cannabis business will depend on the size of the ratio of nondeductible expenses to its total revenue, and in some circumstances, may be higher than Fifty Percent (50%). Should the Company become subject to this higher effective tax rate, this will impact the profitability of the Company and the amount of distributions that can be made to Members.

Banking Limitations May Negatively Impact the Company

Due to banking and federal regulations, banks and financial institutions may not accept for deposit funds from the cannabis operations, including businesses engaged in the production, sale or distribution of cannabis, as well as businesses that provide products and services to these businesses, even if these activities may be legal under applicable state law. Accordingly, the Company may not be able to secure bank accounts. Banks and financial institutions may not provide services to the Company as it relates to its business in cannabis. This means that the Company may have to partially operate on an all-cash basis which may diminish the Manager's ability to manage the Company and pay taxes, and may subject the Company to significant public safety risks (such as robbery, burglary, etc)..

Notwithstanding the foregoing, on February, 2014, the U.S. Department of the Treasury Financial Crimes Enforcement Network ("FinCEN") released guidance to banks "clarifying Bank Secrecy Act ("BSA") expectations for financial institutions seeking to provide services to cannabis-related businesses." While this is a positive development, there can be no assurance that even with the FinCEN guidance, banks will decide to do business with businesses in the legalized cannabis industry, or that, in the absence of actual legislation, state and federal banking regulators will not strictly enforce current prohibitions on banks handling funds generated from an activity that is illegal under federal law. The inability of businesses operating in the legalized cannabis industry to open accounts and otherwise use the services of banks may make it difficult for such businesses to prosper and expand, which could have a significant and negative impact on the Company's business, financial condition, and profits.

RISKS RELATED TO REAL ESTATE INVESTMENT TRUST

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 commercial 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. The Members must rely on the general fiduciary standards and other duties which 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 will have the sole and absolute discretion to determine whether or not to make a particular Loan, invest in a particular property, or to enter into any transaction, on behalf of the Fund. 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 may reduce 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 Management Not Required to Devote Full-Time

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

Competition with Affiliates of the Fund

Though they currently have no intention to do so, there is no restriction preventing the Fund or any of its Affiliates, principals or management from competing with the Fund by investing in collateral liens or sponsoring the formation of other investment groups like the Fund to invest in similar areas. If the Fund or any of its principals were to do so, then when considering each new investment opportunity, the Fund or such Affiliate, principal or manager would need to decide whether to originate or hold the resulting transaction in the Fund, 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. 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 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 or Manager. Loan servicing firms not affiliated with the Fund or Manager may provide comparable services on terms more favorable to the Fund. 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 or otherwise, including any side letters, warrants, or similar arrangements between the Manager and a Member, in which neither the Fund nor any other Member 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.

The Fund 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. The Manager and these individuals/entities will devote only so much time to the business of the Fund 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 its managers, principals, directors, officers and/or affiliates may sell, buy or hypothecate loans (use loans as collateral for another loan) to the Fund, provided that such loans meet the then-existing underwriting criteria of the Fund. The Fund 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 or its managers, principals, directors, officers and/or affiliates, may make a profit on the sale of an existing loan from the Fund to the Fund. 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 Company 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 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 ventures 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 Company 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 Company, the Membership Interests, or the Members. In addition, in the event the Fund becomes the owner of a property as a result of foreclosure on a loan or otherwise, the Fund may retain the services of its Affiliate to provide brokerage services to the Fund, such as listing/selling the property.

Sale of Real Estate to Affiliates

In the event the Company becomes the owner of any real property by reason of foreclosure on a Company 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 Company 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 Company). 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 Company 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 Company 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 Company could not obtain a better price from an independent third party.

CERTAIN LEGAL ASPECTS OF COMPANY LOANS

Each of the Company'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 Company will be the beneficiary under all deeds of trust securing Company Loans. In a mortgage loan, there are only two parties: the mortgagor (borrower) and the mortgagee (lender).

In the United States, each individual state law determines how a mortgage is foreclosed. The route usually requires a judicial process, but varies from state to state. If the subject property is located outside of the United States, then the Fund will have to comply with various international filing and/or foreclosure laws in the applicable jurisdiction of the subject property.

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.

Special Considerations in Connection with Junior Encumbrances

In addition to the general considerations concerning trust deeds discussed above, there are certain additional considerations applicable to second and more junior deeds of trust ("junior encumbrances"). By its very nature, a junior encumbrance is less secure than a more senior lien. If a senior lien holder forecloses on its loan, unless the amount of the bid exceeds the senior encumbrances, the junior lien holder will receive nothing. Because of the limited notice and attention given to foreclosure sales, it is possible for a junior lien holder to be sold out, receiving nothing from the foreclosure sale, although all legal methods of recouping the Fund's investment will be exhausted. By virtue of anti-deficiency legislation, discussed above, a junior lien holder may be totally precluded from any further remedies.

