PRIVATE PLACEMENT MEMORANDUM
of

CLE CAPITAL PARTNERS, LLC,

a California limited liability company

351 Hitchcock Way, Suite B-230
Santa Barbara, CA93105
Tel: 805.568.1660
peter@commercialloanexpress.com
www.commercialloanexpress.com
November 1, 2021

OFFERING SERIES	OFFERING STATUS	PREFERRED RETURN	PREFERRED RETURN LOCK PERIOD	PRICE PER UNIT	MINIMUM PURCHASE (25 UNITS)	MAXIMUM OFFERING UNITS	MAXIMUM OFFERING RAISED	MINIMUM OFFERING RAISED
1-A[1] Senior	**Closed**	**8.00%**	**5 YEARS**	**$1,000**	**$25,000**	**5,000 UNITS**	**$5,000,000**	**$100,000**
1-B Junior	**Closed**	**11.00%**	**5 YEARS**	**$1,000**	**$25,000**			
1-C Sub-Junior	Manager only	None	Not applicable	$1,000	$500,000	500 UNITS	$500,000	$500,000
1-D Junior Liens only	**AVAILABLE**	**8.50%**	3 YEARS	$1,000	$25,000	**5,000 UNITS**	**$5,000,000**	**$100,000**
2-A Senior	Closed	7.00%[2]	3 YEARS[1]	$1,000	$25,000	5,000 UNITS	$5,000,000	n/a
2-B Junior	Closed	9.00%[1]	3 YEARS[1]	$1,000	$25,000			

CLE CAPITAL PARTNERS, LLC (the "LLC") is organized as a California limited liability. The manager of the LLC is COMMERCIAL LOAN EXPRESS, a California corporation (the "Manager"). The LLC will engage in business as a mortgage lender for the purpose of making loans to the general public, and acquiring existing loans, primarily secured by deeds of trust and mortgages on real estate throughout the United States. The objective of the LLC is to generate steady cash returns, not capital appreciation from holding and operating real estate assets. Investors will have the choice of investing in Senior Membership Interests (Series 1-A is open now, Series 2-A in the future) which have priority over the Junior Membership Interests (Series 1-B is open now, Series 2-B in the future) both in terms of liquidation but also income.

Investors ("Investors") will become Members in the LLC, and will have the option, exercisable upon subscription for Membership Interests, to receive monthly distributions from the LLC operations, or to allow

[1] Some early investors were and are exempt from the Preferred Return Adjustment. The Manager reserves the right to remove the exemption at any time.
[2] Rates and periods are subject to change prior to the opening of the series.

all or a portion of their proportionate share of LLC distributions to be retained and reinvested. In all other respects, however, an investment in the LLC is illiquid and subject to substantial restrictions on withdrawal. (See herein “Withdrawal, Redemption Policy, and Other Events of Dissociation”).

It is anticipated that most if not all of LLC’s income will be taxed to Members as ordinary income, regardless of whether it is distributed in cash or reinvested, and otherwise tax-exempt entities (such as Individual Retirement Accounts and Keogh plans) may have to pay tax on a portion of their share of LLC income if the LLC engages in certain transactions. This offering involves tax and other risks. (See herein "Investment Risks," "Business Risks," and "Income Tax Considerations and ERISA Considerations"). Please refer to the Table of Contents.

THIS OFFERING INVOLVES SIGNIFICANT RISKS THAT ARE DESCRIBED IN DETAIL IN THIS MEMORANDUM. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. THE LOANS MADE BY THE LLC ARE NOT GUARANTEED BY ANY GOVERNMENT AGENCY, ENTITY OR OTHER INSTRUMENTALITY.

	Price to Investors [1, 2]	Selling Commissions [3]	LLC Proceeds [4]
Minimum Offering	$100,000	$0	$100,000
Maximum Offering	$15,000,000	$ 0	$15,000,000

(Footnotes – See herein "TERMS OF THE OFFERING".)

CERTAIN TERMS OF THE OFFERING

1. The minimum purchase is $50,000 or 50 units of Membership, however, the Manager reserves the right, in its sole discretion, to accept subscriptions in a lesser amount or require a higher amount.

2. The LLC will commence operations after the Minimum Offering is raised. The exact timing is in the discretion of the Manager. The offering will continue until (i) the Maximum Offering Amount of $15,000,000 is sold, (ii) the Offering Period expires, or (iii) the offering is withdrawn by the LLC. Investors will be admitted to the LLC on a first-in first-out basis when their subscription funds are required by the LLC to fund a mortgage loan or to create appropriate reserves or to pay LLC expenses. The above table does not include the $500,000 in Class 1-C Units the Manager will purchase at the inception of the LLC.

3. Membership Interests will be offered and sold directly by the Manager, for which it will receive no selling commissions. Membership Interests may also be sold through third party finders, who may receive selling compensation from the Manager. (See herein "Plan of Distribution") There is no firm commitment to purchase or sell any of the Membership Interests.

4. When the assets of the LLC reach $5,000,000, the Manager, at its election, may be reimbursed for all operating and administrative expenses of the LLC and for actual out-of-pocket organizational and syndication expenses, provided all outstanding Series are then receiving a distribution at least equal to the applicable Preferred Return. The estimated amount of those expenses is $30,000.

CERTAIN NOTICES

No person has been authorized to provide any information or make any representations regarding the LLC except as contained in this Private Placement Memorandum. Statements in this Memorandum are made as of the date hereof unless stated otherwise. Neither the delivery of this Memorandum at any time, nor any sale hereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof.

This Memorandum is being furnished to selected accredited investors, as defined in the Securities Act, on a confidential basis and, by accepting the Memorandum, the recipient agrees to keep confidential the information contained herein. The information contained in the Memorandum may not be provided to persons who are not directly involved in an investor's decision regarding the investment offered hereby. This Memorandum may not be reproduced or redistributed.

Investment in the LLC is suitable only for sophisticated investors for whom such investment does not constitute a complete investment program and who fully understand and are willing to assume the substantial risks involved in the LLC's specialized investment program. See "Risk Factors." Prospective investors should not construe the contents of this Memorandum or any supplemental or related literature as legal, business or tax advice. Each investor should consult its own advisors concerning this investment before investing in the LLC.

The sale, transfer or disposition of the Membership Interests offered hereby will be subject to significant contractual restrictions. In addition, an organized market for the Membership Interests is not expected to develop at any time. Investors should be aware that they would be required to bear the financial risks of this investment for an indefinite period.

No action has been or will be taken in any jurisdiction outside the United States of America that would permit an offering of these Units, or possession or distribution of offering material in connection with the issuance of these Units, in any country or jurisdiction where action for that purpose is required. It is the responsibility of any investor wishing to purchase Membership Interests to satisfy itself as to full observance of the laws of any relevant territory outside the United States of America in connection with any such purchase, including obtaining any required governmental or other consents or observing any other applicable formalities.

PAST RESULTS OF THE MANAGER MAY NOT BE INDICATIVE OF FUTURE PERFORMANCE. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

For Residents of All States:

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ENTITY CREATING THE MEMBERSHIP INTERESTS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE MEMBERSHIP INTERESTS 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 MEMBERSHIP INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, 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.

SUBSCRIPTION FUNDS RECEIVED FROM PURCHASERS OF MEMBERSHIP INTERESTS WILL NOT BE ADMITTED TO THE LIMITED LIABILITY COMPANY UNTIL APPROPRIATE INVESTMENT OPPORTUNITIES ARE AVAILABLE OR SUCH FUNDS ARE OTHERWISE REQUIRED, AS DESCRIBED HEREIN. DURING THE PERIOD PRIOR TO THE TIME OF ADMISSION OF SUCH INVESTORS, WHICH IS ANTICIPATED TO BE LESS THAN NINETY DAYS IN MOST CASES, PURCHASERS' SUBSCRIPTIONS WILL REMAIN IRREVOCABLE.

THIS OFFERING INVOLVES SIGNIFICANT RISKS, DESCRIBED IN DETAIL HEREIN. FEES WILL BE PAID TO THE MANAGER AND ITS AFFILIATES, WHO ARE SUBJECT TO CERTAIN CONFLICTS OF INTEREST. (SEE HEREIN "RISKS FACTORS") PROSPECTIVE PURCHASERS OF MEMBERSHIP INTERESTS SHOULD READ THIS MEMORANDUM IN ITS ENTIRETY.

THERE IS NO PUBLIC MARKET FOR MEMBERSHIP INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED IN THE LIMITED LIABILITY COMPANY ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER (SEE HEREIN "WITHDRAWAL, REDEMPTION POLICY, AND OTHER EVENTS OF DISSOCIATION"), AND THE MEMBERSHIP INTERESTS

OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM THE LIMITED LIABILITY COMPANY 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 MEMBERSHIP INTERESTS IN THE LLC.

THE PURCHASE OF LIMITED LIABILITY COMPANY 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 LIMITED LIABILITY COMPANY MAY BE SUBJECT TO FEDERAL INCOME TAXES, EVEN THOUGH SUCH PLANS ARE OTHERWISE TAX EXEMPT. (SEE HEREIN "INCOME TAX CONSIDERATIONS AND ERISA CONSIDERATIONS")

THE MEMBERSHIP INTERESTS ARE OFFERED SUBJECT TO PRIOR SALE, ACCEPTANCE OF AN OFFER TO PURCHASE, AND TO WITHDRAWAL OR CANCELLATION OF THE OFFERING WITHOUT NOTICE. THE MANAGER RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTIONS IN WHOLE OR IN PART.

THE MANAGER 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 LIMITED LIABILITY COMPANY OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE MANAGER POSSESSES SUCH INFORMATION.

THE INFORMATION CONTAINED IN THIS MEMORANDUM HAS BEEN SUPPLIED BY THE MANAGER. THIS MEMORANDUM CONTAINS SUMMARIES, BELIEVED BY THE MANAGER TO BE ACCURATE, OF CERTAIN AGREEMENTS AND OTHER DOCUMENTS, BUT ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCES TO SUCH AGREEMENTS AND OTHER DOCUMENTS. COPIES OF DOCUMENTS REFERRED TO IN THIS MEMORANDUM, BUT NOT INCLUDED HEREIN AS AN EXHIBIT, WILL BE MADE AVAILABLE TO QUALIFIED PROSPECTIVE INVESTORS UPON REQUEST.

Certain State Notices

FOR RESIDENTS OF FLORIDA:

THE SECURITIES BEING OFFERED HAVE NOT BEEN REGISTERED WITH THE FLORIDA DIVISION OF SECURITIES AND INVESTOR PROTECTION. THE FLORIDA ACT PROVIDES THAT SALES MADE TO FIVE OR MORE PERSONS IN THIS STATE MAY BE VOIDABLE BY THE PURCHASER IN SUCH SALE EITHER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER, OR AN ESCROW AGENT, OR WITHIN THREE (3) DAYS AFTER THE AVAILABILITY OF THIS PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER.

FOR RESIDENTS OF CALIFORNIA:

THE SALE OF THE UNITS WHICH ARE THE SUBJECT OF THIS SUBSCRIPTION AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH UNITS OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF UNITS IS EXEMPT FROM THE QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS SUBSCRIPTION AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

FOR RESIDENTS OF PENNSYLVANIA:

EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE THE SECURITIES OFFERED HEREBY HAS A RIGHT TO WITHDRAW HIS ACCEPTANCE PURSUANT TO SECTION 207(L.C.) OF THE PENNSYLVANIA SECURITIES ACT OF 1972 (70 P.S. 1-207(M)). SUCH PERSON MAY ELECT, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF HIS WRITTEN BINDING CONTRACT OF PURCHASE (OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT TO PURCHASE, WITHIN TWO BUSINESS DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE SECURITIES), TO WITHDRAW FROM HIS PURCHASE AGREEMENT AND RECEIVE A FULL REPAYMENT OF ALL MONIES PAID. SUCH A WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON TO ACCOMPLISH THIS WITHDRAWAL, A LETTER SHOULD BE SENT TO THE FUND, INDICATING THE INTENTION TO WITHDRAW SUCH LETTER SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY.

FOR RESIDENTS OF NEW JERSEY:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BUREAU OF SECURITIES OF THE STATE OF NEW JERSEY NOR HAS THE BUREAU PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. THE FILING OF THE WRITTEN OFFERING DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR SALE THEREOF BY THE BUREAU OF SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. PURCHASERS WHO HAVE NOT RECEIVED A COPY OF THIS MEMORANDUM AT LEAST 48 HOURS PRIOR TO PAYMENT, RECEIPT OF CONFIRMATION OR RECEIPT OF SECURITY, WHICH EVER OCCURS FIRST, SHALL HAVE THE RIGHT TO RESCIND THE PURCHASE WITHIN 48 HOURS AFTER RECEIVING THE MEMORANDUM. NO BROKER-DEALER, SALESMAN OR ANY OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED EXPRESSLY IN THE MEMORANDUM.

FOR RESIDENTS OF NORTH DAKOTA:

THESE SECURITIES HAVE NOT BEEN APPROVED BY THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR RESIDENTS OF VERMONT:

EACH VERMONT PURCHASER WHO ACCEPTS AN OFFER TO PURCHASE THESE SECURITIES DIRECTLY FROM THE ISSUER OR AN AFFILIATE OF THE ISSUER SHALL HAVE THE RIGHT TO WITHDRAW SUCH ACCEPTANCE WITHOUT INCURRING ANY LIABILITY TO THE ISSUER OR ANY OTHER PERSON WITHIN THREE CALENDAR DAYS OF THE FIRST TENDER OF CONSIDERATION TO THE ISSUER, AN AFFILIATE OF THE ISSUER, OR AN ESCROW AGENT.

FOR RESIDENTS OF NEW YORK:

THIS CONFIDENTIAL OFFERING MEMORANDUM HAS NOT BEEN REVIEWED BY THE STATE OF NEW YORK, THE NEW YORK STATE DEPARTMENT OF LAW OR THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE NOR HAS ANY OF THE FOREGOING PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Forward-Looking Statements

This Memorandum contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of investing in the LLC, future financial and operating results, the LLC's plans, objectives, expectations and intentions with respect to future operations; and other statements identified by words such as "anticipate," "believe," "plan," "expect," "intend," "will," "should," "may," or words of similar meaning. Such forward-looking statements are based on the current beliefs and expectations of the LLC and are inherently subject to significant business, economic and competitive uncertainties and contingencies,

many of which are difficult to predict and beyond the LLC's control. Actual results may differ materially from the results anticipated in these forward-looking statements.

You should understand that the following factors and assumptions, among others, could affect the LLC's future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- general economic and business conditions,
- changes in foreign, political, social and economic conditions,
- regulatory initiatives and compliance with governmental regulations, and
- other matters, many of which are beyond the Managing Members' control.

Other factors and assumptions not identified above, including those described under "Risk Factors" below, were also involved in the derivation of these forward-looking statements, and the failure of such assumptions to be realized as well as other factors may cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and many are beyond the LLC's control.

This Memorandum has been furnished on a confidential basis for use only by the person to whom it has been provided. Any reproduction or distribution of this Memorandum, in whole or in part or the divulgence of any of its contents, to any person other than the person to whom this Memorandum is delivered, without the prior written consent of the LLC, is prohibited. This Memorandum supersedes any other offering materials previously made available to prospective investors. In considering whether to invest, prospective investors should not rely on any documents previously received.

Additional Questions

The sole purpose of this Memorandum is to assist prospective investors in deciding whether to proceed with an investment in the LLC. No one has been authorized to give any information or to make any representation with respect to the LLC that is not contained in this Memorandum. Prospective Investors should not rely on any information not contained in this Memorandum. Prospective Investors should not construe the contents of this Memorandum as legal, tax, investment or other advice. Each prospective Investor should conduct its own inquiry into the LLC, this Offering and any related matters. Before making an investment, each prospective investor has an opportunity to direct all questions to:

CLE CAPITAL PARTNERS, LLC
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351 Hitchcock Way, Suite B-230
Santa Barbara, CA93105
Tel: 805.568.1660
peter@commercialloanexpress.com
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EXHIBITS

SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum. This Memorandum, together with the exhibits attached including, but not limited to, the Limited Liability Company Amended and Restated Operating Agreement of the LLC (the "Operating Agreement"), a copy of which is attached hereto as Exhibit A, should be read in their entirety before any investment decision is made. If there is a conflict between the terms contained in this Memorandum and the Operating Agreement, the Memorandum shall prevail.

