**Scale Au LLC**

A WYOMING LIMITED LIABILITY COMPANY

# CONFIDENTIAL OFFERING MEMORANDUM

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**January 7, 2026**

**Revised February 1, 2026**

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**ATTENTION: GAYDON "G" LEAVITT**

**THIS IS NOT AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES DESCRIBED HEREIN IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SALE.**

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**EXHIBITS**

## IMPORTANT GENERAL CONSIDERATIONS

A prospective investor (an "**Investor**") in Scale Au LLC, a Wyoming limited liability company (the "**Company**") should not construe the contents of this Confidential Offering Memorandum, as amended or restated from time to time (this "**Memorandum**"), as legal, tax or investment advice. If an Investor desires to invest in convertible debt agreements (the "**Notes**") and agrees to become a noteholder of the Company (a "**Noteholder**"), such Investor will be required to make a representation to that effect. Each Investor should review the proposed investment and the legal, tax and other consequences thereof with its own professional advisors. The purchase of the Notes involves certain risks and conflicts of interest between the Company and its manager (the "**Manager**"). (See "RISK FACTORS AND CONFLICTS OF INTEREST.") The Manager reserves the right to refuse any subscription for any or no reason.

In making an investment decision, an Investor must rely on its own examination of the Company and the terms of the offering of the Notes, including the merits and risks involved. Each Investor and its representative(s), if any, are invited to ask questions and obtain additional information from the Manager concerning the terms and conditions of the offering, the Company, and any other relevant matters to the extent the Manager possesses such information or can acquire it without unreasonable effort or expense.

Neither the U.S. Securities and Exchange Commission (the "**SEC**") nor any state securities commission has approved or disapproved of this investment or passed upon the merits of participating in the Company, nor has the SEC or any state securities commission passed upon the adequacy or accuracy of this Memorandum. Any representation to the contrary is a criminal offense. The Manager anticipates that: (i) the offer and sale of the Notes will be exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**") pursuant to an exemption provided by Rule 506(b) of Regulation D under Section 4(a)(2) of the Securities Act, and will also be exempt from the various state securities laws and (ii) the Company will not be registered as an investment company under the Investment Company Act of 1940, as amended (the "**Investment Company Act**") pursuant to an exemption provided by Section 3(c)(1) of the Investment Company Act. The Company is not registered as an investment adviser with the SEC or any state regulatory authority on the belief that it is exempt from such registration.

The offering of Notes may only be made by delivering a copy of this Memorandum to the person whose name appears on this Memorandum. The offering may be made only to Investors that qualify as "accredited investors" as that term is defined in Rule 501 of Regulation D under the Securities Act. This Memorandum may not be reproduced, either in whole or in part, without the prior express written consent of the Manager. By accepting delivery of this Memorandum, an Investor agrees not to reproduce or divulge its contents and, if an Investor does not purchase any Notes, to return this Memorandum to the Manager or destroy this Memorandum.

There is no public market for the Notes, nor is any expected to develop. Even if such a market develops, no resale or transfer of the Notes will be permitted except in accordance with the

provisions of the Securities Act, the rules and regulations promulgated thereunder, any applicable state securities laws and the terms and conditions of the Note. Any transfer of a Note by a Noteholder, public or private, will require the consent of the Manager. Accordingly, if an Investor purchases a Note, it will be required to represent and warrant that it has read this Memorandum and is aware of and can afford the risks of an investment in the Company for the term of the Note. An Investor will also be required to represent that it is acquiring the Notes for its own account, for investment purposes only, and not with any intention to resell or transfer all or any part of the Notes. This investment is suitable for an Investor which has adequate means of providing for its current and future needs, has no need for liquidity in this investment and can afford to lose the entire amount of its investment.

Although this Memorandum contains summaries of certain terms of certain documents, an Investor should refer to the actual documents (copies of which are attached to this Memorandum or are available from the Manager) for complete information concerning the rights and obligations of the parties to each document. All summaries contained in this Memorandum are qualified in their entirety by the terms of the actual documents. No person has been authorized to make any representations or furnish any information with respect to the Company or the Notes, other than the representations and information set forth in this Memorandum or other documents or information furnished by the Manager upon request, as described above.

No rulings have been sought from the U.S. Internal Revenue Service (the "**IRS**"), or any state or other taxing authorities with respect to any tax matters discussed in this Memorandum. Each Investor is cautioned that the views contained in this Memorandum are subject to material qualifications as well as possible changes to, or revised interpretations of, applicable statutes and regulations by the IRS, the U.S. Congress, the courts or pursuant to other legislative or administrative action with respect to such existing tax statutes or regulations.

The information contained in this Memorandum is current only as of the date that appears on the cover page. Investors should not, under any circumstances, assume that there have not been any changes to the information included in this Memorandum.

## CONFIDENTIALITY NOTICE

This Memorandum and the materials accompanying this Memorandum contain confidential, proprietary, and nonpublic information, relating to matters including, without limitation, investment strategies, financial information, and data (collectively, the "**Information**"), regarding the Company, its Portfolio Companies (as defined elsewhere in the Memorandum and their respective affiliates, including their officers, directors, members, partners, shareholders, managers, employees, agents and the Principal (as defined elsewhere in this Memorandum) or any entities owned or managed by the Principal (collectively, the "**Affiliates**"). Each recipient hereof agrees by accepting this Memorandum that the Information is of a confidential nature and that such recipient will treat the Information in a strictly confidential manner and that such recipient will not, directly or indirectly, disclose or permit such recipient's affiliates to disclose any Information to any other person or entity, or reproduce the Information, in whole or in part, without the Manager's prior written consent. The recipient of this Memorandum further agrees to use the Information solely for the purpose of analyzing the desirability of a purchase of Notes of the Company and for no other purpose whatsoever. The recipient hereof agrees not to use the

Information in any way that is harmful to or competitive with the Company and its Affiliates. The recipient of this Memorandum agrees to return this Memorandum and all related documentation if the recipient does not purchase Notes of the Company in this offering.

**THESE ARE SPECULATIVE INVESTMENTS WHICH INVOLVE A HIGH DEGREE OF RISK. ONLY THOSE INVESTORS WHICH CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD INVEST IN THESE NOTES.**

**THIS OFFERING IS NOT UNDERWRITTEN. THE OFFERING PRICE HAS BEEN ARBITRARILY SET BY THE MANAGER. THERE CAN BE NO ASSURANCE THAT ANY OF THE NOTES WILL BE SOLD.**

## NASAA UNIFORM DISCLOSURE

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE NOTES 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 NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.**

**FLORIDA RESIDENTS:**

**IF SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, AND YOU PURCHASE SECURITIES HEREUNDER, THEN YOU MAY VOID SUCH PURCHASE EITHER WITHIN THREE CALENDAR DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY YOU TO THE ISSUER, AN AGENT OF THE ISSUER, OR AN ESCROW AGENT OR WITHIN THREE CALENDAR DAYS AFTER THE AVAILABILITY OF THIS PRIVILEGE IS COMMUNICATED TO YOU, WHICHEVER OCCURS LATER.**

## PRIVACY NOTICE

Current regulations require financial institutions (including investment funds) to provide their investors with initial and annual privacy notices describing the institution's policies regarding the sharing of information about their investors. In connection with this requirement, we are providing this Privacy Notice to each of our Investors.