Accordingly, a junior lien holder (such as the Fund in certain cases) may find that the only method of protecting its security interest in the property is to take over all obligations of the trustor with respect to senior encumbrances while the junior lien holder commences its own foreclosure, making adequate arrangements either to (1) find a purchaser for the property at a price which will recoup the junior lien holder's interest, or (2) to pay off the senior encumbrances so that the junior lien holder's encumbrance achieves first priority. Either alternative may require the Fund to make substantial cash expenditures to protect its interest. (See "Business Risks" above).

The Fund may also make wrap-around mortgage loans (sometimes called "all-inclusive loans"), which are junior encumbrances to which all the considerations discussed above will apply. A wrap-around loan is made when the borrower desires to refinance his, her, or its property but does not wish to retire the existing indebtedness for any reason, e.g., a favorable interest rate or a large prepayment penalty. A wrap-around

loan will have a principal amount equal to the outstanding principal balance of the existing secured loans plus the amount actually to be advanced by the Fund. The borrower will then make all payments directly to the Fund, and the Fund in turn will pay the holder of the senior encumbrance. The actual ultimate yield to the Fund under a wrap-around mortgage loan will likely exceed the stated interest rate on the underlying senior loan, since the full principal amount of the wrap-around loan will not actually be advanced by the Fund. State laws generally require that the Fund be notified when any senior lien holder initiates foreclosure.

If the borrower defaults solely upon his, her or its debt to the Fund while continuing to perform with regard to the senior lien, the Fund (as junior lien holder) will foreclose upon its security interest in the manner discussed above in connection with deeds of trust generally. Upon foreclosure by a junior lien, the property remains subject to all liens senior to the foreclosed lien. Thus, if the Fund were to purchase the security property at its own foreclosure sale, it would acquire the property subject to all senior encumbrances.

The standard form of deed of trust used by most institutional lenders, like the one that will be used by the Fund or its affiliates, confers on the beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with any condemnation proceedings, and to apply such proceeds and awards to any indebtedness secured by the deed of trust in such order as the beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the beneficiary under the underlying first deed of trust will have the prior right to collect any insurance proceeds payable under a hazards insurance policy and any award of damages in connection with the condemnation, and to apply the same to the indebtedness secured by the first deed of trust before any such proceeds are applied to repay the loan in respect of the Fund. The amount of such proceeds may be insufficient to pay the balance due to the Fund, while the debtor may fail or refuse to make further payments on the damaged or condemned property, leaving the Fund with no feasible means to obtain payment of the balance due under its junior deed of trust. In addition, the borrower may have a right to require the lender to allow the borrower to use the proceeds of such insurance for restoration of the insured property.

The Company's forms of promissory notes and deeds of trust, like those of many lenders, contain "due-on-sale" clauses, which permits the Fund 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.

Foreclosure Example

In California, for example and illustration only, a statute known as the "one action" rule requires the beneficiary of a deed of trust to exhaust the security under the deed of trust (i.e., foreclose on the property) before any personal action may be brought against the borrower. There are two methods of foreclosing a deed of trust.

(a) Foreclosure of a deed of trust is accomplished in most cases by a non-judicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and send a copy to the trustor and to any person who has recorded a request for a copy of a notice of default, and to the successor in interest to the trustor and to the beneficiary of any junior deed of trust. The trustor or any person having a junior lien or encumbrance of record may, during a Three (3) month reinstatement period, cure the default by paying the entire amount of the debt then due, exclusive of principal due only because of acceleration upon default, plus costs and expenses actually incurred in enforcing the obligation and statutorily limited attorneys' and trustee's fees. Thereafter, and at least

Twenty-One (21) days before the trustee's sale, a notice of sale must be posted in a public place and published once a week over such period. A copy of the notice of sale must be posted on the property, and sent to the trustee, to each person who has requested a copy, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust, at least Twenty (20) days before the sale. Following the sale, neither the debtor/trustor nor a junior lien has any right of redemption, and the beneficiary may not obtain a deficiency judgment against the trustor.