The LLC	CLE CAPITAL PARTNERS, LLC (the "LLC") is a California limited liability company formed for the purpose of making, acquiring, and arranging short term loans (5 years or less) to members of the general public secured by real and personal property and selling loans when it is in the best interests of the LLC to do so. The LLC will engage in business as a mortgage lender for the purpose of making non-prime loans to the general public, and acquiring existing non-prime loans, primarily secured by deeds of trust and mortgages on real estate throughout the United States.
Membership Units	The LLC will have two series of members (the "Membership Interests" and the holder thereof a "Member") who will hold units of Membership Interest in the LLC. The initial issue price of each unit is $1,000 but the value of a Member's interest in the LLC will be determined by the value of the Member's capital account. Capital accounts will go up as income and any gain is allocated to the capital account and decreased by distributions to Members, any actual or projected losses or gains, and the loan loss reserve. The Manager will use reasonable discretion in manually adjusting capital accounts by reason of anticipated gains, losses, setting the loan loss reserve and other events. Membership Interest Series 1-A and Series 2-A have priority over Series 1-B and Series 2-B in terms of liquidation, withdrawal and profit distributions. Specially, in the event of liquidation of the LLC, the capital accounts of Series 1-A and 2-A must be paid back to the holders thereof in full prior to the distribution of the capital accounts of Series 1-B and Series 2-B. In the case of withdrawal prior to liquidation, Series 1-A and 2-A have priority over Series 1-B and 2-B but Series 1-B and 2-B may withdraw if pending withdrawal requests by Series 1-A and 2-A have been met. As to the distributions of Net Profits, first all Net Profits will be distributed to Series 1-A and 2-A Members until they have received their applicable Preferred Return prior to the distribution of Net Profits to Members holding Series 1-B and 2-B Membership Interests. The new Series 1-D Membership Interests will reflect the financial results of the LLC's investment in higher-yielding junior lien loans. Distributions will be wholly made from the making and collection of junior lien loans. In liquidation, Series 1-D is treated as a standalone class, wholly dependent on the value of the assets supporting that class. Withdrawals from Series 1-D will be wholly dependent on the liquidity of the LLC budgeted to Series 1-D such as loan payoffs, new subscription and other events affecting that class. Withdrawals are not allowed until after two years of investment and are payable on a best efforts basis. The investment return of all Members is capped at the applicable Preferred Rate which the Manager may change, in its reasonable discretion based upon changes in the mortgage market after the Preferred Return Lock Period for each series expires. As a result of these differences in risk, Series 1-A and 2-A carry significantly lower Preferred Returns and are more suitable for investors who which to elevate capital preservation over investment return. Even with such

	elevation this investment involves still involves substantial risks identified in this Memorandum. Subject to all withdrawal requests by Series 1-A and 2-A having been met at that time and further than all Preferred Return payments to Series 1-A and 2-A are current, Members holding Series 1-B units will have the option to either withdraw after 5 years or extend their membership for an additional 5 years with a one time "catch-up" payment sufficient to bring their cumulative Preferred Return to 12% with the 12% Preferred Return applicable and locked during the second five year period with no right to withdraw during that second five year period. A similar arrangement may be available to Members holding Series 2-B units but the rates and terms thereof have not yet been set by the Manager but are likely to be less favorable. At the inception of the offering the Manager will purchase not less than $500,000 of Class 1-C Units. Class 1-C Units are subordinate to all other Units of the LLC as to income, withdrawal and liquidation preference. The Manager may have the LLC repurchase its Class 1-C Units provided all other allowable redemption requests have been met, all Preferred Returns have been paid current and the combination of the Manager's capital account and the LLC's loan loss reserve is exceeds 5% of all other Member's capital accounts.
The Manager	Commercial Loan Express 351 Hitchcock Way, B-230 Santa Barbara, CA93105 Tel: 805.568.1660 peter@commercialloanexpress.com
Term of the LLC	Until December 31, 2030 (with provisions for extension at discretion of the Manager or majority vote of the Members), unless sooner terminated. (See herein "Summary of LLC Operating Agreement – Term of LLC")
Mortgage Originator	The Manager, or its affiliates, may act as a mortgage originator in arranging LLC loans for compensation paid by the LLC (which will ultimately be paid by the borrower with interest). (See herein "The Manager and Affiliates" and "Compensation to Manager and Affiliates")
Suitability Standards	Membership Interests are offered exclusively, to certain individuals, Keogh plans, IRAs and other qualified investors who are accredited investors as defined under the Rules of the Securities & Exchange Commission. (See herein "Investor Suitability")
Capitalization	Maximum of $15,000,000 (15,000 units), minimum of $100,000 (100 units). The Manager reserves the right to increase the size of the offering at any time.
Selling Commissions	No portion of the gross proceeds of this offering will be used for the purpose of paying selling commissions and fees incurred in the sale of Membership Interests.
Loan Portfolio	All LLC loans will be secured in whole or in part by real property located in the United States. A significant portion of the portfolio will be secured by California real estate. All loans will be secured by a 1st priority deed of trust, but junior liens may be taken as additional collateral.

No Guaranty	The loans funded and/or purchased by the LLC will NOT be guaranteed by any government agency. Third parties may personally guarantee some loans, however, exercising the remedies under any such guaranty is limited and would require lengthy and costly legal action.
Cash Distributions	Each month, the Manager will distribute the LLC's accrued Net Profits to the members up to the Preferred Return applicable to each Series. Net Profits will first be allocated and distributed entirely to the holders of Series 1-A and 2-A Membership Interest until they have received their full Preferred Return on a cumulative basis. Next, Net Profits shall be allocated and distributed to the holders of Series 1-B and 2-B Membership Interest until they have received their full Preferred Return on a cumulative basis. Distributions up to the applicable Preferred Return will be made to Class 1-D Members based upon collections from the loans supporting that class. Lastly, any additional Net Profits shall be paid to the Manager. The Net Profits and distributions to all Members will be capped or limited to their Preferred Return until the expiration of the Preferred Rate Lock Period for each series. The Manager may estimate Net Profits for the purpose of distributions with a view toward evenly amortizing the distributions over the entire calendar year. The exact amount of Net Profits accrued at any point in time may be more or less than the amount distributed and may, in some cases, result in a return of capital. As among Members within each Series, Net Profits will be distributed to each Member in proportion to the value of their capital accounts compared to the total value of all capital accounts. The Preferred Return percentages set forth at the beginning of this Memorandum may not be changed by the Manager for the periods of time indicated. However, the Preferred Return is not guaranteed by the Manager or any other person and is wholly dependent upon the success of the LLC. "Net Profits" is defined herein as the LLC's monthly gross income less the payments of the LLC's monthly operating expenses (such as the Loan Servicing Fee (see "Compensation to Manager and Affiliates"), amounts due by the LLC on any loans or line of credit, audit costs, and LLC taxes), a fair and reasonable allocation of the Manager's overhead and an allocation of income for a loan loss reserve (the "Loan Loss Reserve"). The Manager will use its reasonable discretion in estimating these amounts. By the end of the LLC's fiscal year and after completion of its annual audit, the Manager will make every effort to have distributed to each Member the amount of Net Profits that will be allocated to that Member on the Schedule K-1 that he, she, or it receives for income tax reporting. However, the amount of income reported to each Member on his, her, or its Schedule K-1 may differ somewhat from the actual cash distributions made during the fiscal year covered by the Schedule K-1 due to, among other things, the Loan Loss Reserve and factors unique to the tax accounting of limited liability companies, such as the treatment of investment expense.
Reinvestment Election	Members must elect to (i) receive cash distributions from the LLC in the amount of that Member's share of Net Profits available for distribution, or (ii) allow the distributions to be reinvested by increasing the value of units of Membership Interests held by a Member, or (iii) a combination of (i) or (ii) above. An election to reinvest all or a portion of the monthly distributions is revocable at any time, upon a written request to revoke such election. Such election shall become effective on the first (1st) day of the month following receipt of the election but in no event sooner than 15 days after receipt of notice. If no election is made, then the monthly distribution will be a cash distribution.

Member Withdrawal	Members may withdraw as a Member of the LLC and may receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least twenty four (24) months; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts to honor requests for a return of capital subject to, among other things, the LLC's then existing cash flow, financial condition, and prospective loans. Each request for a return of capital will be limited to twenty-five percent (25%) of such Member's capital account balance such that it will take four (4) quarters for a Member to withdraw his, her, or its total investment in the LLC; provided, however, that the maximum aggregate amount of capital that the LLC will return to the Members each year is limited to ten percent (10%) of the total outstanding capital of the LLC. No holder of a Series 1-B or 2-B Membership Interest may withdraw while there are pending and unpaid withdrawal requests by holders of Series 1-A and 2-A Membership Interests. The Manager may, in its absolute discretion, accelerate Series 1-A and 2-A withdrawals payments but it has no legal or fiduciary duty to do so. Series 1-D withdrawals will depend solely on the liquidity of the assets supporting that class. Otherwise withdrawal requests will be considered on a prorata basis. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a Member is experiencing undue hardship. Holders of Series 1-B and 2-B that have elected to extend their investment into a second, five year period shall not be entitled to withdraw during that extended period. (See "Operating Agreement – Withdrawal, Redemption Policy, and Other Events of Dissociation" and "Restrictions on Transfer.")
No Liquidity	There is no public market for Membership Interests and none is expected to develop. Additionally, there are substantial restrictions on transferability of Membership Interests. (See herein "Investment Risks-Limited Transferability of Membership Interests") Investors should not purchase Membership Interests unless they intend to hold them for the full term of the Offering.
Reports to Members	Audited financial statements reports concerning the LLC's business affairs will be provided to Members. Each Member will receive a copy of the LLC's annual income tax return. Because of the cost, the LLC may forgo audits in the discretion of the Manager. At least quarterly, the LLC will issue a report and spreadsheet as to the portfolio of loans it then holds.

THE STRATEGY OF THE LLC

- The Architecture of LLC. The LLC has been formed by Commercial Loan Express, a California corporation, that serves as the Manager of the LLC, to provide investors with a real estate lending investment vehicle that seeks to deliver steady cash flow returns. Investors in the LLC will be admitted as Members of the LLC and will receive units of Membership Interests in the LLC. The LLC was designed to deny the Manager any share of the profits of the LLC unless and until it achieves the Preferred Return for both classes. This was intended to motivate the Manager to focus on the bottom line.

- Tiered Risk Structure. The LLC is unique among mortgage funds by its series feature. Investors who wish to elevate capital preservation over investment return can choose to invest in the Series 1-A or

Series 2-A Membership Interests. Series 1-A and 2-A have a liquidation preference, withdrawal preference, and income preference over other Members. Holders of Series 1-B and 2-B have a higher Preferred Return and the possibility of a "catch-up" payment after five years and an increased Preferred Return if they hold their units for a full ten year period. Class 1-D liquidation is wholly tied to the assets that support that class. Junior to all of the forgoing is an investment by the Manager of $500,000, that will serve as a cushion.

- No Load. The Manager is seeking to capitalize the LLC with approximately $10 million of capital commitments, which amount may be exceeded in the discretion of the Manager. The LLC was designed with no "front end load," meaning other than eventually reimbursing the Manager for formation expenses, and cash reserves, 100% of invested capital will be deployed in mortgages.

- Low Overhead. The LLC was also designed to keep expenses at a minimum. A portion of the Manager's overhead will be allocated to the LLC as well as the expense of accounting, audit, tax return preparation, borrowing costs, loan servicing costs and LLC taxes. The Manager will bear all executive management compensation.

- Holding Title. The investments by the LLC will all be secured by deeds of trust on real estate. The LLC will be vested on every promissory note and deed of trust it owns.

- Competition. Private individuals, small mortgage pools, and small banks will compete with the LLC.

- Leverage to Lower Cost of Funds. The LLC may seek to secure a line of credit to lower its cost of funds, generate leverage and improve the yields to its Members, but there is no guarantee it will be successful in doing so. If a credit line is obtained, the LLC will secure the line with a collateral assignment of mortgages it owns.

- Borrowers. The LLC will employ criteria to ensure the borrower and property meets the LLC's lending criteria. Many borrowers will be non-prime, meaning they would not qualify for financing from a conventional lending source such as a bank. The LLC's emphasis will be on the loan-to-value of the property, primarily, and cash flow, secondarily. Much less emphasis will be placed on the creditworthiness, liquidity and income of the borrower. Nearly all loans will be secured by first deeds of trust, but junior liens on other real estate may be taken as additional collateral.

- Experienced Loan Servicing. Some of the loans the LLC will make have a period of prepaid interest and therefore it may not be necessary to collect payments ("servicing" a loan) for some time. When payments are being collected, the LLC intends to employ a professional loan servicer as its servicer, which may be an affiliate. The fees of the servicer will be paid by the LLC.

THERE IS NO ASSURANCE THAT THESE OBJECTIVES WILL BE ACHIEVED. ADDITIONALLY, THE PREFERRED RETURN IS NOT GUARANTEED, BUT WILL ONLY BE MADE TO THE EXTENT THE LLC HAS SUFFICIENT CASH FLOW TO MAKE SUCH DISTRIBUTIONS.

TERMS OF THE OFFERING

This offering is made to a limited number of accredited Investors to purchase Membership Interests in the LLC. The minimum subscription from each Investor of $50,000 or 50 units of Membership Interest, however, the Manager reserves the right, in its sole discretion, to accept subscriptions in a lesser amount or required a higher amount.

The Offering will continue until (a) the Maximum Offering Amount is raised, or (b) the Offering is withdrawn by the LLC. The Manager reserves the right to increase the size of the offering. A capital account will be established for each Member on the books and records of the LLC. Each Member will share in distributions of the LLC's allocated to Members based upon such Member's capital account balance.

Each month, the Manager will distribute the LLC's accrued Net Profits to the members up to the Preferred Return applicable to each Series. Net Profits will first be allocated and distributed entirely to the holders of Series 1-A and 2-A Membership Interest until they have received their full Preferred Return on a cumulative basis. Next, Net Profits shall be allocated and distributed to the holders of Series 1-B and 2-B Membership Interest until they have received their full Preferred Return on a cumulative basis. Lastly, any additional Net Profits shall paid to the Manager. The Net Profits and distributions to all Members will be capped or limited to their Preferred Return. The Manager may estimate Net Profits for the purpose of distributions with a view toward evenly amortizing the distributions over the entire calendar year. The exact amount of Net Profits accrued at any point in time may be more or less than the amount distributed and may, in some cases, result in a return of capital. As among Members within each Series, Net Profits will be distributed to each Member in proportion to the value of their capital accounts to the value of the all other capital accounts. The Preferred Return percentages set forth at the beginning of this Memorandum may not be changed by the Manager for the periods of time indicated. However, the Preferred Return is not guaranteed by the Manager or any other person and is wholly dependent upon the success of the LLC.

Subject to all withdrawal requests by Series 1-A and 2-A having been met at that time and further than all Preferred Return payments to Series 1-A and 2-A are current, Members holding Series 1-B units will have the option to either withdraw after 5 years or extend their membership for an additional 5 years with a one time "catch-up" payment sufficient to bring their cumulative Preferred Return to 12% with the 12% Preferred Return applicable and locked during the second five year period with no right to withdraw during that second five year period. A similar arrangement may be available to Members holding Series 2-B units but the rates and terms thereof have not yet been set by the Manager but are likely to be less favorable.

"Net Profits" is defined herein as the LLC's monthly gross income less the payments of the LLC's monthly operating expenses (such as the Loan Servicing Fee (see "Compensation to Manager and Affiliates"), amounts due by the LLC on any loans or line of credit, audit costs, and LLC taxes) and an allocation of income for a loan loss reserve (the "Loan Loss Reserve") and an allocation of the Manager's overhead but not executive compensation. The Manager will use its reasonable discretion in estimating these amounts.

By the end of the LLC's fiscal year and after completion of its annual audit, the Manager will make every effort to have distributed to each Member the amount of Net Profits that will be allocated to that Member on the Schedule K-1 that he, she, or it receives for income tax reporting. However, the amount of income reported to each Member on his, her, or its Schedule K-1 may differ somewhat from the actual cash distributions made during the fiscal year covered by the Schedule K-1 due to, among other things, the Loan Loss Reserve and factors unique to the tax accounting of limited liability companies, such as the treatment of investment expense.

INVESTOR SUITABILITY

To purchase Membership Interests, an Investor must meet certain eligibility and suitability standards, some of which are set forth below, and must execute a Subscription Agreement and Power of Attorney ("Subscription Agreement") in the form attached as Exhibit B. By executing the Subscription Agreement, an Investor makes certain representations and warranties upon which the Manager will rely in accepting subscriptions. ***Read and complete the Subscription Agreement carefully.***

After it commences operations, the composition of the LLC's current loan portfolio will be attached as Exhibit "D" to this Memorandum. It will be updated periodically. Attached as Exhibit "C" is a copy of the LLC's most recent financial statement. It too will be updated periodically. Investors are encouraged to review these documents before investing. If you receive a copy of this Memorandum and Exhibit D is older than 60 days, insist upon an updated report before investing.