We do not disclose nonpublic personal information about our Investors or former Investors to third parties other than as described below.

We collect information about you (such as name, address, social security number, assets and income) from our discussions with you, from documents that you may deliver to us (such as subscription documents) and in the course of providing services to you. In order to service your account and effect your transactions, we may provide your personal information to our affiliates and to firms that assist us in servicing your account and have a need for such information, such as the Manager, administrator, auditors, legal counsel or accountants. We do not otherwise provide information about you to outside firms, organizations or individuals except as required or permitted by law. Any party that receives this information will use it only for the services required and as allowed by applicable law or regulation, and is not permitted to share or use this information for any other purpose.

## SUMMARY OF OFFERING AND NOTE TERMS

The following summary is qualified in its entirety by the more detailed information contained elsewhere in this Confidential Offering Memorandum, as amended or restated from time to time (this "**Memorandum**") and by the terms and conditions of the convertible debt agreements (each, a "**Note**") and other referenced documents. An Investor should read this entire Memorandum and the Note carefully before making any investment decision regarding the Company and should pay particular attention to the information under the heading "RISK FACTORS AND CONFLICTS OF INTEREST." In addition, an Investor should consult its own advisors in order to understand fully, the consequences of an investment in the Company. Unless specifically noted otherwise, references throughout this Memorandum to the Company will include the Manager (as defined below) and any agent authorized to act on the Company's behalf.

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| **Company** | Scale Au LLC (the "**Company**") is a limited liability company organized in the state of Wyoming on October 8, 2024. The Company is a wholly owned subsidiary of Toolbox OS, Inc. ("**Toolbox OS**"), a Wyoming corporation that produces a shared business infrastructure in efforts to assist portfolio companies or subsidiaries in increasing review, earnings before income taxes, depreciation and amortization ("**EBITDA**"), and their valuation.<br><br>The Company, Toolbox OS and Portfolio Companies (as defined below) are not registered as an investment adviser with the SEC or any state regulatory authority on the belief that it is exempt from such registration. |
| **Portfolio Companies** | Toolbox OS as part of its diversification strategy and growth has invested in a number of private companies that are owned, operated, managed, or otherwise affiliated with entrepreneurs that have previously entered into an agreement with the Company and in which the Company is providing infrastructure under such agreement and in which the Company owns an equity interest (the "**Portfolio Companies**"). The Portfolio Companies may include companies that manage investment assets. |
| **Affiliates** | An affiliate with reference to the Company includes any of its Portfolio Companies and such entity's officers, directors, members, partners, shareholders, managers, employees, agents and the Principal or any entities owned or managed by the Principal (collectively the "**Affiliates**"). |
| **Manager** | The Company has a single manager, Toolbox OS (the "**Manager**"). Toolbox OS has a Board of Directors (the "**Toolbox Board**"). The Toolbox Board has delegated management of its day-to-day operations to Gaydon Leavitt as director (the "**Principal**"). Additionally, Mr. |

Leavitt will oversee the operations, administrations, marketing, investment selection and/or positioning of the Company. Implementation of the Company's investment strategy and operations will be completed by the Principal and Affiliates.

**Investment Strategy**

The Company's investment strategy is to lend money through the issuance of one or more convertible debt agreements (the "**Borrower Notes**") to be issued by Broker Holding LLC, a Wyoming limited liability company (the "**Borrower**"), which is an affiliate of the Manager. The Borrower Notes will be used to (i) lend funds to, joint venture, revenue share or profit share with, or acquire gold contracts or any other interest in gold from, one or more licensed gold brokerage companies for the purposes of funding buy-sell gold contracts (each, a "**Gold Broker**"), (ii) cover any expenses related thereto and for any business purpose as determined in the sole and absolute discretion of the Manager or (iii) any combination of the above. The Gold Brokers may be located inside and outside of the United States but will be licensed in their respective jurisdictions. The Gold Brokers are expected to use funds that they receive to facilitate the purchase of gold or interest in gold from various global sources and sell it to various persons in the official sector, which consist of central banks, other governmental agencies and international organizations that buy, sell, and hold gold as part of their reserve assets. Funds by the Borrower are expected to be lent or advanced to, or used as collateral by, the Gold Brokers as contracts for the buy-sell transactions are executed. Currently, the Company has not placed a limit on the amount of principal (the "**Borrower Principal Amount**") that it will loan to the Borrower at a particular time, but will actively manage the Borrower's payment history in determining whether, in the Manager's opinion, any additional funding will be made. Loans to, or contracts, agreements, transactions and/or engagements with, Gold Brokers will generally be on terms that provide the Borrower with recurring monthly or quarterly interest, revenue or profit payments with an option to reinvest such interest, revenue, or profit; however, the Borrower may agree to different payment terms and structures in its sole and absolute discretion. All acquisitions of gold or interests of gold from the Gold Brokers are expected to be sold within fifteen (15) calendar days of receipt of such contract or interest. All The Borrower intends to use a mixture of such interest, revenue and profit payment terms to manage its payment obligations to the Company. The Borrower's loans will include a conversion feature that provides the Borrower with equity in the Gold Brokers, with rights to preferential distributions and requirements that such distributions are periodically made. The Borrower's joint-venture, revenue share and profit share agreements are expected to provide the Borrower with collateral in, or right to

acquire most if not all interest in any gold or other asset of the Gold Broker collateralizing the buy-sell transaction.

As part of its agreement with the Borrower and one of its Gold Brokers, the Company has secured a collateral interest in raw gold owned by such Gold Broker that it expects to be available to satisfy its interest and principal obligations specifically with holders of senior notes with which the Company has offered a priority payment to from such collateral. However, to the extent that the price of the Company's collateral exceeds the outstanding principal and interest in those senior notes, the Company expects any excess to be available to satisfy the Company's payment obligations on the Notes. Title on the gold will be in name of the Company and the Gold Broker providing the collateral and held in a storage facility outside the United States. Pursuant to its agreement with the Gold Broker, this collateral will be kept in a secure storage facility and may not be sold, transferred or otherwise deposed of by the Gold Broker without the written consent of the Gold Broker. Further, the Company intends to have agreements in place with the storage facility that restricts the Gold Broker's access, use, transport, transfer or sale of any gold collateral held at such facility without consent of the Company and provides the Company with ability to non-judicially foreclose on the gold and take immediate possession of it in the event of a default of payment by the Gold Broker relating to gold activities funded by the Company through the Borrower. However, there is no guarantee that such agreements will be honored by either party or that the Company will be able to foreclose on such collateral in the event of default. See "RISK FACTORS AND CONFLICTS OF INTEREST - *The Company May Have Difficulty Protecting Its Rights as a Secured Lender*."