(b) A judicial foreclosure (in which the beneficiary's purpose is usually to obtain a deficiency judgment where otherwise unavailable) is subject to most of the delays and expenses of other lawsuits, sometimes requiring up to several years to complete. Following a judicial foreclosure sale, the trustor or his, her, or its successors in interest may redeem for a period of One (1) year (or a period of only Three (3) months if the entire amount of the debt is bid at the foreclosure sale), and until the trustor redeems, foreclosed junior lien holder may redeem during successive redemption periods of Sixty (60) days following the previous redemption, but in no event later than One (1) year after the judicial foreclosure sale. The Company generally will not pursue a judicial foreclosure to obtain a deficiency judgment, except where, in the sole discretion of the Manager, such a remedy is warranted in light of the time and expense involved.

California has four principal statutory prohibitions which limit the remedies of a beneficiary under a deed of trust. Two statutes limit the beneficiary's right to obtain a deficiency judgment against the trustor following foreclosure of a deed of trust - one based on the method of foreclosure and the other on the type of debt secured.

Under one statute, a deficiency judgment is barred where the foreclosure was accomplished by means of a non-judicial trustee's sale. If foreclosure becomes necessary, it is anticipated that all of the Company's loans will be enforced by means of a non-judicial trustee's sale. Under the other statute, a deficiency judgment is barred in any event where the foreclosed deed of trust secured by a "purchase money obligation," i.e., a promissory note evidencing a loan used to pay all or part of the purchase price of a property occupied, at least in part, by the purchaser. This restriction may apply to a number of the Company's Loans.

The third statute is known as the "one action" rule, which requires the beneficiary to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the trustor on the promissory note. The fourth statute which limits any deficiency judgment obtained by the beneficiary following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of sale, thereby preventing a beneficiary from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale.

Other matters, such as litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws, may have the effect of delaying enforcement of the lien of a defaulted loan and may in certain circumstances reduce the amount realizable from sale of a foreclosed property. States other than California also have laws intended to limit deficiency judgments and requiring the exhaustion of the security.

Foreclosure statutes vary from state to state. Any loans by the Company secured by mortgages will be foreclosed in compliance with the laws of the state where the real property collateral is located. The above example based on California law is for illustration purposes only and is not an exhaustive summary of California law applicable to foreclosure or default or a reflection or summary of the laws of any other state or foreign jurisdiction.

Bankruptcy Laws

If a borrower files for protection under the federal bankruptcy statutes, the Fund 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 will likely be unable to foreclose on its security for the duration of the bankruptcy, which could be a period of years. During such delay, the borrower may or may not be required to pay current interest on the Fund Loan. 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 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, may contain "due-on-sale" clauses, which permits the Fund 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.

(a) 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 lien holder to accelerate its loan against the Fund. 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.

(b) Due-on-Encumbrance. With respect to mortgage loans on property containing four or less 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 many of the Fund's junior lien mortgages will be on properties that qualify for the protection afforded by federal law, some loans will be secured by properties that do not qualify for the protection, including (without limitation), commercial properties. Junior lien mortgage loans made by the Fund 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 (as junior lien holder) to the risks attendant thereto. It will not be customary practice of the Fund 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. For commercial loans there is no federal law that limits the prepayment amount charge, but applicable state laws may vary.

LEGAL PROCEEDINGS

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

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 Internal Revenue Code of 1986, as amended (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 (the "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 COMPANY AND ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS, ATTORNEYS OR ACCOUNTANTS IN CONNECTION WITH ANY INTEREST IN THE COMPANY. EACH PROSPECTIVE INVESTOR/SHAREHOLDER SHOULD SEEK, AND RELY UPON, THE ADVICE OF THEIR OWN TAX ADVISORS IN EVALUATING THE SUITABILITY OF AN INVESTMENT IN THE COMPANY 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 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.

Federal Partnership Treatment

The Company is likely to be treated as a partnership under the Code. Assuming that the Company has been properly formed under California law, is operated in accordance with applicable California corporate and business law and the terms of the Operating Agreement, it is the Company'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 Company would prevail as to its classification and would be taxed as a partnership for federal income tax purposes. If the Internal Revenue Service determined that the Company was an association taxable as a corporation for federal income tax purposes, there would be significant adverse tax consequences to the Company and possibly to its investors, including (without limitation) the Company 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 Company 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 Company'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 Company'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 Company. Prospective Investors should make their determination to invest based on the economic considerations of the Company 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 Company'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 Company. Generally, the Company may elect to have the Members take such audit adjustment into account in accordance with their interest in the Company 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 Company is unable to have the Members take such audit adjustment into account in accordance with their interests in the Company 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 Members did not own Membership Interests in the Company during the tax year under audit. If, as a result of any such audit adjustment, the Company is required to make payments of taxes, penalties and interest, cash available for distribution to Members might be substantially reduced. The Company may, at any time, during the existence of the Company or any predecessor of the Company, 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 Company. The Company will designate the Manager to act as the partnership representative who shall have the sole authority to act on behalf of the Company with respect to dealings with the IRS under these audit procedures. The acts of the Manager in its capacity as 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 Company

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 has been organized to invest in Loans primarily secured by deeds of trust or mortgages on real property and to acquire real estate properties. However, if the Company were at any time deemed for federal tax purposes to be holding one or more Loans 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 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 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 intends to make and hold the Company loans and properties for investment purposes only, and to dispose of Company Loans and properties, by sale or otherwise, at the discretion of the Manager and as consistent with the Company's investment objectives. It is possible that, in so doing, the Company will be treated as a "dealer" in mortgage loans and properties, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt Investors in the Company.