The Membership Interests are being offered to sophisticated individuals who qualify as "accredited investors" within the meaning of Regulation D under the Securities Act. An "accredited investor" is defined in Rule 501 of Regulation D of the Securities Act as:

1. A bank, insurance company, registered investment company, business development company, or small business investment company;
2. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million;
3. a charitable organization, corporation, or LLC with assets exceeding $5 million;
4. a director, executive officer, or Manager of the company selling the securities;
5. a business in which all the equity owners are accredited investors;
6. a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase (not including home equity);
7. a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or
8. a trust with assets in excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.
9. Holders in good standing of the Series 7 (Licensed General Securities Representative), Series 65 (Licensed Investment Adviser Representative) and/or Series 82 (Licensed Private Securities Offerings Representative.
10. Natural persons who are "knowledgeable employees" of the LLC.
11. Limited liability companies with $5 million or more in assets.
12. SEC-and state-registered investment advisers, exempt reporting advisers and rural business investment companies ("RBICs").
13. Any entity, including Indian tribes, governmental bodies, funds and entities organized under the laws of foreign countries, that own "investments," as defined in Rule 2a51-1(b) under the Investment Company Act, in excess of $5 million and that was not formed for the specific purpose of investing in the securities offered.
14. "Family offices" with at least $5 million in assets under management and their "family clients," as each term is defined under the Investment Advisers Act.

If required by the Federal Jobs Act, investors will be required to submit verification of their accredited investor status.

Admission of Investors: Maximum Offering

The maximum gross proceeds of this offering will be Fifteen Million Dollars ($15,000,000) ("Maximum Offering Amount") or 150,000 units, that will comprise, subject to adjustments as described elsewhere in this Memorandum, the total capitalization of the LLC. This offering may, however, be terminated at the option of the Manager at any time before the Maximum Offering Amount is received. The Manager may increase the Maximum Offering Amount at any time.

Subscription Agreements: Admission to the LLC

Subscription Agreements from prospective Investors will be accepted or rejected by the Manager within thirty (30) days after their receipt. The Manager reserves the right to reject any subscription tendered for any reason, or to accept it in part only. Investors will be admitted into the LLC when their subscription funds are required by the LLC to fund a mortgage loan or to create appropriate reserves or to pay LLC expenses. (See herein "Use of Proceeds").

Investors will only be admitted to the LLC as of the first business day of the month after their subscription is accepted. For the short month prior to admission, investors will be paid interest on their investment at the monthly distribution rate then being paid to Members and such investors will receive a IRS Form 1099 for the partial months' interest payment.

If the LLC has received Subscription Agreements that exceed its deployment of loans to borrowers, it may retain the Subscription Agreements and execute them only when the funds are needed. Investors may withdraw a Subscription Agreement at any time before the Manager has accepted it.

By executing the Subscription Agreement, an Investor agrees to purchase the value of Membership Interests shown thereon. Accordingly, executing the Subscription Agreement does not in itself make a person an owner of the Membership Interests for which he, she or it has subscribed. Membership Interests will be issued when the Investor is admitted to the LLC when the sums representing the purchase for such Membership Interests are transferred into the LLC. After the Minimum Offering Amount is received, the Manager anticipates that the delay between delivery of a Subscription Agreement and admission to the LLC will be less than ninety (90) days, though there can be no assurance that such delay will not be more than ninety (90) days. After execution by the Manager, Subscription Agreements are non-cancelable and subscription funds are non-refundable for any reason, except with the consent of the Manager. After having subscribed for the minimum amount of Membership Interests, a purchaser may at any time, and from time to time subscribe to purchase additional Membership Interests in the LLC so long as the offering remains open. Each purchaser is liable for the payment of the full purchase price of all Membership Interests for which he or she has subscribed. Re-verification of accredited investors status may be required.

Election to Receive Cash Distributions or Reinvest

Upon subscription for Membership Interests, holders of Membership Interests must elect to either (i) receive cash distributions from the LLC in the amount of that Member's share of cash available for distribution, (ii) allow the distributions to be reinvested by purchasing additional Membership Interests, or (iii) split their investment into two accounts with one account receiving monthly cash distributions and the other reinvesting distributions in Membership Interests. Splitting an investment will require the use of two account numbers for bookkeeping purposes. An election to reinvest all or a portion of the monthly distributions is revocable at any time, upon a written request to revoke such election. Cash distributions reinvested by Members who make such an election will be used by the LLC to make further mortgage loans or for other proper LLC purposes. The effect on reinvesting the distributions of some Members will be to increase their capital accounts, entitling them to a proportionate increase in their relative share of future earnings or losses of the LLC. In addition, since the LLC will adjust the Membership Interests held by each Member to correspond to their capital accounts, those Members who elect to reinvest their share of distributions will have their Membership Interests increased in proportion to their capital accounts, thereby increasing their voting power relative to Members who receive monthly distributions of cash.

Restrictions on Transfer

As a condition to this Offering of Membership Interests, restrictions have been placed upon the ability of Investors to resell or otherwise dispose of any Membership Interests purchased, including but not limited to, the following:

(1) No member may resell or otherwise transfer any Membership Interests without the satisfaction of certain conditions designed to comply with applicable tax and securities laws, including (without limitation) the requirement that certain legal opinions be provided to the Manager with respect to such matters. The transferee must meet the same Investor qualifications as the Members admitted during the Offering Period. (See herein "Summary of LLC Operating Agreement - Restrictions on Transfer")

(2) The Membership Interests have not been registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemptions provided for under Regulation D, Rule 506. Membership Interests may not be sold or otherwise transferred without registration under the Act or pursuant to an exemption therefrom.

A legend will be placed upon all instruments evidencing ownership of Membership Interests in the LLC stating that the Membership Interests have not been registered under the Act, and set forth the foregoing limitations on resale. Notations regarding these limitations shall be made in the appropriate records of the LLC with respect to all Membership Interests offered hereby. The foregoing steps will also be taken in connection with the issuance of any new instruments for any Membership Interests that are presented for transfer, to the extent the Manager deems appropriate, and specifically in connection with instruments presented for transfer during the nine-month period described in subparagraph (3) above.

The LLC will charge a transfer fee of Five Hundred Dollars ($500) per transfer of ownership to a third party. If a Member transfers Membership Interests to more than one person, except transferees who will hold title together, the transfer to each person will be considered a separate transfer.

PLAN OF DISTRIBUTION

The units of Membership Interests will be offered and sold by the LLC, with respect to which no commissions or fees will be paid to the Manager. No underwriters or broker-dealers have undertaken to distribute all or any portion of the Membership Interests, and there is no assurance that the entire offering, or the Minimum Offering Amount, will be achieved. If the Minimum Offering Amount is not achieved, Investors' funds will be returned. If only the Minimum Offering Amount is subscribed, the offering and LLC operating expenses may constitute a greater percentage of the revenue of the LLC, and as such, a reduction of the LLC's rate of return to Investors as compared with the rate of return that might be realized on a larger portfolio of loans may occur.

The Manager may retain the services of independent third parties to locate prospective Investors, who may receive Manager paid finder fees on a case-by-case basis.

USE OF PROCEEDS

In general, the proceeds from the sale of Membership Interests will be used to originate and acquire mortgage loans secured by real property.

A summary of the LLC’s loan portfolio and performance is attached as Exhibit “D” and will be updated from time to time. Ask for an updated Exhibit “D” if the one attached to this Memorandum is older than 60 days.

LENDING STANDARDS AND POLICIES

Distressed Asset Lending Program

Under the umbrella of another company, the principals of the Manager have, for many years developed and successfully implemented an asset based lending platform. The geographic focus for residential and commercial investment real estate will be in California, with consideration to other States. The Manager believes that this specific focus is critical to success in the investment real estate lending. The Manager may expand to other products and geographic areas in the future, but only after due diligence and careful consideration, including the use of local area industry professionals.

The LLC will emphasize three areas when considering new loans, which include the following:

- Loans are made for the acquisition, construction or refinance of residential or commercial investment real estate.

- Underwriting must meet specific risk tolerance parameters.

- The borrower/sponsor must have experience in the acquisition, renovation, management and disposition of residential or commercial real estate.

- No loans will be made to 1-4 residential owner-occupants or consumers without the consent of a majority in interest of the Members.

All loans are secured by promissory notes and deeds of trust on real estate. Loans generally are anticipated to mature in 1, 2 or 3 years with 5 years as a maximum term.

Success Factors. The Manager's executive team is equipped with the qualifications to succeed due to the following reasons:

Approach — The Manager's team is comprised of two experienced group of real estate professionals with long-term business and management experience. They are dedicated to placing the LLC first in all aspects of their decisions.

LLC's Goals — Generate steady returns for investors without undue risk.

Manager has Substantial "Skin in the Game" -— At the inception of the LLC the Manager will purchase not less than $500,000 of Class 1-C units. These units are subordinate to all other units of the LLC in terms of cash flow, liquidation and redemption. In other words, if there are capital losses, it will be the Manager who will first absorb them, up to $500,000. The willingness of the Manager to create a one-half million dollar cushion says a lot about the confidence of the management of the LLC in its success. Gradually, the LLC will build a loan loss reserve. The Manager is not allow to withdraw any of its capital until the combination of the loan loss reserve and the Manager's investment exceeds 5% of all other investor's capital accounts.

Diversification — The LLC will attempt to diversify its portfolio both as the number of borrowers it has but also the geographical location of the properties it lends on. This will help mitigate downside risk or loss associated with a single-property loan.

Limited Capital Exposure and Risk Period — The LLC will target average loan amounts of $100,000 - $1,500,000 on multi-family and commercial with a 6-36 month lending and or holding period, thereby mitigating exposure to fluctuating market conditions. All loans and acquisitions are modeled with a downside risk analysis.

Reporting — The Manager intends to create and maintain strong internal controls and risk management procedures, which include the downside risk analysis referred to above, portfolio tracking and construction inspections.

Successes Achieved to Date — While working for other companies, the key executives of the Manager have already accomplished the following that they believe will help position the LLC for success:

a. Successfully navigated through the Financial Crisis of 2007 without incurring any loan losses

b. No foreclosures resulting in REO's in 10 years in a mortgage fund managed by the same principals

c. Pioneered a $3M credit facility through a local bank during the Financial Crisis with 0 loan redemption requests or loan rejections

d. Originations increased progressively since inception and now tops $25M annually

e. Late fee income negligible as almost all loans pay within 10 days of the payment due date

f. Strong investor retention and loyalty

- Delivered a high yielding 1st Trust Deed loan program to individuals, private equity, and institutional investors.

- Created and delivered standards and procedures to support company operations and investor communication together with third party loan services and loan reporting.

- Developed efficient investment analysis procedures and industry research capabilities.

- Funded among them over $500,000,000 in loans.

Operations Plan. The following is a summary of the due diligence process:

Valuation — Each property shall require a thorough valuation, including reviewing recent sales comparables, current listings, the property's sales history, neighborhood sales velocity. In addition, all pending versus active sales are also carefully monitored to determine the impact on value and demand in each market. The LLC will also obtain an opinion of value from local brokers who are knowledgeable of the neighborhood and property in question.

Title Review —The LLC will purchase title insurance on all transactions.

Property Condition/Site Inspection — All properties under consideration will be inspected. The inspection is designed to determine general condition and any physical or neighborhood issues that could impact value.

Loan Servicing

Loan servicing serves as an integral function in the overall lending process. Detailed reporting provides management and investors up-to-date loan activity, performance and information.

The following servicing procedures shall achieve the goal of providing full transparency and keeping investors informed about loan performance. The following information is readily available to Members, upon request.

- Borrower Monthly Statement
- Lender Monthly Statement of all Accounts
- IRS 1098 and 1099-LNT Reporting

Examples of Lending Programs

Residential Bridge Loan

Non-Owner Acquisition Loan
Designed for SFR Acquisition, Renovation and Sale

- 1 Year Term
- 85% LTC — Based on Total Cost
- 65% LTV — Based on ARV (After Renovation Value)
- Rate: 9-12%
- Points: 2-3%

Intermediate Term 2 to 5 Year Loan

Non-Owner Acquisition Loan
Designed for Real Estate Investors of SFR and Multi-Family
Buy and Hold Loan

- 2 to 5 Year Term
- 75% LTV — Based on Purchase Price
- 1.00:1 Debt Service Coverage Ratio
- Rate: 8 -12%
- Points: 1-3%

General Standards for Other Mortgage Loans

The LLC will engage in the business of making non-prime loans to members of the general public, and acquiring existing non-prime loans, all secured in whole or in part by deeds of trust, mortgages, security agreements or legal title in real or personal property, including but not limited to, single family homes, multiple

unit residential property (such as apartment buildings), commercial property (such as stores, shopping centers, shops, warehouses, offices, and manufacturing and industrial properties), unimproved land (including land with entitlements and without entitlements), mobile homes, and other personal property. The use of loan proceeds by the borrower will not generally be restricted, except for construction loans where the use of proceeds will be controlled for the building, remodeling, and/or development of the property securing the loan.

If a loan is for construction, rehabilitation, or development of a real property, the Loan will be directly secured by a security instrument encumbering the property being improved, rehabilitated, or developed and will be subject to a disbursement agreement between the LLC, as Lender, the borrower, and the borrower's general contractor (if any), and may be funded in installments.

The LLC may invest in loans that are themselves secured by a loan secured by a deed of trust or mortgage. In these cases the underlying loan instruments will be assigned to the LLC as collateral for its loan pursuant to agreements that govern the collection of the LLC's loan as well as the underlying loan collateral. In addition to deeds of trust or mortgages the LLC may secure repayment of its loans by such devices as co-signers, personal guaranties, irrevocable letters of credit, assignments of deposit or stock accounts, personal property, LLC interests, and limited liability company interests.

LLC loans will be made pursuant to a strict set of guidelines designed to set standards for the quality of the security given for the loans. Such standards are summarized as follows:

1. **Priority of Mortgages.** The primary lien securing each LLC loan will be a first deed of trust, but a second lien on other property may be taken as additional collateral.

2. **Loan-to-Value Ratios.** The LLC intends to make or purchase loans according to the loan-to-value ratios set forth below. These ratios may be increased if, in the judgment of the Manager, the loan is supported by sufficient credit worthiness of the borrower, other collateral and/or desirability and quality of the property, to justify a greater loan-to-value ratio. As used in the term "loan-to-value ratio," "value" means the fair market value of the security property as determined by the Manager in its sole discretion. However, the Manager may elect in its sole discretion to have an independent written appraisal or Broker Price Opinion ("BPO") performed on the proposed security property. The term "loan" includes both the amount of the LLC's loan and all other outstanding debt secured by any senior deed of trust on the security property. The amount of the LLC's loan combined with the outstanding debt secured by any senior deed of trust on the security property will generally not exceed a specified percentage of the fair market value of the security property according to the following table:

Type of Security Property	Loan-to-Value
Residential -- 1 to 4 units	75%
Commercial Property (including apartments, stores, office buildings, etc.)	75%
Initial Construction (not Flipper Loans)	70%
Unimproved Land	50%

These loan-to-value ratios will not apply to purchase-money financing offered by the LLC to sell any real estate owned by the LLC (i.e., property which is acquired through foreclosure) or to refinance an existing loan that is in default at the time of maturity. In such cases, the Manager, in

its sole discretion, shall be free to accept any reasonable financing terms that it deems to be in the best interests of the LLC.

3. **Terms of Loans.** Most LLC loans will be for a period of 1 year to 5 years. Loans originated whose term exceeds the life of this LLC fund will be sold, at the best prevailing rate, on the open market upon the dissolution of the LLC. Most loans will provide for monthly payments of principal and/or interest, with many LLC loans providing for payments of interest only and a "balloon" payment of principal payable in full at the end of the term. These loans require the borrower to refinance the loan or sell the property to pay the loan in full at maturity.

4. **Interest Rates.** Most LLC loans will provide for interest rates comparable to mortgage rates prevailing in the geographical area where the security property is located. Loans may include a provision for additional interest or profit dependent upon the success of the project financed by the LLC.

5. **Escrow Conditions.** LLC loans will be funded through an escrow account handled by a title insurance company, public escrow company, attorney, or the Manager or a Manager Affiliate. The escrow agent, whomever it may be, will be instructed not to disburse any of the LLC's funds out of the escrow for purposes of funding the loan until:

   (a) **Title Insurance.** Satisfactory title insurance coverage will be purchased for all real property loans, with the title insurance policy naming the LLC as the insured and providing title insurance in an amount not less than the principal amount of the loan. The Manager shall select the nature of each policy of title insurance, including the selection of appropriate endorsements affecting coverage. Title insurance insures only the validity and priority of the LLC's deed of trust or mortgage, and does not insure the LLC against loss from other causes, such as diminution in the value of the security property, appraisals, loan defaults, etc.