**Terms of Borrower Note**

The maturity date of each Borrower Note will be determined on a note-by-note basis (the "**Borrower Note Maturity Date**") and be renewable at the option of the Company. Upon the Borrower Note Maturity Date, the Company will be entitled to receive the Borrower Principal Amount due to be paid on the Borrower Note less any prepayments of the Borrower Principal Amount during the term of the Borrower Note and all accrued, but unpaid, interest on such Borrower Principal Note for the term of the Borrower Note (the "**Borrower Balloon Payment**"). The interest rate on each Borrower Note is expected to be 10.00% per month, simple interest, although the Manager will have the authority to agree to different interest rates with the Borrower (the "**Borrower Note Interest Rate**"). The Company will receive periodic interest payments and may reinvest any portion of such interest under the terms of the Borrower Note. Additionally, the Company will have the option to make periodic calls of interest earned and any Borrower Principal Amount lent to the Borrower to cover costs of the Company, fees for the Manager, and principal and interest payments due to Noteholders

upon maturity of the Company's Notes. The Borrower, at its election, also may prepay any Borrower Notes at any time without penalty or premium.

In the event that the Borrower fails to make a payment of the Borrower Principal Amount or any accrued interest in accordance with the terms of any Borrower Note at the Borrower Note Maturity Date or any prepayment request, as does not cure such payment failure during the provided cure period, the Borrower will have the option to convert the outstanding principal and interest due to the Company under such Borrower Note into preferred equity in the Borrower, that will provide the Company with preferential distribution payments equal at least to the 10.00% interest rate that the Company was entitled to, in accordance with the terms of the Borrower Note. Further, the Borrower will be required to provide for periodic distributions of funds under the terms of its operating agreement.

**Investment Risks**

The Company's investment program is speculative and entails substantial risks, including, among others: dependency on key individuals, lending risks, default risks, counter-party default risk, concentration risk, litigation risk, and the risk that exit strategies from positions may be unavailable and have limited liquidity. An Investor should not invest in the Company unless: (i) it is fully able to bear the financial risks of its investment for an indefinite period of time; and (ii) it can sustain the loss of all or a significant part of its investment and any related realized or unrealized profits. An Investor could lose some or all of its investment in the Company. There can be no assurance that the investment objectives of the Company will be achieved or that the Company's investment strategy will be successful. Past results of the Company or its Affiliates (including the Principal) are not necessarily indicative of the future performance of the Company.

**Diversification**

The Company does not have fixed guidelines for diversification and will concentrate its investments in gold, but may use different investment strategies depending on the Principal's assessment of the available investment opportunities.

**Offering**

***Continuous Offering***. The Company is offering four types of convertible debt agreements: (i) two-year and three-year convertible debt agreements with quarterly interest payments (the "**Class A Notes**"), (ii) one-year notes with no quarterly payment and a single lump sum payment of principal and interest at upon the maturity date of such note (the "**Class B Notes**") and (iii) five-year convertible debt agreements with annual interest payments (the "**Class C Notes**") and (iv) thirty (30) day auto renewable convertible debt agreements with interim interest payments and together with Class A Notes, Class B Notes and Class C Notes, the "**Notes**"). The Notes will

be offered through a private placement on a continuous basis to persons who are (i) "accredited investors" as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"). The Notes shall be non-transferable by holders of the Notes (each a "**Noteholder**" and collectively "**Noteholders**").

***Issuance of Notes***. The Notes will be issued on a best-efforts basis. Investors will invest a lump sum investment (the "**Loan Amount**") in the Company pursuant to the Subscription Documents (as defined below). Noteholders will either receive (i) quarterly interest-only payments and a single lump sum payment equal to the Loan Amount and any accrued but unpaid interest upon maturity of the Notes for Class A Notes, (ii) no periodic interest payments and a single lump sum payment equal to the Loan Amount and any accrued but unpaid interest upon maturity of the Notes for Class B Notes (iii) annual interest-only payments and a single lump sum payment equal to the Loan Amount and any accrued but unpaid interest upon maturity of the Notes for Class C Notes or (iv) monthly interim interest-only payments and a single lump sum payment equal to the Loan Amount and any accrued but unpaid interest upon maturity date or final Term Maturity Date (as defined below) of the Notes for Class D Notes (unless such Note is converted into preferred interests of the Company), which will be in preference to any distributions made to members of the Company ("**Members**"). Investors interested in purchasing the Notes should inform themselves as to the legal requirements within their own countries for the purchase of the Notes and any foreign exchange restrictions with which they must comply. The Company reserves the right to reject, either in whole or in part, subscriptions for the Notes, in its absolute discretion.

***Unregistered Offering***. There will be no public offering of Notes. The Company will rely upon an exemption from registration of the offering of the Notes under the Securities Act, provided by Section 4(a)(2) and Regulation D (including Rule 506(b)) thereunder and from registration of the Company as an investment company under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). The availability to the Company of these exemptions will rely, in part, upon the nature of the Noteholders, as summarized below at "*Eligible Investors*." In addition, the Company's reliance upon these exemptions will result in the Notes being subject to significant restrictions on transfer, as described at "*Transferability of Notes*" below.

***Marketing Fees and Sales Charges***. The Manager will not sell Notes through Financial Industry Regulatory Authority ("**FINRA**")

registered broker-dealers, placement agents or other persons, but reserves the right to upon notice to Investors.

**Offering Terms**

The offering of the Notes is subject to all terms, conditions and risk factors as set forth in this Memorandum, the Subscription Documents, a copy of which is attached hereto as **Exhibit A**, and the Notes, copies of which are attached hereto as **Exhibit B**, **Exhibit C**, **Exhibit D** and **Exhibit E**.

**Minimum Investment; Initial Closing**

The Loan Amount of a Note will be determined by the subscription amount of an Investor as set forth in the Subscription Documents. The minimum investment for Notes is $50,000, provided that the Manager may, in its sole and absolute discretion, accept investment of lesser amounts.

Subscriptions are generally accepted as of the first day of each calendar month, although the Manager, in its sole and absolute discretion, will have the right to accept subscriptions to the Company at any time.

Notwithstanding the foregoing, the Company may have its first Closing (the "**Initial Closing**") at any time as determined by the Manager in its sole and absolute discretion. For the purposes of this Memorandum, a "**Closing**" is the subscription for, and purchase of, the Notes issued by the Company and issuance of the Notes to Investors, pursuant to the Subscription Documents.