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 Company has only one class of Membership Interests. A literal reading of this provision could lead to the conclusion that the Company 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 Company assets (i.e., borrows funds from another lender for purpose of making loans and pledges one or more loans of the Company as collateral for such borrowing), the Company will try to limit the number of lines of credit it incurs at a time so that the IRS would find it difficult to make the argument that the Company 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 Company as a corporation and not a partnership. Any such taxation would have an adverse effect on the Company and the return an Investor would receive on their investment in the Fund.

Portfolio Income

A primary source of the Company's 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 Company will be treated as portfolio income, not as passive income, to Members. Therefore, Members will not be entitled to treat their proportionate share of the Company's income as passive income, against which passive losses (such as deductions from unrelated real estate investments) may be offset.

Understatement Penalties

The Company 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 Company 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 be aware also 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 CONSIDERATION 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 April 1, 2020. 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 21%).

- If the Sub-REIT should fail to satisfy the 75% gross income test or the 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 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) 85% of its REIT ordinary income for such year, (b) 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 is 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 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 335 days of a taxable year of 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 may contain 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. However, in the event the Fund is unable to meet the ownership test, it can lead to adverse tax consequences to the Fund (and the Members).

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 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 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 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 75% test and the 95% test, and it intends to monitor compliance on an ongoing basis. If the Sub-REIT fails to satisfy one or both of the 75% or 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 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 25% of the value of its total assets may be represented by securities, other than those in the 75% asset class.

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

(iv) Except for certain investments in REITs, TRSs and other securities in the 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 75% asset class, the Subsidiary 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 20% of the value of its gross assets.

(vii) No more than 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) $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 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 10% and 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 1.0% of the REIT's total assets and $10,000,000, and (b) 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 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 asset 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
  - 90% of the Sub-REIT's "REIT taxable income," computed without regard to net capital gains and the deduction for dividends paid, and
  - 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 90%, but less than 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) 85% of its REIT ordinary income for such year, (b) 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 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 $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 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 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 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 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 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 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 29.6% (as opposed to the maximum 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 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 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 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 $250,000 for taxpayers making a joint return or surviving spouse and $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. 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, 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 individual 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 own 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 50% or more of the equity interests of such employers;

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

(e) employees, officers, directors and 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 50% or more; and

(g) 10% or more joint ventures 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 (the "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.

Investors should also 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 is 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 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 to this Private Placement Memorandum.

Accounting and Reports

Annual reports concerning the Company's business affairs, including the Company's audited financial statements and income tax returns, 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 another Person to provide tax and accounting advice to the Company, at any time and for any reason.

The Manager presently intends to maintain the Company'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 Company 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 monthly income distributions of their share of profits, gains and losses. Once the Minimum Offering Amount has been achieved by the Company, 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 Company.

Capital Distributions

The Company 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 Company 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, in which event the Manager would not be entitled to any termination or severance payment from the Company, except for the return of its capital account balance, if any. The Manager may also sell and transfer any Membership Interests it may own for such price as it shall determine, in its sole discretion, and neither the Company nor the Members will have any interest in the proceeds of such sale. However, a successor manager of the Company may only be elected by the Members.

Income Distributions

The Company will make all disbursements of the monthly distributions of Net Profits, as described in the "Terms of the Offering – Cash Distributions; Election to Reinvest" above.

Operating Expenses

When the assets of the Company reach One Million Dollars ($1,000,000), the Manager may be reimbursed by the Fund for its operating and administrative expenses, provided however, the Manager may only be reimbursed at a rate of One-Half of One Percent (0.5%) per annum of the Company's aggregate capital. This operating expense reimbursement fee will be calculated as of the first day of the month with regards to the aggregate capital in the Fund as of that day and paid out as of the first day of the following month. At the Manager's discretion, the Manager may also be reimbursed for all of the Fund's administrative and/or operating expenses paid by the Manager.

Profits and Losses

The Company's profit or loss for any taxable year, including the taxable year in which the Company 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 Company as a limited liability company taxed as a partnership, or cause a termination of the Company 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 Company or to inspect the Company 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 California corporate and business law, and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to them.