   (b) **Fire and Casualty Insurance.** Satisfactory fire and casualty insurance will be obtained for all loans containing improvements, naming the LLC as loss payee in an amount equal to the total amount of the LLC's loan. Appropriate liability insurance will be obtained on all unimproved real property. (See herein "Business Risks --Uninsured Losses")

   (c) **Course of Construction Insurance**. Course of construction insurance will be obtained for most full construction loans .

   (d) **Mortgage Insurance.** The Manager does not intend to arrange for mortgage insurance, which would afford some protection against loss if the LLC foreclosed on a loan and there existed insufficient equity in the security property to repay all sums owed. If the Manager elects in its sole discretion to obtain such insurance, the minimum loan-to-value ratio for residential property loans may be increased. (See herein “Loan-to-Value Ratios” above)

   (e) **Payee and Beneficiary Name.** All new loan origination documents (notes, deeds of trust, etc.) and insurance policies will name the LLC as payee and beneficiary. Loans will not be written in the name of the Manager or any other nominee, except in the case of multiple lender or fractional loans. (See herein “Fractional Interests” below) In those cases where the LLC purchases all or a portion of a loan from the Manager or an Affiliate or third party, the LLC will obtain an endorsement to the original title insurance policy which names the LLC as the insured or co-insured, as appropriate. In addition, the LLC will

make certain that the policies of fire and casualty insurance insuring the security property provide that the holder of the loan and/or its assignee is the loss payee.

6. **Purchase of Loans from Affiliates.** Existing loans may be purchased from the Manager or its affiliates for an amount not exceeding the amount owed thereon, only so long as any such loan is a performing loan and otherwise satisfies all of the foregoing requirements. The LLC may purchase loans from unrelated parties at prices and terms advantageous to the LLC.

7. **Loans to Manager Affiliates.** Up to 15% of the total capital of the LLC may be lent to the Manager or its affiliates provided the loan or loans meet the then lending criteria of the LLC.

8. **Fractional Interests.** The LLC may also participate in loans with other lenders (including other limited liability companies organized by the Manager), by providing funds for or purchasing a fractional undivided interest in a loan meeting the requirements set forth above. The Manager will treat the LLC equally with all other limited liability companies and other entities controlled by the Manager when making such fractional loans.

8. **Diversification.** No LLC loan will be less than $25,000 or more than $2,000,000 (which can be exceeded if the total capitalization of the LLC exceeds $20 Million.

9. **Leverage.** The LLC may borrow funds in the ordinary course of business. However, at no time will the Manager borrow money for the LLC when the total amount of such loan, taken together with all other LLC indebtedness, exceed more than 4 times the amount of capital then invested into the LLC. This means that if $10M was invested in the LLC, the LLC could borrow up to an additional $40M secured by $50M or more in mortgages owned by the LLC. The LLC may pledge existing loans to secure financing. If the LLC is unable to pay the loans as they come due, it may lose some or all of its pledged collateral. The lien of a secured lender is higher than that of any Series of the LLC.

Credit Evaluations

The Manager may consider the income level and general creditworthiness of a borrower to determine his, her, or its ability to repay the LLC loan according to its terms, in addition to considering the loan-to-value ratios described above and secondary sources of security for repayment. Loans may be made to borrowers who are in default under other obligations or in bankruptcy or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations.

Loan Packaging

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

Loan Servicing

It is anticipated that all LLC loans will be serviced (i.e., collection of loan payments) by an affiliate of the Manager (the "Servicer"). The Servicer will be compensated for such loan servicing activities by the Manager at the rate of 1% of the principal amount of each loan serviced, per annum, payable monthly. (See herein "Compensation to Manager and Affiliates")

Most loans will require interest payments at the end of each thirty (30) day period, computed on the principal balance during such thirty (30) day period. Borrowers will make their checks payable to Servicer or the LLC.

Checks payable to the Servicer will be deposited in Servicer's loan servicing trust account, and funds will be transferred to the LLC's bank or money market account.

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

1. **Payments.** Generally, payments will be payable monthly, on the first (1st) day of each month. Interest is generally prorated to the 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 shortly after the payment due date and a late charge will be assessed (provided, however, that the Manager may, in its sole and absolute discretion, waive the late charge or hold it in abeyance). 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) to forty-five (45) days of the payment due date. Foreclosure will usually be initiated shortly after thereafter, with the exact timing in the business judgment of the Manager, 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 LLC.

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 LLC. If a loan is completely foreclosed upon and the property reverts back to the LLC, the LLC 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 LLC does not presently intend to make mortgage loans primarily for the purpose of reselling such loans in the ordinary course of business. However, the LLC will occasionally sell mortgage loans (or fractional interests therein) when the Manager determines that it would be advantageous to the LLC to do so. Decisions by the Manager concerning the sale of loans will be based upon the business judgment of the Manager considering prevailing market interest rates, the length of time that the loan will be held by the LLC, the payment history on the loan and the investment objectives of the LLC. The Manager or an affiliate of the Manager may purchase any loan of the LLC at any time for the amount then owed to the LLC.

Borrowing/Note Hypothecation

The LLC may borrow funds for the purpose of making mortgage loans and may assign all or a portion of its loan portfolio as security for such loan(s). The Manager anticipates engaging in this type of transaction when the interest rate at which the LLC can borrow funds is significantly less than the rate that can be earned by the LLC on its mortgage loans, giving the LLC the opportunity to earn a profit as a "spread." Such a transaction involves certain elements of risk and also entails possible adverse tax consequences. (See herein Business Risks -- Risk of Leverage" and "Income Tax Considerations and ERISA Considerations") At the Manager's option, the LLC may borrow no more than 4 times the amount of its capital, meaning that if $10M was invested into the LLC, the LLC could not borrow more than an additional $40M secured by $50M or more in mortgages owned by the LLC..

COMPENSATION TO MANAGER AND AFFILIATES

The following discussion summarizes the forms of compensation to be received by the Manager, in its capacity as Manager. All of the amounts described below will be received regardless of the success or profitability of the LLC. None of the following compensation was determined through arm's-length negotiations.

Form and Recipient of Compensation	*Estimated Amount or Method of Compensation*
Loan Brokerage Commissions / Loan Origination Fees (Points) to Manager or Affiliate **Collected by the LLC and retained by the Manager or Paid Directly to Affiliate**	Loan origination fees ("Loan Origination Fees") are collected by the LLC from its borrowers and paid to the Manager or an Affiliate. Loan origination fees consist of points, loan processing fees, underwriting fees, document preparation fees, escrow fees, disbursement fees, warehousing fees, administration fees and other similar charges. Such fees average approximately 2-5% of the principal amount of each loan. Sometimes these fees are negotiated and partially passed through to the LLC in order to make the overall loan yield suitable for the portfolio when the interest rate may otherwise be too low. Sometimes such fees may be as high as 10%, but are usually never greater than 15% of the principal amount of each loan. The Manager reserves the right to use affiliates or other outside agencies to originate and service loans.
Purchase of Existing Notes **Collected by the LLC and retained by the Manager**	If the LLC purchases an existing loan from a third party, the Manager will be paid by the LLC**,** a fee comparable to a loan origination fee ("Purchasing Fee"). This fee will not exceed the discount received by the LLC for the purchase of said loan and the loan terms and conditions will be comparable or better than those for originating loans.
Real Estate Commissions to Manager or Affiliate Upon Resale of Any Property Acquired through Foreclosure **Paid directly to the Manager by the LLC**	The Manager or Affiliate has a real estate sales department or business affiliate that may handle the resale of properties taken back in foreclosure by the LLC if such properties are located in California. If the Manager or Affiliate elects to act as the listing agent, its compensation shall not exceed the prevailing rate in the area where the real property is located. Such fees are approximately 4-6% of the sales price depending upon the size of the loan, cooperating brokers, and a variety of other factors ("Real Estate Commissions"). As to out of state property, a local state real estate broker will be employed by the LLC and paid the prevailing commission.
Loan Servicing Fee **Collected by the LLC and retained by the Manager or Paid Directly to Manager**	The Manager or an affiliate will act as loan servicer of the LLC for a fee of 1% per annum (payable in monthly payments) of the loans serviced. The Manager may retain a subservicer.
Profits Interest	The Manager is entitled to all Net Profits in excess of the Preferred Rate of return paid to Members.
Definition of Manager's Fees	The Loan Origination Fee, Property Commissions, Real Estate Commissions, and Loan Servicing Fee are collectively referred to herein as the "Manager's Fees."

Reimbursement of Organization, Syndication, Office and Administrative Expenses to Manager	When the assets of the LLC reach $5,000,000, the Manager, at its election, may be reimbursed for all actual out-of-pocket organizational and syndication expenses not to exceed $30,000.
Accounting, Auditing Fee to Outside Contractors and Overhead Expense	The LLC will bear the cost of the annual tax preparation of the LLC's tax returns, any state and federal income tax due, accounting fees and any required independent audit reports required by agencies governing the business activities of the LLC. A fair and reasonable portion of the Manager's overhead will be allocated and paid by the LLC but not executive compensation.
Recovery of Deferred Compensation	If the Manager defers or assigns to the LLC any of the foregoing compensation, the Manager will be entitled to recover it at a later time. The Manager has no obligation to waive, defer or assign to the LLC any portion of such compensation at any time.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

The Manager is accountable to a LLC as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to LLC affairs and sound business judgment. This is a rapidly developing and changing area of the law, and Members should consult with their own 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.

The LLC Amended and Restated Operating Agreement attached as Exhibit A provides that the LLC shall indemnify the Manager for any liability or loss (including attorneys' fees, which shall be paid as incurred) suffered by it, and shall hold the Manager harmless for any loss or liability suffered by the LLC, so long as the Manager determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the LLC, and such loss or liability did not result from the gross negligence, fraud or criminal act of the Manager. Any such indemnification shall only be recoverable out of the assets of the LLC and not from Members.

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. The California Department of Corporations takes the same position with respect to liabilities arising from any violation of the securities laws of this state. 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.

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 could deplete the assets of the LLC. Members who believe that a breach of the Manager's fiduciary duty has occurred should consult with their own counsel.

RISK FACTORS

Although the LLC will attempt to honor requests for the withdrawal of eligible Membership Interests (even though there is no obligation for the LLC to do so) (See herein "Withdrawal, Redemption Policy, and Other Events of Dissociation"), any investment in the Membership 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 "Compensation to Manager and Affiliates," "Conflicts of Interest," and "Income Tax Considerations and ERISA Considerations."

RISKS RELATED TO MORTGAGE LENDING

There will be no assurance of returns to the Members of the LLC.

All real estate lending investments, including investments in debt secured by real property, are speculative in nature and the possibility of partial or total loss of capital will exist. There is no assurance that the LLC will be successful in producing any profits or even in returning any capital to any investor. Investors should not subscribe to or invest in the LLC unless they can readily bear the consequences of such loss.

The LLC will be subject to general risks associated with real property lending.

The LLC's profitability depends on the ability of our non-prime borrowers to repay their loans. The ability of a borrower to repay may be affected by local, regional, and national real estate market and economic conditions beyond the control of the LLC. Delinquencies and defaults are sensitive to local and national business and economic conditions. Favorable real estate and economic conditions may not necessarily enhance a borrower's ability to repay due to circumstances specific to a borrower and are beyond the LLC's control.

There are also special risks associated with particular sectors of real estate property in which the LLC may lend:

- *Fix and Flip Properties*: Properties recently acquired in foreclosure are usually acquired and financed with little opportunity to fully inspect the property. Frequently, the properties have deferred maintenance. There may be delays in evicting occupants, claims by the foreclosed property owner that could delay resale, unknown property defects and numerous laws now on the books and been regularly issued to make it more difficult to foreclose and evict. In addition, there is no assurance the inventory of homes will be sufficient to sustain the fix and flip market as it exists today. There is also the risk that lenders may take it upon themselves to improve and directly resell their foreclosed inventory.
- *Retail Properties:* Retail properties are affected by the overall health of the economy and a borrower's ability to pay a loan on retail property may be adversely affected by, among other things, the growth of alternative forms of retailing, bankruptcy, departure or cessation of operations of a tenant, a shift in consumer demand due to demographic changes, changes in spending patterns and lease terminations.
- *Office Properties:* Office properties and a borrower's ability to pay a loan on an office property are affected by the overall health of the economy and other factors such as a downturn in the business operated by their tenant, obsolescence and non-competitiveness.
- *Multifamily Properties:* The value and successful operation of a multifamily property may be affected by a number of factors such as the location of the property, the ability of the property manager, the presence of competing properties adverse local economic conditions, oversupply and rent control laws or other laws affecting such properties. All of these factors may adversely affect a borrower's ability to pay.
- *Industrial Properties:* Industrial properties are affected by the health of the economy and the particular industry of the borrower. A borrower's ability to pay a loan on an industrial property may be adversely affected by, among other things, competition within the industry, growth of competing industries, bankruptcy and government regulation with respect to the industry.

The LLC will be subject to the risks associated with a lack of diversification.

The LLC intends to fund loans on all property types, generally commercial/industrial/residential, located in the specific geographic region of the State of California. As a result, the LLC's investments will not have the geographic diversification present in some other types of investment programs and such lack of diversification will increase the LLC's exposure to adverse local real estate, economic and market conditions and other risk factors, including natural disasters and acts of terrorism.

Loan Defaults and Foreclosures

The LLC is in the business of lending money secured in whole or in part by real estate and therefore bears the risks of defaults by borrowers. Many LLC loans will be interest-only loans providing for monthly interest payments with a large "balloon" payment of principal due at the end of the term. Many borrowers are unable to repay such balloon payments out of their own funds and are compelled to refinance. Fluctuations in interest rates and the unavailability of mortgage funds could adversely affect the ability of borrowers to refinance their loans at maturity.

The LLC will rely primarily on the value of real property and any income it produces to protect its investment. It will, to a lesser extent rely upon the creditworthiness or liquidity of a particular borrower. There are a number of factors that could adversely affect the value of such real property security, including, among other things, the following:

(1) Except for loans which are qualified for the Manager's written opinion of value, the Manager will determine the fair market value of the real property used to secure loans made by the Company; provided, however, that the Manager may obtain an appraisal or BPO if it deems such necessary as determined in its sole discretion. If the LLC obtains an appraisal or BPO, no assurance can be given that such appraisals or BPOs will, in any or all cases, be accurate. Moreover, since an appraisal or BPO is based upon the value of real property at a given point in time, subsequent events could adversely affect the value of real property used to secure a loan. Such subsequent events may include general or local economic conditions, neighborhood values, interest rates, new construction and other factors.

(2) If the borrower defaults, the LLC may have no feasible alternative to repossessing the property at a foreclosure sale. If the LLC cannot quickly sell such property, and the property does not produce any significant income, the cost of owning and maintaining the property will directly affect the LLC's profitability.

(3) Subsequent changes in applicable laws and regulations may have the effect of severely limiting the permitted uses of the property, thereby drastically reducing its value.

(4) Due to certain provisions of California law applicable to real property secured loans, generally if the real property security proves insufficient to repay amounts owing to the LLC, it is unlikely that the LLC would have any right to recover any deficiency from the borrower. (See herein "Certain Legal Aspects of LLC Loans")

(5) Loans that support Series 1-D will all be junior lien loans.

(6) Some of the LLC's loans will be secondarily secured by junior deeds of trust, which are subject to greater risk than first deeds of trust. In the event of foreclosure, the debt secured by the senior deed of trust must be satisfied before any proceeds from the sale of the property can be applied toward the debt owed to the LLC that are in junior positions. Furthermore, to protect its junior security interest, the LLC may be required to make substantial cash outlays for such

items as loan payments to the senior lienholder to prevent their foreclosure; property taxes; all insurance and repairs. The LLC may not have adequate cash reserves on hand at all times to protect its security for a particular loan, in which event the LLC could suffer a loss of its investment in that loan. (See herein "Certain Legal Aspects of LLC Loans")

(7) The recovery of sums advanced by the LLC in making 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 simply 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 LLC's profitability.

Since the LLC will be relying on its property security to protect its investment to a greater extent than the creditworthiness of its borrowers, the LLC is likely to experience a borrower default rate higher than would be experienced if its loan portfolio was more heavily focused on borrower creditworthiness. Because of the LLC's underwriting criteria, the LLC may make loans to non-prime borrowers who would not qualify for secured loans from institutional lenders (i.e., banks and savings and loan associations).

The LLC will be subject to risks associated with volatile interest rates.

The level and volatility of short-term and long-term interest rates significantly affect the lending industry. For example, a decline in interest rates may require the LLC to offer loans at lower interest rates or may hinder the LLC's ability to close loans at the targeted interest rates. A rise in interest rates could affect the LLC's cost of drawing on a line of credit to bridge finance amounts that the LLC has called or expects to call as capital contributions with no guarantee that an offsetting increase in interest rates charged on such loans. Increased interest rates may also harm a borrower's ability to refinance a loan at maturity. A rise in interest rates may also cause the LLC to achieve lower returns or carry more risk than alternative investments. Accordingly, volatility in interest rates could harm the LLC's ability to achieve its profitability objectives or cause the LLC to achieve less favorable results than other investments. Moreover, interest rates are influenced by a number of factors that are beyond the LLC's control and are difficult to predict.