**Term of Notes**

The Maturity Dates of each Note are as follows: (i) Class A Notes will mature in two years or three years (as selected by each Investor), (ii) Class B Notes will mature in one (1) year, (iii) Class C Notes will mature in five (5) years and (iv) Class D Notes will mature in thirty (30) calendar days (in each case, the "**Maturity Date**") from the date in which interest begins to accrue on the Note set forth on such Note. For each Class A Note, Class B Note and Class C, interest begins to accrue twenty-five (25) calendar days after the receipt of the Loan Amount for such Note and for each Class D Note, interest begins to accrue five (5) calendar days after the receipt of the Loan Amount for such Note (each, an "**Effective Date**"). Upon the Maturity Date of any Notes purchased by an Investor, to the extent that the Company did not convert the Note into preferred interests of the Company, the Investor will have the opportunity to purchase, should this offering still be open, additional Notes with its proceeds received on the Maturity Date under the terms and conditions of the Notes at the time of purchase. The Company in its sole and absolute discretion shall have the authority to determine the Effective Date of any Note issued and its decision will be conclusive and final to such Investor.

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| **Company Prepayment Option** | The Company, in its sole and absolute discretion may prepay any Notes prior to their Maturity Date or Term Maturity Date (as defined below), but upon thirty (30) calendar day notice to holders of Class A Notes, Class B Notes and Class C Notes and fifteen (15) calendar day notice on Class D Note. |
| **Conversion Option** | The Company, prior to a Note's Maturity Date, may in its sole and absolute discretion convert the Loan Amount and all accrued, but unpaid interest (the "**Total Conversion Funds**") into equity interest (preferred interests) in the Company (the "**Conversion Option**"). To the extent that a Payment Default (as defined below) or other Event of Default (as defined in the Note) looks imminent, the Company will provide written notice of its election to do so within ten (10) calendar days at the Maturity Date (the "**Conversion Election Date**"). In the event the Company fails to exercise the Conversion Option by the Conversion Election Date, the Company's Conversion Option shall be irrevocably forfeited. To the extent the Company exercises the Conversion Option, the Total Conversion Funds shall be used to purchase Company preferred interests at a price per share equal to the then-current price at which the Company is selling its preferred interests as of the date of the Noteholder's receipt of written notice of the Company's election to exercise the Conversion Option. By way of illustration, should the Investor loan the Company $100,000 and the Company would elect to exercise the Conversion Option at the Maturity Date, the Total Conversion Funds shall be $100,000 (assuming all quarterly-only or annual interest payments had been made). As an example conversion, to the extent that the Company is selling preferred interests at the time of conversion at $0.68 per 0.01% percentage interest, the Investor, now a Noteholder shall be entitled to use the Total Conversion Funds to acquire the Company's preferred interests at a purchase price of $0.68 per 0.01% percentage interest. Following the Company's exercise of the Conversion Option, the Noteholder shall sign and deliver to the Company such subscription agreement, stock purchase agreement or related documentation as the Company may reasonably request in order to formally document Noteholder's purchase of the Company's preferred interests. |
| **Automatic Term Renewal** | Each Class D Note will automatically renew for additional terms of thirty (30) calendar days upon the Maturity Date or the term maturity date of the Note (each renewal deemed a "**Term**" and the maturity date for each renewal deemed a "**Term Maturity Date**"), unless the Noteholder delivers to the Company written notice requesting payment of the outstanding Loan Amount of the Note (the "**Notice of Request for Payment**"), at least fifteen (15) calendar days prior to the Maturity Date or the Term Maturity Date of the Note. Upon renewal of the Note, payments of interest will be made for such Term and the Loan Amount will begin to accrue for the new Term pursuant to the original terms and |

conditions of the Note, unless otherwise agreed between the Company and the Noteholder. If a Noteholder timely delivers the Notice of Request for Payment to the Company, the Company will pay the Noteholder the outstanding Loan Amount, and any accrued interest not paid upon the Maturity Date or final Term Maturity Date as applicable. Presently, there are no limitations on the number of renewals.

**Interest Rate of Notes**

***Class A Notes***: Class A Notes will accrue interest on the Loan Amount at either (i) 20.00% per annum for 2-year Notes and (ii) 25.00% per annum for 3-year Notes. Interest on the Class A Notes shall be calculated on an annual basis beginning on the Effective Date and continuing until the Maturity Date.

***Class B Notes***: Class B Notes will accrue at the simple annual interest rate on the Loan Amount, at an applicable rate of 30.00%. Interest on the Notes shall be calculated on an annual basis beginning on the Effective Date and continuing until the Maturity Date.

***Class C Notes***: Class C Notes will accrue at the simple annual interest rate on the Loan Amount, at an applicable rate of 40.00%. Interest on the Notes shall be calculated on an annual basis beginning on the Effective Date and continuing until the Maturity Date.

***Class D Notes***: Class D Notes will accrue at the simple annual interest rate on the Loan Amount, at an applicable rate of 2.00% per Term. Interest on the Notes shall be calculated on a Term by Term basis beginning on the Effective Date or first calendar of any Term and continuing until the Maturity Date or Term Maturity Date, as applicable.

To the extent any federal or state law limits the interest rate that the Company may charge, the Company may reduce the interest rate on any affected Note to conform with such federal or state laws without the consent of the Noteholder.

**Interest Payments**

***Class A Notes***: The Company shall pay to the Investor quarterly interest-only payments with each such quarterly interest-only payment being due and payable on the fifteenth (15th) calendar day following each calendar quarter with the first payment due on the last day of the calendar quarter following the Effective Date. Interest accrual shall be pro-rated for any partial calendar quarters. If any quarterly interest payment is not paid within fifteen (15) calendar days of the date such interest payment is due, no Payment Default shall occur. Instead, such past due interest amount shall accrue interest at the default interest rate of 2.00% per month and be due on the Maturity Date, unless paid sooner in the sole and absolute discretion of the Company.

***Class B Notes***: Interest payable to the Investor shall be accrued following the annual anniversary starting from the Effective Date and payable with Loan Amount within five (5) calendar days after the Maturity Date, unless the Company has elected the Conversion Option.

***Class C Notes***: The Company shall pay to the Investor annual interest-only payments with each such annual interest-only payment being due and payable in full within fifteen (15) calendar days following each annual anniversary of the Effective Date. If any annual interest payment is not paid within fifteen (15) calendar days of the date such interest payment is due, no Payment Default shall occur. Instead, such past due interest amount shall accrue interest at the default interest rate of 2.00% per month and be due on the Maturity Date, unless paid sooner in the sole and absolute discretion of the Company.

***Class D Notes***: The Company shall pay to the Investor monthly interim interest-only payments with each monthly interim interest-only payment being due and payable on the fifth (5th) calendar day following each calendar month and the first payment due for the calendar month of the Effective Date. Interim interest payments will be prorated for any partial calendar months. In the event of a Class D Note being renewed, interim interest payments for the month of renewal shall be for the full calendar month in which the renewal occurred. If any accrued interim interest for a calendar month is not paid within five (5) calendar days after the last day of a calendar month an Event of Default shall not occur, but instead such unpaid interim interest amount due shall accrue additional interest at the default interest rate of 2.00% calendar month until paid or the final Term Maturity Date, unless paid sooner in the sole and absolute discretion of the Company.