Investors who become Members in the manner set forth herein will not be responsible for the obligations of the Company. They may be liable to repay capital returned to them plus interest if necessary to discharge liabilities existing at the time of such return. Any cash distributed to Members may constitute, wholly or in part, return of capital.

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 Company. The Manager is not required to devote itself full-time to Company affairs but only such time as is required for the conduct of Company business. The Manager has the power and authority to act for and bind the Company. 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 Company 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 Company, the Manager will bring to a close the Company's affairs by liquidating the Company'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 Company shall be applied to satisfy or provide for Company debts and liabilities and the balance, if any, shall be distributed to Members on a pro-rata basis.

Withdrawal

Members who invest in the Fund may not withdraw their capital until they have been members of the Fund for at least Twelve (12) months. Members who have been members of the Fund for a period longer than Twelve (12) months may request withdrawal from the Fund in writing and give the Fund at least Thirty (30) days' written notice prior to expecting to be withdrawn from the Fund. The effective date of

withdrawal shall be Thirty (30) days after the date of receipt of the Member's written withdrawal request. The Fund will use its best efforts to return capital subject to, among other things, the Fund's then cash flow, financial condition, and prospective transactions.

Notwithstanding any of the withdrawal restrictions described herein, the Manager reserves the right to return part or all of the Member's capital investment to the Member, at its sole and absolute discretion, at any time during the investment for any reason, including without limitation, if the Manager suspects the Member has violated federal or state law, rules, and regulations or the Member is under investigation by federal, state, and/or local authorities.

The Manager is not under any circumstances obligated to liquidate any assets, properties or Loans to accommodate or facilitate any Member(s)' request for withdrawal or redemption from the Fund. Following the effective date of a Member's withdrawal, the return of capital will be limited to 8.333% of such Member's capital account balance per month such that it will take at least Twelve (12) months for a Member to withdraw his, her, or its total investment in the Fund; provided, however, that the maximum aggregate amount of capital that the Fund will return to the Members, as follows: (1) up to Two Percent (2%) per month of the Fund's Assets Under Management; (2) up to Five Percent (5%) per quarter of such Assets Under Management; and (3) up to Twenty Percent (20%) per fiscal year of such Assets Under Management.

Withdrawal requests will be processed by the Fund on a first-come, first-served basis. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, waive or modify such withdrawal requirements or withdrawal prioritization, at any time for any reason (or no reason), including, if a Member is experiencing undue hardship; acceptability of the Member's hardship will be determined by the Manager in its sole and absolute discretion.

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 Five Percent (5%) of the Member's withdrawal proceeds. The Manager may, at its sole discretion, waive an Early Withdrawal penalty.

The Manager may at any time suspend the withdrawal of funds 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 net asset value 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 redemption request is not rescinded by a Member following notification of a suspension, the redemption will be effective within Ninety (90) days from the date the suspension is lifted, on the basis of the net asset value of the Fund at that time and in the order determined by the Manager in its sole and absolute discretion.

All prospective Investors should understand that the average term of loans is expected to range from One (1) to Five (5) years, and accordingly, the cash flow and access to cash availability of the Fund is likely to be limited on an ongoing basis (i.e. most of the Fund's available resources will be committed to pending loans or invested in existing loans and/or properties for significant periods of time). Further, prospective Investors should understand the loans are illiquid and the ability to sell Loans or properties (even if the

Fund was inclined to do so) may be limited, and accordingly, any investment made in or through this Offering should be considered highly illiquid.

Redemption Policy and Other Events of Disassociation

The Manager may, at its sole and absolute discretion, cause the Company 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 Company. There is no guarantee that the Company will have sufficient funds to cause the redemption of any Membership Interests. Therefore, any investment in the Fund should be considered illiquid.

In addition, the Manager reserves the right to return part or all of the Member's capital investment to the Member, at its sole and absolute discretion and notwithstanding any of the withdrawal restrictions described herein, at any time during the investment for any reason, including without limitation, if the Manager suspects the Member has violated federal or state law, rules, and regulations or the Member is under investigation by federal, state, and/or local authorities. 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 Company will be effective upon the Member's receipt of written notice of the expulsion by the Company.

Upon any expulsion, transfer of all of Membership Interests, withdrawal, redemption, or resignation of any Member, an event of disassociation shall have occurred and (a) the Member's right to participate in the Company's governance, receive information concerning the Company's affairs and inspect the Company'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 Company 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 Company 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 Company 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 Company, 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 may be made that would render the Company 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.

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 Membership 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 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.