The LLC faces substantial competition, and if it fails to compete effectively, its operating results will suffer.

The business of real estate lending and investing in real estate within the LLC market area is highly competitive, and the LLC may be competing with a number of other lenders, investors and developers. There are a number of funds and many experienced individuals in this area who specialize in equity-based financing. Many of these other investors have greater financial resources than the LLC and more experience in making the types of loans and investments that the LLC intends to make. The LLC may not be able to compete successfully against existing or new competitors. If the LLC does not respond adequately to competitive challenges, its business and results of operations would be harmed.

The LLC will be subject to the risk of uninsured losses.

Although the LLC intends to require borrowers to maintain customary insurance coverage for the properties serving as collateral, such as comprehensive insurance, including title, liability, fire and extended coverage, there are certain types of losses (generally of a catastrophic nature, such as wars, terrorism, earthquakes and floods) that are either uninsurable or not economically insurable. Should any such uninsured risk occur or cause the destruction or damage of any property, or should a hazard insured against occur where the loss is in excess of insurance limits or should the insurance company be unable to pay the claim, both invested capital and potential profits could be lost. Without limiting the foregoing, the existence of an uninsured loss on a property could adversely affect a borrower's ability to repay a loan, especially if the borrower was relying on income generated with respect to such property that suffered the loss to repay principal and interest on such

loan. In addition, the existence of an uninsured loss on a property could adversely affect the value of such property, thereby reducing the LLC's recovery in the case of a default on such loan.

The LLC may be subject to the risks associated with disposing of real property.

If a borrower defaults on a loan held by the LLC, the LLC may seek to foreclose upon the real property serving as collateral for such loan. In such event, the LLC generally will seek to sell or otherwise dispose of such property.

The marketability and profitability of any property may be adversely affected by local, regional, and national economic conditions beyond the control of the Manager. Favorable changes may not necessarily enhance the marketability or profitability of a property. Even under the most favorable marketing conditions, there is no guarantee that a property can be sold by the LLC, or if sold, that such sale will be made upon a price and terms favorable to the LLC, including at a price sufficient to cover all of a borrower's obligations to the LLC under the defaulted loan.

No assurance can be given that there will be a ready market for the sale of any real property acquired by the LLC pursuant to a foreclosure. The sales prices of such properties will depend on a variety of factors, including the value of a particular property in relation to similar properties in the market area, the property's history and condition, the availability of tax benefits associated with such properties, the then projected economic and demographic trends for the immediate area in which the such properties are located, the availability of purchasers and the availability and terms of credit and financing for a purchaser of a particular property. The LLC may provide financing in connection with the sale of any property and therefore receive as partial payment a purchase money obligation of the purchaser, thereby decreasing the cash immediately available for distribution to the Members and subjecting the Members to the risk of default on the purchaser's debt obligation and certain potential adverse tax consequences.

Due to certain provisions of state laws applicable to certain types of real estate loans, including anti-deficiency provisions under California law, the LLC may have no ability to recover any deficiency should the property prove insufficient to repay a loan. The LLC's ability to foreclose and dispose of a property may be delayed or impaired by the operation of the federal bankruptcy laws, which may delay disposition of a property for a period ranging from several months to several years. The length of such a delay and the costs associated therewith may have an adverse impact on the LLC's profitability.

When the LLC acquires any property by foreclosure or otherwise, the LLC is exposed to the risks of liability incidental to property ownership. Owners of property may be subject to taxation with respect to the property, liability for injury to persons and property occurring on the property or in connection with the activity conducted thereon, liability related to environmental contamination, and liability for non-compliance with governmental regulations.

The LLC may be subject to the risks associated with environmental contamination.

Under current federal and state law, the owner of property contaminated with toxic or hazardous substances (including a lender that has acquired title through foreclosure) may be liable for all costs associated with any remedial action necessary to bring the property into compliance with applicable environmental laws and regulations.

The LLC is not expected to participate in the on-site management of any facility on the property in order to minimize the potential for liability for cleanup of any environmental contamination under applicable federal, state or local laws. There can be no assurance that the LLC would not incur full recourse liability for the entire cost of any such removal and cleanup, or that the cost of such removal and cleanup would not exceed the value of the property. In addition, the LLC could incur liability to tenants and other users of the affected property, or users of neighboring property, including liability for consequential damages. The LLC would also be exposed to risk of lost revenues during any cleanup and the risk of lower lease rates or decreased occupancy if the existence of such substances or sources on the property become known. If the LLC fails to remove the

substances or sources and clean up the property, if is possible that that federal, state or local environmental agencies could perform such removal and cleanup, and impose and subsequently foreclose liens on the property for the cost thereof. The LLC may find it difficult or impossible to sell the property prior to or following any such cleanup. The LLC could also be liable to the purchaser of such property if the LLC knew or had reason to know that such substances or sources existed. In such a case, the LLC could also be subject to the costs described above. The owner may also incur liability to users of the property or users of neighboring property for bodily injury arising from exposure to such substances. If the LLC is required to incur such costs or satisfy such liabilities, this could have a material adverse affect on the LLC's profitability. Additionally, if a borrower is required to incur such costs or satisfy such liabilities, this could result in the borrower's inability or unwillingness to repay its loan from the LLC.

Even if a mortgage lender does not foreclose on a contaminated site, the mere existence of hazardous substances on a property may depress the market value of the property such that the loan is no longer adequately secured.

A lender's best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan. However, environmental inspections and investigations are very expensive, and often are not financially feasible in connection with loans of the size and type to be made by the LLC. As a result, toxic contamination reports or other environmental site assessments will generally not be obtained by the LLC in connection with its loans, unless the Manager believes that such reports are necessary to evaluate known or suspected environmental risks. The Manager intends to take certain precautions to avoid environmental problems, such as requiring environmental reports to be obtained or not making or investing in loans secured by properties known or suspected to have environmental problems. However, there is no guarantee that the Manager will be successful in identifying the need to obtain environmental reports. There is also no guarantee that the Manager will be successful in identifying the existence or extent of any such environmental problems, even in cases when certain environmental reports are obtained.

The LLC is subject to the risks relating to compliance with applicable law.

Although the Manager will seek for it and the LLC to comply with all federal, state and local lending regulations, there is no assurance that the Manager or the LLC will always be compliant or that there will not be allegations of non-compliance even if the Manager and the LLC were fully compliant. Any violation of applicable law could result in, among other things, damages, fines, penalties, litigation costs, investigation costs and even restrictions on the ability of the LLC's ability to conduct business.

The LLC is subject to the risks of litigation.

The Manager will act in good faith and use reasonable judgment in seeking borrowers and making and managing the loans for the LLC. However, as a lender, the LLC is exposed to the risk of litigation by a borrower for any allegations by the borrower (warranted or otherwise) regarding the terms of the loans or the actions or representations of the Manager or the LLC in making, managing or foreclosing on the loans. It is impossible for the Manager to foresee what allegations may be brought by a specific borrower, and the Manager will seek to avoid litigation, if, in the Manager's judgment, the circumstances warrant an alternative resolution. If an allegation is brought or litigation is commenced against the LLC, the LLC will incur legal fees and costs to respond to the allegations and to defend any resulting litigation. If the LLC is required to incur such fees and costs, this could have an adverse effect on the LLC's profitability.

The LLC may be affected by changes in legal, regulatory and legislative environments in which it operates.

The LLC is subject to lending regulations at the federal, state and local levels, and proposals for further regulation of the lending services industry are continually being introduced. The LLC is also subject to many other federal, state and local laws and regulations that affect the LLC's business, including those regarding taxation. Congress and state legislatures, as well as federal and state regulatory agencies and local

governments, review such laws, regulations and policies and periodically propose changes or issue guidance that could affect the LLC in substantial and unpredictable ways. Such changes could, for example, limit the types and value of lending services and products the LLC can offer, alter its liability, increase its cost to offer such services and products or hinder its ability to fund loans quickly enough to serve its intended client base. It is possible that one or more legislative proposals may be adopted or regulatory changes may be implemented that would have an adverse effect on the LLC's business.

The LLC is subject to the risks related to the accuracy and completeness of information about customers, properties and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, the LLC may rely on information furnished to it by or on behalf of customers and counterparties, including financial statements and other financial information. The LLC also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. While the LLC intends to conduct due diligence regarding the value of properties and the information provided by customers and counterparties, it may rely on or be unable to identify inaccurate or fraudulent information. The LLC's financial condition and results of operations could be negatively impacted to the extent it relies on or fails to identify customer, property or counterparty information that is not complete or accurate.

Special Risks of Junior Trust Deeds

The Series 1-D Membership Interests are supported by loans secured by junior deeds of trust. If foreclosure occurs on a mortgage loan that is so secured, the debt secured by the senior deed of trust must be satisfied before any proceeds from the sale of the property can be applied toward the subject mortgage loan. Furthermore, the LLC may be required to make substantial cash outlays to senior lienholders (for such items as loan payments, property taxes, insurance, property maintenance or repair, etc.) to prevent their foreclosure, which could create cash flow problems for the Company. Therefore, mortgage loans secured by a junior deed of trust are subject to greater risk if there is a decline in property values than mortgage loans secured by a first deed of trust.

BUSINESS RISKS

The LLC's financial objectives may not be achieved.

The projections contained in any reports previously, contemporaneously or subsequently sent to prospective investor are based on numerous assumptions that are subject to uncertainty and over which the LLC will have no control. There is no assurance that assumed or projected returns will be achieved or maintained or that the assumed level of expenses will not be exceeded. Reduced revenue, increased expenses or a combination of both will decrease the operating profit on which the forecasted amounts of cash distributions are based.

In addition, facts, forecasts and other statistics in this Memorandum have been derived from various sources generally believed to be reliable. However, the LLC cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by the LLC and, therefore, the LLC makes no representations as to the accuracy of such facts, forecasts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, any statistics in this Memorandum may be inaccurate and should not be unduly relied upon.

There are risks associated with reliance on forward-looking statements.

The forward-looking statements included in this Memorandum are not historical facts, but rather are based on current expectations, estimates and projection about the LLC's industry, the LLC's beliefs and the LLC's assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks" and "estimates,"

and variations of these words and similar expressions, are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, assumptions, uncertainties and other factors, some of which are beyond the LLC's control and difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements and projections. The LLC disclaims any obligation to update any such factors or to announce the result of any revisions to any of the forward-looking statements and projections.

Each prospective investor should therefore consult with such prospective investor's own advisers to evaluate the forward-looking statements and the associated assumptions and make such prospective investor's own independent determination of the feasibility of the forward-looking statements and such assumptions.

The LLC has no prior operating history.

The LLC is a newly formed limited liability company with no prior operating history from which to predict the prospects for its business; its success will in a large part depend on its ability to identify and make profitable investments. Identifying and making profitable lending investments is difficult and involves a high degree of risk, competition and uncertainty, and the availability of such investments is subject to general market conditions.

The LLC's business must be considered in light of the risks, expenses and problems frequently encountered by entities with no operating history. There is no assurance that the LLC will be able to attain profitability. The LLC's profitability is dependent upon many factors beyond its control. Because the LLC has no operating history, there is only a limited basis upon which to evaluate the LLC's prospects for achieving its intended business objectives. To date, the LLC's efforts have been limited to organizational activities and the preparation of the LLC Operating Agreement, this Memorandum and other organizational documents. The LLC has limited resources and has had no revenues to date.

The LLC faces the risks associated with unspecified investments.

Members will not have an opportunity to evaluate the specific merits or risks of any prospective investment. As a result, Members will be dependent on the judgment of the Manager in connection with the investment and management of the proceeds of this offering, including the selection of the properties to be funded. The LLC's reliance on the Manager is substantially increased in a "blind" investment offering such as this (i.e., specific deals have not been targeted), because the LLC will be totally reliant upon the Manager to locate, evaluate and negotiate for the funding of loans. There can be no assurance that determinations ultimately made by the Manager will permit the LLC to achieve its business objectives. The number of investments that the LLC makes and diversification of its investments may be dependent on the amount of proceeds raised herein and will be reduced if less than the maximum amount of the offering is raised. The LLC's success will depend on its ability to identify suitable investments, to negotiate and arrange the closing of appropriate transactions, to successfully service loans, and, if necessary dispose of foreclosed properties. There can be no guarantee that a sufficient number of investments will be available and that the LLC will therefore be able to invest all funds committed by the Members.

The LLC will be subject to the risks of relying on the Manager and certain key personnel.

The LLC's ability to achieve its business objectives successfully will be largely dependent upon the efforts of the LLC's management team. Exclusively the Manager will make all decisions with respect to the management of the LLC as well as the selection of the real estate lending investments. Members will not have the opportunity to evaluate the investments that the LLC will fund and must rely on the ability of the Manager and its management team with respect to such investments. Accordingly, no person should purchase Membership Interests in the LLC unless he or she is willing to entrust all aspects of the management of the LLC to the Manager. Although the principals of the Manager have been active in various aspects of the real estate industry for many years, there can be no assurance that the Manager will be able to operate the LLC profitably or achieve the objectives of the LLC. The LLC has not entered into any employment agreements or other understandings with the members of the management team or obtained any "key man" life insurance on their

lives. The loss of the services of any principal could have a material adverse effect on the LLC's ability to achieve successfully its business objectives. In addition, the Manager and its principals will only devote such time as they determine, in their sole and absolute discretion, is reasonably necessary to carry out the business and affairs of the LLC.

There are risks associated with indemnification of the Manager and its principals.

The Manager and its principals ("Covered Persons") will be indemnified by the LLC from any and all claims of the third parties directly arising out of its management of the LLC, except for claims arising out of the fraud, gross negligence, bad faith or willful misconduct of a Covered Persons. The Covered Persons will have no liability to the LLC for a mistake or error in judgment or for any act or mission believed to be within its scope of authority unless such mistake, error of judgment or act or omission was made, performed or omitted by the Covered Persons fraudulently or in bad faith or constituted gross negligence. As a result, the right of any Member to bring an action against the Covered Persons may be severely limited.

There are risks related to the failing of Members to make capital contributions.

Because the success of the LLC and its ability to make investments is largely dependent upon the Members fully fulfilling their capital commitments, the consequences of any Member failing to contribute these amounts when called for could be severe. In addition, the failure of any Member to make a capital contribution will result in exposure to liability for that Member and may result in the implementation of various remedies set forth in the LLC Agreement. The LLC intends to mitigate these risks by obtaining a line of credit to provide bridge financing for amounts that the LLC has called or expects to call as capital contributions. However, this strategy may magnify the negative effects of a Member failing to fulfill its capital contribution in a timely manner.

The LLC is subject to operational risks.

Although the LLC intends to employ reasonable diligence in conducting its business and supervising its employees and agents, no amount of diligence can eliminate many types of operational risk, including the risk of fraud by employees, agents or outsiders, misinterpretation or misapplication of rules, regulations or other requirements, unauthorized transactions by employees or agents or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunication systems. Certain errors may be repeated or compounded before they are discovered and successfully corrected. The LLC is exposed to the risk that external parties on whom the LLC relies will be unable to fulfill their contractual obligation to the LLC (or will be subject to the same risk of fraud or operational errors by their respective employees and agents as the LLC is).

Distributions will be subject to prior payment of expenses and reserves.

Distributions will only be paid to the extent that the LLC has sufficient cash flow to make such payments. The Manager anticipates that there will be significant cash flow available during the investment term, but there is no guarantee that the LLC will be able to generate such cash flows. In addition, there will not be any cash flow available for distribution until the LLC has made all payments required under any debt obligation and all other payments required to be made for LLC Expenses and other payables, and the Manager has established a reserve for liabilities. Even if distributions are made, they may not be sufficient to satisfy a Member's tax obligations with respect to the LLC.

The Membership Interests are restricted securities, which limits their transferability.

The Membership Interests being sold in the offering are restricted securities under the Securities Act of 1933, as amended (the "Securities Act"), for which no public or private market presently exists. Transfers of the Membership Interests are subject to restrictions of federal and state securities laws and to the restrictions set forth in the Operating Agreement. As a result of such restrictions on transfer, it may be difficult or impossible to transfer the Membership Interests to any transferees. Accordingly, an investment in the Membership Interests should be made only if you can assume the risks of an illiquid investment.

The LLC may be adversely affected if it does not perfect an exemption from registration under federal and state securities laws.