Payments of interim interest of any Class A Notes, Class B Notes and Class D Notes shall be made by wire or automated clearing house transfer to the account(s) designated by the Investor in its Subscription Documents and on file with the Company as of the date that such accrued, but unpaid interest is due to be paid (the "**Interim Interest Payment Date**"). If the Interim Interest Payment Dates occurs on a calendar day that is not a Business Day, then such interim interest shall be paid on the next succeeding Business Day. "**Business Day**" shall mean any day other than Saturday, Sunday or any day on which banks in Nevada are authorized or required to be closed.

**Loan Amount Payments**

It is expected that Noteholders will receive a single balloon payment equal to the Loan Amount with any interest accrued, but not paid, in a single lump sum payment (the "**Balloon Payment**") within five (5) calendar days of the Maturity Date or final Term Maturity Date, as applicable (the "**Note Payment Date**"). The Balloon Payment due will be made by wire or automated clearing house transfer ("**ACH**") to the account(s) designated by the Investor in its Subscription Documents and on file with the Company as of the Maturity Date or final Term Maturity Date, as applicable of when such payment is due. If the Maturity Date or final Term Maturity Date occurs on a calendar day that is not a Business Day, then this Note shall be paid on the next succeeding Business Day.

**Payment Default**

In the event that the Company fails to make the Balloon Payment by the Note Payment Date and fails to cure such default by the Payment Default Cure Period (as defined below) (a "**Payment Default**") or the Company becomes subject to bankruptcy or insolvency proceedings or other event of default outlined in the Note, the Noteholder shall be entitled receive additional interest in the amount of 2.00% per month on the outstanding Loan Amount and any accrued but unpaid interest until all of the Loan Amount and accrued interest thereon are paid in full (the "**Outstanding Balance**"). All payments made hereunder will be applied first to any interest accrued, but not paid interest, and then any remaining amount to the Loan Amount.

The Note provides that a Payment Default will not occur if the Company cures the Payment Default within ten (10) calendar days from the payment due date plus ten (10) calendar days (the "**Payment Default Cure Period**") after receiving written notice from the Investor demanding cure of such default (each a "**Default Notice**").

**Mandatory Conversion**

In the event that the Outstanding Balance remains unpaid for a period of twelve months after the Maturity Date (the "**Mandatory Conversion Date**"), the Company shall convert the Outstanding Balance into the Company's common shares under the same terms and conditions as set forth under the Optional Conversion, except that for the purposes of calculating the number of the Company's common shares to be purchased, Total Conversion Funds shall mean the Outstanding Balance at the time of conversion.

**Preferential Payment of Notes**

The Noteholders will receive priority payments before any other distributions are made to the Members. However, the Company may pay Members distributions of profits prior to the satisfaction of all of the Company's Notes. Further, the Company does have other outstanding convertible debt agreements which may have principal and interest payments that may become due and payable before the maturity of the Notes as well as senior notes issued that have a preferential or

payment to Noteholders from the assets of the Company. Such distributions, other principal and interest payments and/or preferential access to assets of the Company may reduce the available funds to satisfy the Company obligations in the Notes.

**How to Subscribe**

In order to subscribe for the Notes, an Investor must complete the subscription agreement and purchaser questionnaire (the "**Subscription Documents**") and return them to the Company. An Investor must pay 100.00% of its Loan Amount at the time of subscription. The date on which subscription is accepted is a "**Subscription Day**." Payment may be made in cash only, by wire transfer or ACH of immediately available funds. To ensure compliance with applicable laws, regulations and other requirements relating to money laundering, the Company may require additional information to verify the identity of any person who subscribes for Notes in the Company.

**Eligible Investors**

In order to invest in the Company, an Investor must meet certain minimum eligibility requirements, including qualifying as "accredited investor" as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act. The Subscription Documents set forth in detail the definition of an accredited investor. As a prerequisite to being accepted as a Noteholder and being permitted to purchase Notes, an Investor must complete the appropriate representations in the Subscription Documents to represent to the Company that it is an accredited investor. Further, an Investor must agree to provide any documentation requested by the Company to verify that the Investor meets one of the definitions of an "accredited investor." The Company may reject any Investor's subscription for any reason.

Additionally, the Company will require that the Investor and its shareholders, members, managers, partners, trustees or any other "covered persons" (as defined in Rule 506(d) of Regulation D of the Securities Act), are not currently subject to, or involved in, a "disqualifying event" as defined in Rule 506(d) of Regulation D of the Securities Act (a "**Bad Actor Event**"), and they have not been subject to or involved in a Bad Actor Event within the ten years preceding the Subscription Day. Further, a Noteholder will be required to notify the Company in the event that such Noteholder becomes subject to a Bad Actor Event within thirty (30) calendar days of obtaining such knowledge.

While it is unlikely that the definitions will change from the time the Investor receives a copy of this Memorandum and the time the Investor submits the Subscription Documents to the Company, there is always a possibility of changes in the law. Investors are therefore encouraged to review Rule 501 of Regulation D under the Securities Act to confirm

that they meet the then-current definition of "accredited investor" (See 17 CFR § 230.501.).

The eligibility standards referred to in this Memorandum represent minimum eligibility requirements for Investors seeking to invest in the Company. The fact that an Investor satisfies the minimum standards outlined in this Memorandum and in Rule 501 of Regulation D under the Securities Act does not necessarily mean that the Notes are a suitable investment for that Investor. The Company does not make determinations of suitability. The Manager will review an Investor's Subscription Documents and only accept those Investors for which it is determined that an investment in the Company is consistent with such Investors' investment objectives, goals, risk tolerance, etc. However, the risk of determining whether Notes are suitable for the Investor remains entirely with the Investor.

**ERISA and Other Employee Benefit Plans and Accounts**

Pension, profit-sharing, or other employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), individual retirement accounts, Keogh Plans and other plans covered by Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and entities deemed to hold the plan assets of each of the foregoing (each a "**Benefit Plan Investor**"), governmental plans, foreign employee benefit plans and certain church plans not subject to ERISA (such plans which are not Benefit Plan Investors are referred to herein as "**Other Benefit Plans**"), may generally purchase Notes issued by the Company subject to the considerations described in this Memorandum. Fiduciaries of Benefit Plan Investors and Other Benefit Plans are urged to review carefully the matters discussed in this Memorandum and consult with their own legal and financial advisors before making an investment decision. (See "CERTAIN CONSIDERATIONS APPLICABLE TO ERISA, GOVERNMENTAL AND OTHER PLAN INVESTORS.")