The LLC intends to offer Membership Interests without registration under any securities laws in reliance on an exemption for "transactions by an issuer not involving any public offering." While the Manager believes reliance on such exemption is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other companies, the scope of disclosure provided, failures to make notices, filings or changes in applicable laws, regulations or interpretations will not cause the LLC to fail to qualify for such exemptions under U.S. federal or one or more states' securities laws. Failure to so qualify could result in the rescission of sales of Membership Interests at prices higher than the current value of those Membership Interests, potentially materially and adversely affecting the LLC's performance and business. Further, even non-meritorious claims that offers and sales of Membership Interests were not made in compliance with applicable securities laws could materially and adversely affect the Manager's ability to conduct the LLC's business.

The Manager is not registered as an investment adviser and the LLC is not registered as an investment company.

The Manager believes the nature of the LLC will not subject it to, and the Manager intends for the LLC to rely on exemptions from, the registration requirements of the Investment Company Act of 1940, as amended (the "Investment Company Act"). There is no assurance that the Manager's belief in this regard is or will continue to be correct or that such exemptions will remain available. The Manager is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and accordingly is not subject to any of the recordkeeping or business practice provisions of the Advisers Act, although the Advisers Act antifraud provisions are applicable. The performance of the LLC's investment portfolio could be materially adversely affected if the LLC or the Manager were to become subject to the Investment Company Act or the Advisers Act because of the various burdens of compliance therewith. Neither the LLC nor its counsel can assure investors that, under certain conditions, changing circumstances or changes in the law, the LLC may not become subject to such regulation.

Neither the LLC nor the Manager has retained separate legal representation for the Members.

Attorneys represent the Manager in connection with the organization and operation of the Manager and the LLC. Those attorneys do not represent the Members, either individually or collectively, nor is it anticipated that the LLC will engage separate counsel to represent the LLC or any of the Members with respect to these matters. The Manager's attorneys do not expect to furnish any Member with any legal opinion except those specifically referenced herein and has not opined upon the adequacy of this Memorandum or the fairness of the disclosure herein. Prospective investors must consult with their own counsel with regard to all of these matters.

There are tax risks associated with the LLC.

Prospective investors in the LLC are subject to complex and potentially adverse tax consequences as a result of investing in the LLC. Investors, directly or indirectly through the LLC, may be subject to significant foreign taxation as well as U.S. federal, state and local taxation as a result of their investments in the LLC. In addition, investors may be allocated a portion of taxable income of the LLC without regard to actual cash distributions. Accordingly, such investors' tax liability could exceed the cash distributions to them in any tax year. Furthermore, tax laws and regulations applicable to an investment in the LLC and to the management of the LLC are subject to change, and any such change may have a material adverse effect on the investors and the LLC. Prospective investors should consult their own tax advisers with reference to their specific tax situations, including any applicable federal, state, local, and foreign taxes. There are a number of additional tax risks associated with an investment in the LLC.

Risk of Using Leverage

The LLC intends to use borrowed funds to fund mortgage loans in order to produce a higher return. Interest rate fluctuations may have a particularly adverse effect on the LLC if it is using borrowed money to fund mortgage loans. Such borrowed money may bear interest at a variable rate, whereas the LLC may be making fixed rate loans. Therefore, if prevailing interest rates rise, the LLC's cost of money could exceed the income earned from that money, thus reducing the LLC's profitability or causing losses. The Manager does not intend to use borrowed funds to make loans in excess of four times the size of the LLC's capital. If the LLC is unable to repay the loan the lender could foreclose on the collateral the LLC has pledged to it, resulting in the loss of some or all of the assets that were pledged.

Reliance on the Manager

The Manager will make virtually all decisions with respect to the management of the LLC, including the determination as to what loans to make or purchase, and the Members will not have a voice in the management decisions of the LLC and can exercise only a limited amount of control over the Manager. The Manager gives no assurance that the LLC will operate at a profit. The LLC is dependent to a substantial degree on the Manager's continued services. In the event of the withdrawal, dissolution or bankruptcy of the Manager, the business and operations of the LLC may be adversely affected.

Competition

Because of the nature of the LLC's business, the LLC's profitability will depend to a large degree upon the future availability of secured loans. The LLC will compete with institutional lenders and others engaged in the mortgage lending business, many of who have greater financial resources and experience than the LLC.

Reliance on Officers of Manager

The Manager is a corporation which consists of a few key officers whose inability to manage the corporation, whether because of death, illness, incapacity or otherwise, could adversely affect the management of the Manager, and consequently, the performance of the LLC.

Fluctuations in Interest Rates

Recent years have demonstrated that mortgage interest rates are subject to abrupt and substantial fluctuations. The LLC intends to make a large number of short-term to medium-term (one (1) to five (5) year) loans. The purchase of Membership Interests is an illiquid investment. If prevailing interest rates rise above the average interest rate being earned by the LLC's loan portfolio, Investors may be unable to liquidate their investment in order to take advantage of higher returns available from other investments. If prevailing interest rates fall significantly below the average interest rate being earned by the LLC's loan portfolio, borrowers may elect to refinance their loans and prepay their loan from the LLC, reducing the overall yield of the LLC's loan portfolio. Notwithstanding the foregoing, the LLC will have the right on certain or all loans, pursuant to the terms of such loans, to increase the interest rates up to a certain percentage on loans to borrowers once a year which would increase the amount of Net Profits to be distributed monthly to the Members.

Possible Repeal of Usury Exemption

Under current law, loans arranged by or through a real estate broker are exempt from the otherwise applicable usury limitation of ten percent (10%) simple interest. The LLC intends to have a real estate broker arrange every loan the LLC makes. Should the usury exemption be repealed, the LLC 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 activities.

Manager Not Required to Devote Full-Time to the Business of the LLC

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

Competition With Clients and Affiliates of the Manager

The Manager and/or its affiliates are engaged in business as a mortgage broker and lender to the public, serving a substantial number of Investor clients other than the LLC. The Manager may also sponsor the formation of other investment groups like the LLC to invest in deeds of trust. When considering each loan, therefore, the Manager will have to decide which client or fund it will choose to originate or hold the resulting note and deed of trust. This will compel the Manager to make decisions that may at times favor persons other than the LLC. The Operating Agreement exonerates the Manager from liability for investment opportunities given to other persons.

Investment Delays

There may be a delay between the time Membership Interests are sold and the time purchasers of Membership Interests are admitted to the LLC and begin to participate in the investment yield being realized by the LLC on its loan portfolio. Once the Minimum Offering Amount is achieved, funds will be transferred to the LLC as required to fund mortgage loans, create appropriate reserves, or pay LLC expenses. (See herein "Use of Proceeds")

Uninsured Losses

The Manager will require title, fire, and casualty insurance on the properties securing the LLC's loans. However, there are certain types of losses (generally of a catastrophic nature) which are either uninsurable or not economically insurable, such as losses due to war, floods, earthquakes, mold, or mudslide. Should any such disaster occur, the LLC could suffer a loss of principal and interest on a loan secured by the uninsured property. Additionally, the Manager does not intend to require mortgage insurance on LLC loans, which would protect the LLC from losses due to defaults by mortgage borrowers. The Manager is not required to have performed any environmental reports such as Phase I or Phase II or conduct any mold inspections, or other similar studies, investigations, or due diligence prior to making any loans or conducting any foreclosures.

Lack of Regulation

The management and investment practices of the LLC are not supervised, or regulated by any federal or state authority.

ERISA Risks

Investment in the LLC involves certain tax risks of general application to all Investors, and certain other risks herein specifically applicable to Keogh accounts, Individual Retirement Accounts and other tax-exempt Investors. (See "Income Tax Considerations and ERISA Considerations").

CONFLICTS OF INTEREST

The following is a list of some of the important areas in which the interests of the Manager will conflict with those of the LLC. The Members must rely on the general fiduciary standards which apply to a Manager of a LLC to prevent unfairness by the Manager and/or its affiliates in a transaction with the LLC. (See herein "Fiduciary Responsibility of the Manager").

Loan Origination Fees - (PAID BY BORROWER)

None of the compensation set forth under "Compensation to the Manager and Affiliates" was determined through arm's-length negotiations. The various loan origination fees charged to the borrowers by the LLC and passed-through to the Manager or Affiliate will generally average approximately two percent (2%) to five percent (5%) of the principal amount of each loan, but may range as high as fifteen percent (15%). Any increase in such charges may have a direct, adverse effect upon the interest rates that borrowers will be willing

to pay the LLC, thus reducing the overall rate of return to Members. Conversely, if the Manager or Affiliate reduces the loan fees charged, a higher rate of return might be obtained for the LLC and the Members. This conflict of interest will exist in connection with every LLC loan transaction. In an effort to partially resolve this issue, the Operating Agreement limits the loan origination fees to be received by the Manager in connection with each loan arranged for the LLC to no more than fifteen percent (15%) of the total loan amount.

Other Businesses

The Manager or its Affiliates may also provide loan brokerage services to place loans other than those that will be offered to the LLC. There accordingly exists a conflict of interest on the part of the Manager between its affiliate and the LLC, based on the availability for placement by the affiliate of non-LLC mortgage funds. The Manager may decide, or may influence the selection of which loans are appropriate for funding by the LLC, or by such other sources, after consideration of factors deemed relevant by the Manager, including the size of the loan, portfolio diversification and amount of non-performing loans.

The Manager and its affiliates may engage, for their own account, or for the account of others, in other business ventures similar to that of the LLC or otherwise, and neither the LLC nor any Member shall be entitled to any interest therein.

The LLC will not have independent management and it will rely on the Manager and its affiliates for the operation of the LLC. The Manager will devote only so much time to the business of the LLC as is reasonably required. The Manager will have conflicts of interest in allocating management time, services and functions between various existing companies, the LLC, and any future Companies which it may organize as well as other business ventures in which it may be involved. The Manager believes it has sufficient staff to be fully capable of discharging its responsibilities to all such entities.

Purchase, Sale and/or Hypothecation of Loans to the LLC

The Manager and its Affiliates may sell, buy, or hypothecate loans (use loans as collateral for another loan) to the LLC, provided such loans meet the underwriting criteria set forth above. The LLC may pay a price greater or less than the remaining balance on such notes. The price at which existing notes change hands is normally a function of prevailing interest rates. Therefore, the Manager or its affiliates may make a profit on the sale of an existing loan to the LLC. There will be no independent review of the value of such loans, or of compliance with the conditions set forth above.

Conflict with Related Programs

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

Sale of Real Estate to Affiliates

In the event the LLC becomes the owner of any real property by reason of foreclosure on an LLC loan, the Manager's first priority will be to arrange the sale of the property for a price that will permit the LLC 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 LLC formed by the Manager for the express purpose of acquiring foreclosure properties from lenders such as the LLC.) 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 LLC 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 Manager has undertaken to resolve these conflicts by adopting certain policies for the disposition of real property. While the Manager is not obligated to adhere to such policies in all instances, it plans to do so. Those policies are as follows:

(1) No foreclosed property will be sold to an affiliate unless the Manager has used reasonable efforts to sell the property at a fair price on the open market for at least sixty (60) days.

(2) In the event the property is sold to an affiliate, the net purchase price must be as favorable, or more favorable to the LLC than any bona fide third-party offer received.

(3) The purchase price will also be:

(a) no lower than ninety-five percent (95%) of the independently fair market value of such property at the time of sale, and

(b) Neither the Manager nor any of its affiliates will be entitled to a real estate commission in connection with such a sale, unless the purchase price is at least one hundred percent (100%) of the independently appraised value of such property at the time of sale.

It is the Manager's opinion that these undertakings will yield a price which is fair and reasonable for all parties, but no assurance can be given that the LLC could not obtain a better price from an independent third party.

Loans to Manager or its Affiliates

Up to 15% of capital of the LLC may be invested in mortgages on real property owned by the Manager or an affiliate of the Manager. There is an inherent conflict of interest since the Manager’s duties are divided between its own self interest in obtaining a favorable loan and the LLC’s interest in making a good investment. If the borrowing entity has difficulty repaying the loan, the Manager is again conflicted because its duty as Manager requires it to take collection essentially against itself. No third party will review the merits or set the terms of such loans or collection action but the Manager is required to apply the same underwriting rules it would apply to a third party loan.

CERTAIN LEGAL ASPECTS OF LLC LOANS

Each of the LLC's loans will be secured by a deed of trust, mortgage, security agreement, or legal title. The deed of trust and mortgage are the most commonly used real property security devices. A deed of trust formally has three parties; a debtor, referred to as the "trustor"; a third party referred to as the "trustee"; and the lender/creditor, 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 LLC will be the beneficiary under all deeds of trust securing LLC loans. In a mortgage loan, there are only two parties, the mortgagor (borrower) and the mortgagee (lender). State law determines how a mortgage is foreclosed. The process usually requires a judicial process.

The Manager may cause the LLC to purchase existing loans from the Manager and/or its Affiliates, provided such loans meet the underwriting standards applicable to other loans purchased by the LLC, no foreclosure has been initiated with respect to such loan, and the price paid by the LLC does not exceed the principal balance then owing upon such loan.

Foreclosure

Foreclosure laws vary from state to state. The manner in which the LLC will enforce its rights under a mortgage or deed of trust will depend on the laws of the state in which the property is situated. Depending on local laws, a lender may be able to enforce its mortgage or deed of trust by judicial foreclosure or by non-judicial foreclosure through the exercise of a power of sale. Local laws will also dictate, among other things, the amount of time and costs associated with a judicial or non-judicial foreclosure sale, whether or not a lender would be entitled to recover a deficiency judgment (i.e., the resulting shortfall if the proceeds from the sale of the property are not sufficient to pay the debt) from the borrower, either concurrently with or following a judicial or non-judicial sale, whether there are limits as to the amount of this deficiency judgment, and whether the borrower would have a right to redeem the property following a judicial or non-judicial sale. The Manager intends to engage attorneys and other real estate professionals familiar with the laws of each state where the LLC's mortgage or deed of trust is located prior to enforcing such mortgage or deed of trust.

Since many of the LLC's loans are anticipated to be secured by property located in California, the following is a review of California law. In California, a statute known as the "one form of 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.

1. 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 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-one (21) 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.

2. 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 or her successors in interest may redeem for a period of one (1) year (or a period of only three months if the entire amount of the debt is bid at the foreclosure sale), and until the trustor redeems, foreclosed junior lienholder 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 LLC 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.

Foreclosure statutes vary from state to state. Loans by the LLC secured by mortgages will be foreclosed in compliance with the laws of the state where the real property collateral is located.

Anti-Deficiency Legislation

California has four principal statutory prohibitions which limit the remedies of a beneficiary under a deed of trust. Other states may have similar limitations. 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. It is anticipated that all of the LLC's loans will be enforced by means of a non-judicial trustee's sale, if foreclosure becomes necessary. 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 residential property occupied, at least in part, by the purchaser. This restriction may apply to a number of LLC loans.

The third statue is known as the "one form of 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 statutory provision 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.

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 lienholder forecloses on its loan, unless the amount of the bid exceeds the senior encumbrances, the junior lienholder will receive nothing. Because of the limited notice and attention given to foreclosure sales, it is possible for a junior lienholder to be sold out, receiving nothing from the foreclosure sale. By virtue of anti-deficiency legislation, discussed above, a junior lienholder may be totally precluded from any further remedies.

Accordingly, a junior lienholder (such as the LLC in some 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 lienholder commences its own foreclosure, making adequate arrangements either to (i) find a purchaser for the property at a price which will recoup the junior lienholder's interest, or (ii) to pay off the senior encumbrances so that the junior lienholder's encumbrance achieves first priority. Either alternative may require the LLC to make substantial cash expenditures to protect its interest. (See herein "Business Risks").

The LLC 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 LLC. The borrower will then make all payments directly to the LLC, and the LLC in turn will pay the holder of the senior encumbrance. The actual yield to the LLC 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 LLC. The law requires that the LLC will be notified notice when any senior lienholder initiates foreclosure.

If the borrower defaults solely upon his, her, or its debt to the LLC while continuing to perform with regard to the senior lien, the LLC (as junior lienholder) 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, were the LLC to purchase the security property at its own foreclosure sale, it would acquire the property subject all senior encumbrances. The standard form of deed of trust used by most institutional lenders, like the one that will be used by the LLC, 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 LLC's loan. The amount of such proceeds may be insufficient to pay the balance due to the LLC, while the debtor may fail or refuse to make further payments on the damaged or condemned property, leaving the LLC 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.

"Due-on-Sale" Clauses

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

1. **Due-on-Sale.** Federal law now provides that, notwithstanding any contrary pre-existing state law, due-on-sale clauses contained in mortgage loan documents are enforceable in accordance with their terms by any lender after October 15, 1985. On the other hand, acquisition of a property by the LLC by foreclosure on one of its loans may also constitute a "sale" of the property, and would entitle a senior lienholder to accelerate its loan against the LLC. 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 LLC may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

2. **Due-on-Encumbrance.** With respect to mortgage loans on residential property containing four or 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 LLC's junior lien mortgages will be on properties that qualify for the protection afforded by federal law, some loans will be secured by small apartment buildings or commercial properties. Junior lien mortgage loans made by the LLC may trigger acceleration of senior loans on properties if the senior loans contain due-on-encumbrance clauses, although both the number of such instances and the actual likelihood of acceleration is anticipated to be minor. Failure of a borrower to pay off the senior loan would be an event of default and subject the LLC (as junior lienholder) to the risks attendant thereto. It will not be customary practice of the LLC to make loans on non-residential property where the

senior encumbrance contains a due-on-encumbrance clause. (See herein "Special Considerations in Connection with Junior Encumbrances," above).