**Death, Incapacitation and Resignation by the Principal**

In the event that any Principal resigns, dies, becomes incapacitated, or is adjudicated incompetent, is declared bankrupt by a court with appropriate jurisdiction or files a petition commencing a voluntary case under any bankruptcy law, or is convicted of or pleads nolo contendere to a felony involving moral turpitude, or commits a violation of any applicable federal or state securities law that would constitute a Bad Actor Event (a "disqualifying event" as defined in Rule 506(d) of Regulation D of the Securities Act), the Noteholders will be promptly notified of such event, and the Company will continue in accordance with the terms of the operating agreement of the Company (the "**Operating Agreement**") and the Notes.

**Term**

The Company will continue operating until the earlier of: (i) the termination, bankruptcy, insolvency, dissolution or disqualification of

the Manager; or (ii) a determination by the Manager of the Company that the Company should be dissolved.

**Variance of Terms**

The Manager has the absolute discretion to vary the terms of this Memorandum with respect to any Noteholders and may enter into confidential side letters or other similar agreements ("**Side Letters**") with certain Noteholders and may issue confidential supplements to this Memorandum related to such Noteholders which are not provided or disclosed to other Noteholders. Such terms may waive or modify the application of any provision of the Note with respect to such Noteholders, without obtaining the consent of or giving notice to any other Noteholders.

**Reports to Noteholders**

Each Noteholder will receive the following: (i) copies of such Noteholder's Form 1099-INT or similar tax document required to be delivered to the Noteholder under the Code; and (ii) other reports as determined by the Manager in its sole discretion. The Company shall bear all fees incurred in providing such reports.

The Manager may agree to provide certain Investors and Noteholders with additional information on the underlying lending activities of the Company, as well as access to the Manager and its employees for relevant information.

**Transferability of Notes**

A Noteholder may not assign, pledge or transfer its Notes (except by operation of law) without the consent of the Manager, which consent may be given or withheld in its sole and absolute discretion. Transfers of Notes are subject to other restrictions set forth in the Note, including compliance with federal and state securities laws. In addition, if a transfer of a Note is permitted, the Manager may require additional consents and documentation to perform such assignment, pledge, or transfer.

Due to these limitations on transferability, Noteholders may be required to hold their Notes until the maturity of such Note.

**No Voting Rights:**

Noteholders will have no voting rights by reason of holding Notes; therefore, Noteholders will not be able to change, control, or participate in the management of the Company or affairs of the business.

**Other Activities of Manager and its Affiliates**

Neither the Manager nor any Affiliates of the Manager are required to manage the Company as its sole and exclusive function. Each may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing the Company's investments, the Manager may provide investment advice to other parties and may manage other accounts and/or establish other

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| | private investment funds in the future which employ an investment strategy similar to that of the Company. (See "MANAGEMENT.") |
| **Exculpation and Indemnification** | The Manager shall not be liable to the Company or the Noteholders for any action or inaction in connection with the business of the Company to the fullest extent permitted by federal and Wyoming laws. The Company (but not the Noteholders individually) is obligated to indemnify the Manager and its managers and officers (including the Principal), and members of the Toolbox Board from any claim, loss, damage or expense incurred by such persons relating to the business of the Company, provided that such indemnity will not extend to conduct not protected under federal securities or Wyoming law.<br><br>Notwithstanding the foregoing, federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing herein shall in any way constitute a waiver or limitation of any rights which Noteholders may have under any federal and state securities laws. It is the policy of the SEC that indemnification for violations of securities laws is against public policy and therefore unenforceable. |
| **No Registration Rights** | The Notes will not be registered under the Securities Act and the Noteholders will not have any registration rights associated with their respective Notes. |
| **Other Regulatory Matters** | The Company has not registered under, does not intend to register under, and is not subject to the Investment Company Act, in reliance on an exemption provided by Section 3 of the Investment Company Act. The Notes are not registered under the Securities Act, in reliance on Section 4(a)(2) and Regulation D (including Rule 506(b) thereunder).<br><br>In order to comply with applicable U.S. anti-money laundering laws and regulations, the Company requires a detailed verification of each Investor's identity and the source of funds for such Investor's Loan Amount prior to acceptance of the subscription and may require additional documentation at any time, including, but not limited to, upon a making any quarterly or annual interest payment or Balloon Payment. The obligations and responsibilities of each Investor with respect to anti-money laundering requirements are further described at "ANTI-MONEY LAUNDERING PROCEDURES" and set forth in the Subscription Documents. |
| **Fiscal Year** | The fiscal year of the Company shall end on December 31st of each year, which fiscal year may be changed by the Manager, in its sole and absolute discretion. |
| **Address for Inquiries** | Each Investor is invited to, and it is highly recommended that an Investor, meet with the Manager for a further explanation of the terms |

and conditions of this offering of Notes and to obtain any additional information necessary to verify the information contained in this Memorandum, to the extent the Manager possesses such information or can acquire it without unreasonable effort or expense. Requests for such information should be directed to:

Scale Au LLC
c/o Toolbox, OS, Inc.
3909 S Maryland Parkway
Suite 314 # 49
Las Vegas, NV 89119
Telephone: (435) 862-7711
Email: g@Toolboxos.com
Attention: Gaydon "G" Leavitt

## MANAGEMENT

### Background of Management

#### *Gaydon ("G") Leavitt*

Gaydon ("G") Leavitt serves as director of the Company. In this capacity, Mr. Leavitt is responsible for investment decisions, marketing, management and operations of the Company. Concurrently, Mr. Leavitt serves as a director of ToolBox OS (as defined below). Toolbox OS currently owns and operates more than ninety (90) different companies as part of a 'services for equity' model that Mr. Leavitt developed. In this business, they have dozens of technology oriented ventures as well as funds with investment strategies ranging in asset classes, including, but not limited to, real estate, digital assets, public securities, private equity, commodities and lending.

Mr. Leavitt holds a Bachelor of Science degree in Marketing and Communications from Southern Utah University, which he received in 2003.

#### Affiliated Entities

Toolbox OS, Inc. ("**Toolbox OS**") a Wyoming corporation that produces a shared business infrastructure in efforts to assist portfolio companies or subsidiaries in increasing review, earnings before income taxes, depreciation and amortization ("**EBITDA**"), and their valuation. Toolbox OS will serve as the sole member of the Company and has contributed to the Company's multiple Portfolio Companies that are actively involved in the knowledge commerce business. Mr. Leavitt serves as a majority shareholder and the director of Toolbox OS.

### Additional Personnel; Actions Against the Company and Affiliates

The Company may employ additional personnel in the future. No material administrative, civil or criminal action has been brought against the Company, and its respective affiliates, including their officers, directors, members, partners, shareholders, managers, employees, agents and the Principal or any entities owned or managed by the Principal (collectively, the "**Affiliates**").