Prepayment Charges

Some loans originated by the LLC 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 at its business judgment to waive collection of prepayment penalties. LLC loans secured by mortgages or deeds of trust encumbering single family, owner-occupied, dwellings may be prepaid at any time, regardless of whether the note or deed of trust so provides, but prepayment made in any twelve (12) month period during the first five (5) years of the term of the loan which exceed twenty percent (20%) of the unpaid balance of the loan may be subject to a prepayment charge. The law limits the prepayment charge on such loans to an amount equal to six months' advance interest on the amount prepaid in excess of the permitted twenty percent (20%), or interest to maturity, whichever is less. Again, other state laws may be different.

Bankruptcy Laws

If a borrower files for protection under the federal bankruptcy statutes, the LLC 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 LLC 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 LLC 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 LLC loan. The LLC 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 LLC's lien, to compel the LLC 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.

COMPANY HISTORY

The LLC was organized in California in May 2013 and conducts its business in Santa Barbara, California. The LLC specializes in arranging equity loans secured by real property throughout California. A copy of the LLC’s most recent financial statements is attached hereto as Exhibit D.

THE MANAGER AND AFFILIATES

The Company is managed by Commercial Loan Express, a California Corporation (“Manager”), which was formed on March 22, 2010. The shareholder of the Manager is Peter de Witte.

PETER DE WITTE. Mr. Peter de Witte has also been a manager and financial officer of a mortgage investment company specializing in short-term commercial loans. He provides analysis on land development deals, quality control, and other related services related to mortgage investments. He serves as President of the Company.

LEGAL PROCEEDINGS

Neither the LLC, the Manager nor any of the officers or directors of the Manager are now or have within the past five (5) years been involved in any material litigation or arbitration.

SUMMARY OF LLC OPERATING AGREEMENT

The following is a summary of the LLC Amended and Restated Operating Agreement, and is qualified in its entirety by the terms of the Operating Agreement itself. Potential Investors are urged to read the entire LLC Operating Agreement, a copy of which is attached hereto as Exhibit A.

Rights and Liabilities of Members

The rights, duties and powers of Members are governed by the LLC's Operating Agreement and the Wyoming Limited Liability Company Act, and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to such Agreement and Act.

Investors who become Members in the LLC in the manner set forth herein will not be responsible for the obligations of the LLC. 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.

Members will have no control over the management of the LLC, except that Members holding a majority of the issued and outstanding Membership Interests may, without the concurrence of the Manager, take the following actions:

(a) terminate the LLC (including merger or reorganization with one or more other LLCs);

(b) approve or disapprove a transaction involving a conflict of interest between the Manager and the LLC; or

(c) approve or disapprove the sale of all or substantially all the assets of the LLC.

Members representing ten percent (10%) of the LLC interests may call a meeting of the LLC. The Operating Agreement only permits removal of the Manager by the Members if: (i) the Manager commits an act of willful misconduct which materially adversely damages the LLC and (ii) holders of not less than seventy-five percent (75%) of the Membership Interests vote in favor of such removal.

Capital Contributions

Interests in the LLC will be sold in units of Membership Interests. The Manager is not required to contribute any funds to the LLC, but may do so. With respect to any Membership Interests it may purchase, the Manager will have the same rights as any other Member.

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 LLC. The Manager is not required to devote full time to LLC affairs but only such time as is required for the conduct of LLC business. The Manager has the power and authority to act for and bind the LLC. 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.

Profits and Losses

The LLC's Profit or Loss for a Taxable Year, including the Taxable Year in which the LLC is dissolved, will be allocated among the Members in proportion to the units of Membership Interests they held during the applicable tax reporting period. The Manager may manually adjust capital accounts and therefore unit values in the case of loan loss reserve and marking to market assets of the LLC.

Distributions

The LLC will make all distributions as described in the "Summary of the Offering – Distributions."

Compensation to Manager and Affiliates

The LLC will compensate the Manager and its affiliates as described in the "Compensation to Manager and Affiliates."

Adjustment of Membership Interest Holdings

Allocations of profit, gain and loss in the LLC are made, as required by law, in proportion to the Members' units of Membership Interest. Voting rights are based on the capital accounts of each Member. Once the Minimum Offering Amount has been achieved by the LLC, the Manager, at its discretion, may set the unit value of membership interest value for additional Membership Interests by adjusting the book value of the assets of the LLC to reflect the fair market value of those assets and determining the liabilities of the LLC.

Meetings

The Manager, or Members representing ten percent (10%) of the LLC interests, may call a meeting of the LLC on at least ten (10) days, but not more than sixty (60) days, written notice. Unless the notice otherwise specifies, all meetings will be held at 2:00 p.m. at the office of the Manager of the LLC. Members may vote in person or by proxy at the LLC meeting. A majority of the outstanding LLC interests will constitute a quorum at LLC meetings.

Accounting and Reports

The Manager will cause to be prepared and furnished to the Members an annual report of the LLC's operation, which will be prepared by an independent accounting firm. Within ninety (90) days after the close of the year covered by the report, a copy or condensed version will be furnished to the Members. The Members shall also be furnished such detailed information as is reasonably necessary to enable them to complete their own tax returns within ninety (90) days after the end of the year.

The Manager presently intends to maintain the LLC'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 and state income tax purposes. The Manager reserves the right to change such methods of accounting, upon written notice to Members. Any Members may inspect the books and records of the LLC at all reasonable times.

Withdrawal, Redemption Policy, and Other Events of Dissociation

A Member may resign as such at any time. A Member will also cease to be a Member upon, (i) such Members' expulsion from the LLC; or (ii) when Member no longer owns any Membership Interests (any, an event of "Dissociation").

Upon the occurrence of an event of Dissociation: (i) the Member's right to participate in the LLC's governance, receive information concerning the LLC's affairs and inspect the LLC's books and records will terminate; and (ii) unless the Dissociation 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 LLC that existed prior to the effective date of the Dissociation, including any costs or damages resulting

from the Member's breach of this Agreement. Under most circumstances, the Member will have no right to any return of his or her capital prior to the termination of the LLC unless the Manager elects to return capital to a Member.

Members may withdraw as a Member of the LLC and may receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least twenty four (24) months; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts to honor requests for a return of capital subject to, among other things, the LLC's then existing cash flow, financial condition, and prospective loans. Each request for a return of capital will be limited to twenty-five percent (25%) of such Member's capital account balance such that it will take four (4) quarters for a Member to withdraw his, her, or its total investment in the LLC; provided, however, that the maximum aggregate amount of capital that the LLC will return to the Members each year is limited to ten percent (10%) of the total outstanding capital of the LLC. Withdrawal requests will be considered on a prorata basis. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a Member is experiencing undue hardship.

Restrictions on Transfer

The Operating Agreement places substantial limitations upon transferability of LLC interests. No Membership Interest may be transferred if, in the 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 LLC as a LLC or, cause a termination of the LLC for federal income tax purposes.

A transferee may not become a substitute Member without the consent of the Manager. Such consent may not unreasonably be withheld if the Transfer 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 LLC or to inspect the LLC books, but is entitled only to the share of income or return of capital to which the transferor would be entitled. The Manager may require an opinion of counsel prior to any transfer to be provided at the Member's expense.

Manager's Interest

The Manager may withdraw from the LLC at any time upon reasonable written notice to all Members, in which event the Manager would not be entitled to any termination or severance payment from the LLC, 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 LLC nor the Members will have any interest in the proceeds of such sale. However, a successor Manager may only be elected by the Members.

Term of LLC

The term of the LLC will continue until December 31, 2023, with a provision for two extensions of five years each at the sole discretion of the Manager and further extensions provided by majority vote of the Members, unless dissolved sooner. The LLC will dissolve and terminate sooner under any of the following circumstances:

(1) the vote of the Members to dissolve;

(2) the sale of all or substantially all of the LLC's assets;

(3) any event that makes the LLC ineligible to conduct its activities as a limited liability company under the Act; or

(4) otherwise by operation of law.

See Sections 2.3 (Term) and 7.1 (Dissolution) of the Operating Agreement.

Winding-Up

The LLC will not cease to exist immediately upon the occurrence of an event of dissolution, but will continue until its affairs have been wound up. Upon dissolution of the LLC, the Manager will wind up the LLC's affairs by liquidating the LLC'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 LLC shall be applied to satisfy or provide for LLC debts and the balance shall be distributed to Members in accordance with the terms of the Operating Agreement.

Upon dissolution and termination of the LLC, a winding-up period is provided for liquidating the LLC's assets and distributing cash to Members. Due to high prevailing interest rates or other factors, the LLC could suffer reduced earnings (or losses) if a substantial portion of its loan portfolio remains and must be liquidated quickly during the winding up period. Members who sell their Membership Interests prior to any such liquidation will not be exposed to this risk. Conversely, if prevailing interest rates have declined at a time when the loan portfolio must be liquidated, unanticipated profits could be realized by those Members who remained in the LLC until its termination. (See "Summary of Offering – Liquidation Distributions.)

INCOME TAX CONSIDERATIONS

Federal Income Tax Aspects

The following discussion generally summarizes the material federal income tax consequences of an investment in the LLC 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 the prospective Members with respect to their investment in the LLC. 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 LLC or the Members may be subject to state and local taxes in jurisdictions in which the LLC may be deemed to be doing business.

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

Federal Income Tax Matters

The federal income tax consequences of an investment in Membership Interests are complex and their impact may vary depending on each Member's particular tax situation. Potential Members should consider the following federal income tax risks, among others:

(a) The LLC may be classified as an association, taxable as a corporation, which would deprive Members of the tax benefit of operating in a limited liability company form (taxable as a LLC);

(b) A Member's share of LLC taxable income may, in any period exceed his or her share of cash distribution from the LLC;

(c) The allocation of the LLC's income, gain, loss, deduction and credit may lack substantial economic effect and may be reallocated among the Members in a manner different from that set forth in the Operating Agreement;

(d) The federal income tax returns of the LLC might be subject to audit, in which event any adjustments to be made in the LLC's income, gains, losses, deductions, or credits would be made in a unified audit with regard to which Members would have little, if any, control; and,

(e) Adverse changes in the federal income tax laws might occur, which could affect the LLC retroactively as well as prospectively.

EACH PROSPECTIVE MEMBER IS URGED TO SEEK CONSULTATION WITH SPECIFIC REFERENCE TO INDIVIDUAL TAX SITUATIONS AND POTENTIAL CHANGES IN THE APPLICABLE LAW.

No IRS Ruling or Opinion of Legal Counsel

The LLC will not request a ruling from the IRS with respect to any tax issues concerning the LLC, including, but not limited to, whether the LLC will be classified as a "LLC" for federal income tax purposes, or any issues concerning an investment in the LLC. Furthermore, the LLC will not obtain an opinion of counsel with respect to any of the tax issues concerning the LLC or an investment in the LLC.

LLC Tax Status

The Members will be entitled to deduct their distributive shares of any LLC tax deductions, and to include in income their distributive shares of any LLC income or gains, only if the LLC is classified as a "LLC" rather than a "corporation" for federal income tax purposes. If it is recognized as a "LLC" for tax purposes, the LLC will not be subject to federal income tax on any of its taxable income, and all LLC income, gains, losses, deductions and credits will pass through to the Members and will be taxable only once to the Members themselves. On the other hand, if the LLC were to be classified as an "association" taxable as a corporation, the LLC would be subject to federal income tax on its taxable income at the tax rates applicable to corporations, and the Members would not be allowed to claim any LLC tax credits or deduct any LLC operating losses on their individual returns. Consequently, classification of the LLC as a LLC for federal income tax purposes will enable the Members to secure the anticipated tax benefits of their investment in the LLC.

Federal Taxation of Limited Liability Companies and Members

A limited liability company is treated as a LLC for tax purposes, unless, as discussed above, it is classified as an "association" taxable as a corporation. For purposes of this discussion, it is assumed the LLC will be classified as a LLC for federal income tax purposes. As such, the LLC incurs no federal income tax liability. Instead, all Members are required to report on their own federal income tax returns their distributive share of the LLC's income, gains, losses, deductions and credits for the taxable year of the LLC ending with or within each Member's taxable year, without regard to any LLC distributions.

Taxation of Undistributed LLC Income (Individual Investors)

Under the laws pertaining to federal income taxation of limited liability companies, no federal income tax is paid by the LLC as an entity. Each individual member reports on his or her federal income tax return his or her distributive share of LLC income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Each individual member may deduct his or her distributive share of LLC losses, if any, to the extent of the tax basis of his or her Membership Interests at the

end of the LLC year in which the losses occurred. The characterization of an item of profit or loss will usually be the same for the member as it was for the LLC. Since individual members will be required to include LLC income in their personal income without regard to whether there are distributions of LLC income, such Investors will become liable for federal and state income taxes on LLC income even though they have received no cash distributions from the LLC with which to pay such taxes.

Distributions of Income

To the extent cash distributions exceed the current and accumulated earnings and profits of the LLC, they will constitute a return of capital, and each Member will be required to reduce the tax basis of his or her Membership Interests by the amount of such distributions and to use such adjusted basis in computing gain or loss, if any, realized upon the sale of Membership Interests. Such distributions will not be taxable to Members as ordinary income or capital gain until there is no remaining tax basis, and, thereafter, will be taxable as gain from the sale or exchange of the Membership Interests.

LLC Allocations

A Member's distributive share of LLC income, gains, deductions, losses and credits for federal income tax purposes is generally determined in accordance with provisions of the Operating Agreement. However, the IRS may reallocate such items if an allocation in the Operating Agreement does not have "substantial economic effect" and is in accordance with the Member's respective "economic interest" in the LLC.

The IRS has issued regulations to determine whether an allocation has "substantial economic effect," or if it is in accordance with the Member's respective "economic interests" in the LLC. In general, an allocation of income, gain, loss or deduction, or an item thereof, to a Member has economic effect if, and only if:

(1) the allocation is properly reflected in that Member's capital account and such capital account is maintained in accordance with the regulations;

(2) liquidation proceeds are to be distributed in accordance with the Member's positive capital account balances; and

(3) either:

(a) any Member with a deficit in its capital account following the distribution of liquidation proceeds must restore the amount of such deficit to the LLC by the later of either the end of the taxable year of the liquidation or ninety (90) days after the liquidation, or

(b) the Operating Agreement must contain "qualified income offset" and “minimum gain charge back" provisions applicable to the Members.

The Operating Agreement does not require Members to restore deficit balances in their capital accounts. However, the Operating Agreement does contain provisions that are believed to meet the requirements for "qualified income offset" and "minimum gain charge back" provisions. (See herein Section 4.2 of the Operating Agreement)

In order for the economic effect of an allocation to be considered substantial, the U.S. Department of Treasury regulations require that the allocations must have a reasonable possibility of substantially affecting the dollar amounts to be received by the Members, independent of tax consequences. In applying the substantiality test, tax consequences that result from the interaction of the allocation with such Members tax attributes that are unrelated to the LLC must be taken into account.

Limitations on Deduction of Losses

Adjusted Basis: The adjusted basis of a Member's interest in the LLC is equal to the amount of cash or the adjusted basis of any property which that Member contributes to the LLC,

(1) increased by that Member's share of LLC liabilities, if any,
(2) decreased (but not below zero) by distributions to the Member from the LLC (including constructive cash distributions resulting from a decrease in LLC liabilities),
(3) decreased by the Member's allocable share for the taxable year and prior taxable years, of the LLC's losses, and
(4) increased by that Member's allocable share for the taxable year and prior taxable years of the LLC's income.

Under certain circumstances, Members may include a portion of certain LLC liabilities in their basis. The LLC does not presently intend to borrow funds from any Member. In general, LLC recourse liabilities are shared by the Members in the same manner as they share LLC losses, and LLC non-recourse liabilities are shared by the Members in the same manner as they share LLC profits. A LLC liability is a recourse liability to the extent that one or more Members bear the economic risk of loss for such liability. A LLC liability is a non-recourse liability to the extent that no Member bears the economic risk of loss for such liability. It is not known at this time if the LLC will incur any recourse liabilities or any non-recourse liabilities.

If a Member's allocable share of a LLC loss for any LLC taxable year exceeds the Member's adjusted basis in his/her interest in the LLC at the end of that taxable year, such excess may not be deducted at that time but may be carried over and deducted in any later year in and to the extent that, the Member's adjusted basis in his/her interest in the LLC at the end of the later taxable year exceeds zero.

At-Risk Rules: In addition to the adjusted basis limitation, a Member's ability to deduct Company losses is further limited by the at-risk rules. These rules, which only apply to individuals and certain closely held corporations, allow a Member to deduct losses from an at-risk activity only to the extent of the Member's amount at-risk with respect to such activity at the close of the taxable year. Each Member will be considered at-risk with respect to that Member's initial cash capital contribution to the LLC. A Member generally is not considered to be at-risk for LLC liabilities with respect to which the Member has no personal liability.

A Member will only be considered at-risk for LLC indebtedness to the extent that the Member is personally liable for repayment of such indebtedness or the Member pledged certain property as security for the repayment of such indebtedness. Also, in case of certain real property holding activities, a Member will be considered at-risk for qualified non-recourse financing as defined in the Code. Each Member's initial amount at-risk for their interest in the LLC will be limited to such Member's initial cash capital contribution to the LLC. If a Member borrows the money to fund a capital contribution to the LLC, the Member should consult his or her own tax advisor regarding the possible tax consequences of such borrowing under the at-risk rules.

Passive Loss Rules: In addition to the adjusted basis limitation and at-risk rules, the ability of a Member that is an individual or a closely held corporation to deduct a share of LLC losses is further limited by the passive loss rules. These rules provide that passive activity losses can only be deducted against passive activity income and cannot be deducted against income from other sources. A passive activity is any activity which involves the conduct of any trade or business and in which the taxpayer does not materially participate. Depending on their individual situations, Members may or may not be considered to materially participate in the management of the LLC, and the income and losses from the LLC may or may not be treated as income or loss from a passive activity. Since the impact of the passive loss rules will vary from Member to Member, all Members should consult their own tax advisor regarding this matter.

Profit Objective of the LLC

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:

(1) the gross income derived from the activity; or

(2) deductions (such as interest and taxes) that are allowable in any event.

The applicable Treasury 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 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 LLC will satisfy this test.

Portfolio Income

The LLC's primary source of income will be interest, which is ordinarily considered "portfolio income" under the Internal Revenue Code ("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 LLC will be treated as portfolio income, not as passive income, to Members. Therefore, Investors in the LLC will not be entitled to treat their proportionate share of LLC income as passive income, against which passive losses (such as deductions from unrelated real estate investments) may be offset.

Property Held Primarily for Sale: Potential Dealer Status

The LLC has been organized to invest in loans primarily secured by deeds of trust on real property. However, if the LLC were at any time deemed for federal tax purposes to be holding one or more LLC loans primarily for sale to customers in the ordinary course of business (a "dealer"), any gain or loss realized upon the disposition of such loans 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 to customers in the ordinary course of business would also constitute unrelated business taxable income to any Investors 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 LLC intends to make and hold the LLC loans for investment purposes only, and to dispose of LLC loans, by sale or otherwise, at the discretion of the Manager and as consistent with the LLC's investment objectives. It is possible that, in so doing, the LLC will be treated as a "dealer" in mortgage loans, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt Investors in the LLC.

Unrelated Business Taxable Income

DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE THE APPLICATION OF ERISA TO HIS OR HER PROSPECTIVE INVESTMENT.

The following summary constitutes only a general discussion of certain aspects of unrelated business taxable income as it applies to Qualified Plans and other tax-exempt entities. A detailed analysis of ERISA considerations of an investment in the LLC is beyond the scope of this discussion.

Membership Interests may be offered and sold to certain tax-exempt entities (if such as qualified pension or profit sharing plans or other tax exempt entities qualified under ERISA) that otherwise meet the Investor suitability standards described elsewhere in this Memorandum. See herein "Investor Suitability Standards")

Such tax exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business which generates "unrelated business taxable income," as that term is defined by Section 513 of the Code. Under the Code, tax exempt purchasers of Membership Interests will be deemed to be engaged in an unrelated trade or business by reason of interest income earned by the LLC. Interest income (which will constitute the primary source of LLC income) does not constitute an item of unrelated business taxable income, except to the extent it is derived from debt financed property.

Rents from real property and gains from the sale or exchange of property are also excluded from unrelated business taxable income, unless the property is held primarily for sale to customers or is acquired or leased in certain manners described in Section 514(c)(9) of the Code. Therefore, unrelated business taxable income may also be generated if the LLC operates or sells at a profit any property that has been acquired through foreclosure on a LLC loan, but only if such property (1) is deemed to be held primarily for sale to customers, or (2) is acquired from or leased to a person who is related to a tax-exempt Investor in the LLC.

The trustee of any trust that purchases Membership Interests in the LLC should consult with his or her tax advisors regarding the requirements for exemption from federal income taxation and the consequences of failing to meet such requirements, in addition to carefully considering his or her fiduciary responsibilities with respect to such matters as investment diversification and the prudence of particular investments.

Sale of Member Interest in the LLC

Because the LLC may report income on the accrual basis and not distribute all earnings to Members because of cash flow considerations, the sale by Members of their interests in the LLC generally may result in a capital gain (or loss). This is because any gain attributable to a Member's share of the LLC's unrealized receivable or inventory items that have substantially appreciated in value may be reflected in the value of a Membership Interest. Any distributions as a result of events such as these will be taxed as ordinary income. In the event of a sale or transfer of an interest in the LLC by a Member, the distributive share of LLC income, gain, loss, deduction or credit for the entire interest would be allocated between the transferor and the transferee.

In the unlikely event that fifty percent (50%) or more of the total number of Membership Interests in the capital and profits of the LLC are sold or exchanged within any consecutive twelve (12) month period, the LLC would be considered terminated for federal income tax purposes. A termination of the LLC for federal income tax purposes would cause the LLC's taxable year to end with respect to all Members and could have potentially adverse federal income tax consequences, including a change in the adjusted tax basis of LLC property and the bunching of taxable income within one taxable period. The LLC is empowered, by the Operating Agreement, to prohibit of any transfer of interest in the LLC that would cause such termination.

Liquidation of the LLC

Upon liquidation of the LLC, any gain or loss recognized by reason of a distribution to the Members will be considered as gain or loss from the sale exchange of a capital asset, except to the extent of unrealized receivable and substantially appreciated inventory items. Members will recognize gain on the distribution only to the extent any money received, including a reduction in a Member's share of LLC liabilities for which no Member is personally liable, exceeds the Member's adjusted basis of its interest in the LLC. Loss will not be recognized except under certain limited circumstances. A loss may be recognized as a result of offsetting the capitalized syndication fees of the LLC against the liquidation proceeds. Generally, the basis to a Member of any property distributed in-kind is its adjusted basis for its Membership Interest, less any money received in the distribution.

Alternative Minimum Tax

Individual Members may be subject to the alternative minimum tax, which increases a Member's tax liability to the extent the Member's "Alternative Minimum Tax" exceeds his or her regular income tax (less certain credits) for the year. The amount of alternative minimum tax liability (if any) for a Member will depend on

such Member's income, gain, deduction, loss, credit and tax preference from sources other than the LLC and the interaction of these items with such Member's share of LLC income, gain, loss, deduction, credit and tax preference in determining a Members alternative minimum taxable income. The passive loss limitation rules discussed above will apply to income, gain, deductions, loss and credits from LLC sources in the same manner as in determining its/his/her regular taxable income.

BECAUSE OF THE COMPLEXITY OF THE COMPUTATION OF THE ALTERNATIVE MINIMUM TAX, PROSPECTIVE MEMBERS ARE URGED TO CONSULT THEIR PERSONAL TAX ADVISORS WITH REGARD TO THE IMPACT OF THE ALTERNATIVE MINIMUM TAX ON THEIR TAX SITUATIONS.

LLC Election to Step Up the Basis of its Assets when Members Sell Their Membership Interest in the LLC

When Members sell or exchange Membership Interests, the Transferee Members may have an adjusted basis in the Membership Interests equal to their cost. The LLC does not automatically adjust the tax basis of its property to reflect the change in the Transferee Member's adjusted basis for his/her Interest. However, the LLC may elect, in its sole discretion, upon a sale or exchange of a Member's Membership Interests in the LLC, to adjust the tax basis of LLC property only for purposes of determining the Transferee Member's share of depreciation and gain or loss from the LLC. The general effect of such an election is that the Transferee Members are treated, for purposes of depreciation and gain or loss, as though they had acquired a direct Interest in the LLC assets, and therefore a new cost basis for such assets. Any such election, once made, cannot be revoked without the consent of the IRS. If the LLC chooses not to make the aforementioned election, a Transferee Member may be at a disadvantage in selling their Interest in the LLC since the Transferee ordinarily would obtain no current tax benefit for the excess, if any, of the cost of such Interest over the Transferee's share of the LLC's adjusted basis in its assets.

LLC Audits: The Tax Treatment of LLC Items and Penalties

The tax treatment of all LLC items of income, expense, gain or loss will be determined at the Company level in a consolidated proceeding rather than in separate proceedings with the Members. A determination by the IRS in proceedings at the Company level is referred to as a final administrative adjustment ("FAA"). When an FAA is made, the IRS must initially send notice to a "Tax Matters Partner." The Company believes that in the context of a limited liability company, the IRS will recognize the Manager as the appropriate person to serve in that capacity. The Operating Agreement designates the Manager as Tax Matters Partner, but gives the Manager the authority to designate another person. The IRS also has such authority. Generally, notice to the Members must be mailed within sixty (60) days after the mailing of notice to the Tax Matters Partner. Every Member is entitled to participate in the IRS administrative proceedings at the LLC level. If a settlement is reached with one or more Members, it is binding on them. All other Members shall be entitled to settle on the same terms if they so request. A Member will not be bound by the Tax Matters Partner's settlement agreement if the Member files a statement, within a period to be prescribed by the Secretary of the Treasury, stating that the Tax Matters Partner does not have the authority to enter into a settlement with the IRS on his or her behalf. In general, no person other than the Tax Matters Partner may bind any Member with respect to a settlement agreement with the IRS. Also, the LLC and its Members may choose to litigate an assessment of tax made under the IRS FAA procedures.

While the IRS will ordinarily be required to initiate proceedings against the LLC and not against an Individual Member, such requirement is waived with respect to any Member whose treatment of an item on his or her individual return is inconsistent with the treatment of that item on the LLC's tax return, unless the Member files a statement with the IRS identifying the inconsistency. In the absence of such a disclosure, the IRS may, without sending the Member a deficiency notice, assess and collect the additional tax necessary to make the Members treatment of the item consistent with the LLC's treatment of the item.

If a deficiency is determined as the result of an audit, each Member will be liable for payment of his or her share of the deficiency, plus compound interest at the then applicable interest rate. Interest on tax deficiencies is generally non-deductible. If a deficiency is determined as the result of an audit, Members may be subject to the "Accuracy related penalty" on all or a portion of the deficiency. The amount of the accuracy related penalty is twenty percent (20%) of any underpayment attributable, among other things, to:

(1) negligence or intentional disregard of rules or regulations,

(2) a substantial underpayment of tax, or

(3) a substantial valuation overstatement.

This penalty does not apply if the Member can show there was reasonable cause for the underpayment and the Member acted in good faith with respect to the underpayment. In the case of a deficiency attributable to a substantial underpayment, the penalty also does not apply to the extent the Member had "substantial authority" for the position taken on the tax return or the facts relevant to that position were adequately disclosed on the Members return or in a statement attached to the return.

Organization Expenses

Once the assets of the LLC reach $5,000,000), the Manager, at its discretion, maybe reimbursed for all operating and administrative expenses of the LLC and for actual out-of-pocket organizational and syndication expenses. Amounts paid or incurred to organize the LLC are not currently deductible.

Tax Returns

The LLC intends to retain a certified public accounting firm to prepare and review the LLC's annual federal information tax return, including Schedule K-1, which the LLC will issue to all Members, and other tax returns the LLC may be required to file. The Schedule K-1 will provide the Members with the information regarding the LLC that the Members will need to prepare and file their own tax returns.

Tax Year

The LLC intends to adopt a December 31st year-end for federal income tax reporting purposes.

Method of Accounting

The LLC will report its income for federal income tax reporting purposes using the accrual method of accounting. Under the accrual method, income is reportable in the year when earned, whether or not it has actually or constructively been received, and expenses are deductible in the year in which all events have occurred that determine the fact of the LLC's liability, the amount of the liability is determinable with reasonable accuracy and "economic performance" (as defined in the Code) has occurred.

Tax Shelter Registration

The Manager has determined the LLC is not a tax shelter under the applicable tax shelter registration rules. Accordingly, the Manager will not register the LLC with the IRS as a tax shelter.

Tax Law Subject to Change

Frequent and substantial changes have been made and will likely continue to be made, to the federal 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 detailed analysis of the state and local tax consequences of an investment in the LLC is beyond the scope of this discussion. Prospective Members are advised to consult their own tax counsel regarding these consequences and the preparation of any state or local tax returns that a Member may be required to file.

ERISA CONSIDERATIONS

General

The Employee Retirement Income Security Act of 1974 ("ERISA") contains strict fiduciary responsibility rules governing the actions of "fiduciaries" of employee benefit plans. It is anticipated that some Members will be corporate pension or profit sharing plans, or other employee benefit plans that are subject to ERISA. In any such case, the person making the investment decision concerning the purchase of Membership Interests will be a "fiduciary" of such plan and will be required to conform to ERISA's fiduciary responsibility rules.

DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE THE APPLICATION OF ERISA TO HIS OR HER PROSPECTIVE INVESTMENT.

Prudent Man Standard

Persons making investment decisions for employee benefit plans (i.e., "fiduciaries") must discharge their duties with the care, skill and prudence which a prudent man familiar with such matters would exercise in like circumstances. In evaluating whether the purchase of Membership Interests is a prudent investment under this rule, fiduciaries should consider all of the risk factors set forth above. Fiduciaries should also carefully consider the possibility and consequences of unrelated business taxable income (see herein "Tax Considerations"), as well as the percentage of plan assets which will be invested in the LLC insofar as the diversification requirements of ERISA are concerned. An investment in the LLC is non-liquid, and fiduciaries must not rely on an ability to convert an investment in the LLC into cash in order to meet liabilities to plan participants who may be entitled to distributions.

FAILURE TO CONFORM TO THE PRUDENT MAN STANDARD MAY EXPOSE A FIDUCIARY TO PERSONAL LIABILITY FOR ANY RESULTING LOSSES

Prohibited Transactions

The Manager shall not accept subscriptions for Membership Interests from ERISA, IRA or other retirement plan Investors unless, immediately after any such Membership Interests are sold, the aggregate of ERISA, IRA, and other retirement plan Investors will hold less than twenty-five percent (25%) of the total outstanding equity interests in the LLC (measured by capital accounts).

Annual Valuation

Fiduciaries of plans subject to ERISA are required to determine annually the fair market value of the assets of such plans as of the close of any such plan's fiscal year. Although the Manager will provide annually upon the written request of a Member an estimate of the value of the Membership Interests based upon, among other things, outstanding mortgage investments, it may not be possible to value the Membership Interests adequately from year to year, because there will be no market for them.

ADDITIONAL INFORMATION AND UNDERTAKINGS

The Manager undertakes to make available to each offeree every opportunity to obtain any additional information from the LLC or the Manager necessary to verify the accuracy of the information contained in this

Memorandum, to the extent that it possesses such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, all the organizational documents of the LLC, recent financial statements for the Manager and all other documents or instruments relating to the operation and business of the LLC and material to this offering and the transactions contemplated and described in this Memorandum.

END.

EXHIBIT “A”

(Limited Liability Operating Agreement)

EXHIBIT “B”

(Subscription Agreement and Power of Attorney)

EXHIBIT “C”

(Current Financial Statements)

EXHIBIT "D"

(Current Portfolio Characteristics as of: _____)

Number of the loans held by LLC	
Dollar amount of the loans held by the LLC	
Number of loans 30 – 59 days overdue	
Number of loans 60 - 89 days overdue	
Number of loans 90+ days overdue	
Number of foreclosures during prior 12 months	
Dollar amount of the loans related to the foreclosures in prior 12 months	
Dollar gains or losses on the sales of real estate foreclosed upon during prior 12 months	
Dollar amount of loans whose security was eliminated by virtue of foreclosure by a senior lien during prior 12 months	
Location of collateral by dollar amount by county	
Percentage of loans by dollar amount that are 1st trust deeds	
Percentage of loans by dollar amount that are 2nd trust deeds	
Percentage of loans by dollar amount that are 3rd trust deeds	
Percentage of loans by dollar amount that are residential	
Percentage of loans by dollar amount that are non-residential	
Percentage of loans by dollar amount that are HELOCs	
Percentage of loans by dollar amount that are outstanding to the Manager or Affiliates	
Impairment losses on real estate owned	