### Other Activities of the Manager and Affiliates

The Principal is not required to manage the Company as his sole and exclusive function. The Principal may engage in other business activities and are only required to devote such time to the Company as it deems necessary to accomplish the purposes of the Company. Similarly, although the Principal expects to devote a significant amount of his time to the business of the Company, he is only required to devote so much of his time to these entities as the Manager deems appropriate in its sole and absolute discretion.

In addition to managing the Company, Principal provides management services to other private companies, investment funds in the future that employ operations or objectives similar or identical to that of the Company.

**Investments by the Company and the Principal**

The Company and/or Principal does not intend to loan any amounts to the Company.

## INVESTMENT PROGRAM

### Investment Strategy

The Company's investment strategy is to lend money through the issuance of one or more convertible debt agreements (the "**Borrower Notes**") to be issued by Broker Holding LLC, a Wyoming limited liability company (the "**Borrower**"), which is an affiliate of the Manager. The Borrower Notes will be used to (i) lend funds to, joint venture, revenue share or profit share with, or acquire gold contracts or any other interest in gold from, one or more licensed gold brokerage companies for the purposes of funding buy-sell gold contracts (each, a "**Gold Broker**"), (ii) cover any expenses related thereto and for any business purpose as determined in the sole and absolute discretion of the Manager or (iii) any combination of the above. The Gold Brokers may be located inside and outside of the United States but will be licensed in their respective jurisdictions. The Gold Brokers are expected to use funds that they receive to facilitate the purchase of gold or interest in gold from various global sources and sell it to various persons in the official sector, which consist of central banks, other governmental agencies and international organizations that buy, sell, and hold gold as part of their reserve assets. Funds by the Borrower are expected to be lent or advanced to, or used as collateral by, the Gold Brokers as contracts for the buy-sell transactions are executed. Currently, the Company has not placed a limit on the amount of principal (the "**Borrower Principal Amount**") that it will loan to the Borrower at a particular time, but will actively manage the Borrower's payment history in determining whether, in the Manager's opinion, any additional funding will be made. Loans to, or contracts, agreements, transactions and/or engagements with, Gold Brokers will generally be on terms that provide the Borrower with recurring monthly or quarterly interest, revenue or profit payments with an option to reinvest such interest, revenue, or profit; however, the Borrower may agree to different payment terms and structures in its sole and absolute discretion. All acquisitions of gold or interests of gold from the Gold Brokers are expected to be sold within fifteen (15) calendar days of receipt of such contract or interest. All The Borrower intends to use a mixture of such interest, revenue and profit payment terms to manage its payment obligations to the Company. The Borrower's loans will include a conversion feature that provides the Borrower with equity in the Gold Brokers, with rights to preferential distributions and requirements that such distributions are periodically made. The Borrower's joint-venture, revenue share and profit share agreements are expected to provide the Borrower with collateral in, or right to acquire most if not all interest in any gold or other asset of the Gold Broker collateralizing the buy-sell transaction.

As part of its agreement with the Borrower and one of its Gold Brokers, the Company has secured a collateral interest in raw gold owned by such Gold Broker that it expects to be available to satisfy its interest and principal obligations specifically with holders of senior notes with which the Company has offered a priority payment to from such collateral. However, to the extent that the price of the Company's collateral exceeds the outstanding principal and interest in those senior notes, the Company expects any excess to be available to satisfy the Company's payment obligations on the Notes. Title on the gold will be in name of the Company and the Gold Broker providing the collateral and held in a storage facility outside the United States. Pursuant to its agreement with the Gold Broker, this collateral will be kept in a secure storage facility and may not be sold, transferred or otherwise deposed of by the Gold Broker without the written consent of

the Gold Broker. Further, the Company intends to have agreements in place with the storage facility that restricts the Gold Broker's access, use, transport, transfer or sale of any gold collateral held at such facility without consent of the Company and provides the Company with ability to non-judicially foreclose on the gold and take immediate possession of it in the event of a default of payment by the Gold Broker relating to gold activities funded by the Company through the Borrower. However, there is no guarantee that such agreements will be honored by either party or that the Company will be able to foreclose on such collateral in the event of default. See "RISK FACTORS AND CONFLICTS OF INTEREST - *The Company May Have Difficulty Protecting Its Rights as a Secured Lender*."

**Terms of the Borrower Note**

The maturity date of each Borrower Note will be determined on a note-by-note basis (the "**Borrower Note Maturity Date**") and be renewable at the option of the Company. Upon the Borrower Note Maturity Date, the Company will be entitled to receive the Borrower Principal Amount due to be paid on the Borrower Note less any prepayments of the Borrower Principal Amount during the term of the Borrower Note and all accrued, but unpaid, interest on such Borrower Principal Note for the term of the Borrower Note (the "**Borrower Balloon Payment**"). The interest rate on each Borrower Note is expected to be 10.00% per month, simple interest, although the Manager will have the authority to agree to different interest rates with the Borrower (the "**Borrower Note Interest Rate**"). The Company will receive periodic interest payments and may reinvest any portion of such interest under the terms of the Borrower Note. Additionally, the Company will have the option to make periodic calls of interest earned and any Borrower Principal Amount lent to the Borrower to cover costs of the Company, fees for the Manager, and principal and interest payments due to Noteholders upon maturity of the Company's Notes. The Borrower, at its election, also may prepay any Borrower Notes at any time without penalty or premium.

In the event that the Borrower fails to make a payment of the Borrower Principal Amount or any accrued interest in accordance with the terms of any Borrower Note at the Borrower Note Maturity Date or any prepayment request, as does not cure such payment failure during the provided cure period, the Borrower will have the option to convert the outstanding principal and interest due to the Company under such Borrower Note into preferred equity in the Borrower, that will provide the Company with preferential distribution payments equal at least to the 10.00% interest rate that the Company was entitled to, in accordance with the terms of the Borrower Note. Further, the Borrower will be required to provide for periodic distributions of funds under the terms of its operating agreement.

**Diversification**

The Manager intends to lend money only to the Borrower and the Borrower intends to use those funds in conjunction with the investment strategies set forth above. As such, the Company will entail more risk than may be found in a more diversified investment portfolio.

**Limits of Description of Investment Strategy**

The Manager is not limited by the above discussion of the investment strategy. The Manager has wide latitude to allocate, use, invest in or dispose of the Company's assets, to pursue

any particular objective, strategy or tactic, or to change the emphasis without obtaining the approval of the Noteholders. The investment strategy imposes no significant limits on the types of instruments in which the Manager may take positions, the type of positions it may take, its ability to borrow money or the concentration of activities. The foregoing description is general and is not intended to be exhaustive. Investors must recognize that there are inherent limitations on all descriptions of investment processes due to the complexity, confidentiality and subjectivity of such processes.

**Certain Risks**

The Company's investment strategy entails substantial risks, and there can be no assurance that its investment objectives will be achieved or that income will be generated. The practices of concentrated use and deployment and the use of leverage and other techniques employed by the Company can, in certain circumstances, increase the adverse impact to which an investment in the Company may be subject. See "RISK FACTORS AND CONFLICTS OF INTEREST."

## RISK FACTORS AND CONFLICTS OF INTEREST

An investment in the Company involves significant risks not associated with other investment vehicles and is suitable only for persons of adequate financial means who have no need for liquidity in this investment. There can be no assurances or guarantees that: (i) the Company's investment objectives will prove successful; or (ii) Noteholders will not lose all or a portion of their investment in the Company.

An Investor should regard an investment in the Company as a supplement to an overall investment program and should only invest if it is willing to undertake the risks involved. An Investor should therefore bear in mind the following risk factors and conflicts of interest before purchasing the Notes:

### General Investment Risks

- **Limited Operating History**. The Company was only recently formed and has been only marketing its services and investing in private companies for a short period of time. Some of the members of its senior management team and other employees have only recently joined it and therefore have worked together for only a short period of time. Accordingly, there is limited historical information about the Company and its management with which to evaluate its business, strategies and performance for purposes of purchasing the Notes.

- **Lack of Operational and Investment Experience by the Management**. The officers of the Manager have limited previous experience in allocating proceeds and making investment decisions. Because of this lack of experience with managing the Company, the Manager may be prone to errors, or the implementation of the investment strategy may result in losses. Consequently, the Company's operations, earnings and ultimate financial success could suffer irreparable harm due to the management's lack of operational and investment experience.

- **Investment Risks**. All investments involve the risk of a loss of capital. No guarantee or representation is made that the Company's investment program will be successful, and investment results may vary substantially over time.

- **No Assurance of Profit or Repayment**. The past performance of the Company or other portfolios, accounts or companies owned or managed by the Manager, private companies that are owned, operated, managed, or otherwise affiliated with entrepreneurs that have previously entered into a lifetime software licensing agreement with the Manager and/or in which the Manager is providing company software services under such agreement and/or in which the Company owns an equity interest (the "**Portfolio Companies**") and their respective affiliates, including their officers, directors, members, partners, shareholders, managers, employees, agents and the Principal or any entities owned or managed by the Principal (collectively, the "**Affiliates**"), their portfolio managers or related entities or with which they have been

or are associated should not be construed as an indication of the future results of an investment in the Company. It is uncertain as to when profits, if any, will be realized. Losses on its deployment and investment activities may be realized before realization of gains on such deployment and investment activities. There may be no current return on the Company deployment and investment activities for an extended period of time.

- **Cyber Security.** A cybersecurity event could result in a substantial, immediate and irreversible loss for the Borrower and ultimately, the Company. With the increased use of technologies to conduct business, such as the internet, the Borrower, Gold Broker and the Company are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber security failures or breaches by the Company, the Borrower, a Gold Broker and other service providers, have the ability to cause disruptions and impact business operations potentially resulting in financial losses, interference with the Company's ability to receive interest and principal payments from the Borrower or Gold Broker, impediments to investing or deployment of funds, the inability of the Company, the Borrower or Gold Broker to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While various Company service providers have established business continuity plans and risk management systems intended to identify and mitigate cyberattacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Company cannot control the cyber security plans and systems put in place by service providers to the Company and any Borrower or Gold Broker in which the Company lends. The Company and its Noteholders could be negatively impacted as a result.

- **Security Breaches**. Security breaches and other disruptions could compromise the Company's or the Borrower's information and trading and expose it to liability, which could cause financial losses as well as causing the Company's business and reputation to suffer. The Company collect and stores sensitive data, including proprietary Company and Borrower information, financial information about the Company, the Borrower and their affiliates, and personally identifiable information of Noteholders, employees, directors, officers and managers of the Company, in the Company's networks. Despite the security measures, the Company's and Borrower's information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee or manager error, malfeasance or other disruptions. Further, a breach of the Company's networks may allow hackers of other individuals access to the Company's bank accounts. Any such breach could compromise the Company's networks and the information stored there could be accessed, publicly disclosed, lost

or stolen. Any such access, disclosure or other loss of information, could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt the Company's operations and lending strategies, which could lead to financial losses and damage the Company's reputation, which could affect the Company's business. Further despite the security measures taken by the Borrower, the Borrower's information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee or manager error, malfeasance or other disruptions. A breach of the Borrower's networks may allow hackers of other individuals access to the Borrower's assets as well as bank and exchange accounts. Any such breach could compromise the Borrower's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information, could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt the Borrower's operations and trading strategies, which could lead to financial losses in missed opportunities or premature trading, and the inability to make interest and principal payments on the Borrower's Notes, which could affect the Company's business.

- **Dependence Upon the Manager**. The Company's success depends on the management of the Manager and on the skill and acumen of the employees of the Manager who take part in the management of the Company's lending activities. No assurance can be given that the current employees of the Manager will continue to provide services throughout the life of the Company. Should the current employees of the Manager who take part in the investment decisions for the Company cease to serve in the capacity described in this Memorandum, the Company will seek other experienced professionals to replace them, but there is no assurance that suitable replacements could be found in a timely manner or at all.

  Noteholders have no right to participate in the management of the Company, and no opportunity is being offered to select or evaluate any of the Company's investments or strategies. Accordingly, an Investor should not invest in the Company unless it is willing to entrust all aspects of the management and investments of the Company to the Manager.

  The net proceeds of this offering are partially allocated for specific uses. However, the Manager will have broad discretion to allocate the proceeds of this offering in ways with which investors may not agree. The Manager's failure to allocate these funds effectively could result in unfavorable returns.

- **Indemnification by the Company**. Any indemnification of the Manager or others by the Company will decrease the amount available for use to make principal and interest payments to the Noteholders. Pursuant to the operating agreement of the Company (the "**Operating Agreement**"), the Company may be required to indemnify the Manager, the Principal or others from any action, claim or liability arising from any act or omission to the fullest extent permitted by federal and state securities laws. Notwithstanding the foregoing, the federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing

herein shall in any way constitute a waiver or limitation of any rights which the Noteholders may have under any federal securities laws. It is the policy of the U.S. Securities and Exchange Commission that indemnification for violations of securities laws is against public policy and therefore unenforceable.

- **Force Majeure**. The Company's lending activities may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including the Company or a counterparty to the Company) to perform its obligations until it is able to remedy the force majeure event and/or prompt precautionary government-imposed closures of certain travel and business. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the Company's returns, cause personal injury or loss of life, disrupt global markets, damage property, or instigate disruptions of service. In addition, the cost to the Company of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on the Company's expected returns. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Company may invest and the markets the Company may trade specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over industry assets, could result in losses to the Company, including if its investments are canceled, unwound or acquired (which could be without adequate compensation). Any of the foregoing may therefore adversely affect the performance of the Company and its lending activities.

- **No Independent "Due Diligence" Review**. The statements contained in this document, or incorporated by reference, are solely those of the Company. There has been no independent "due diligence" review of the Company's affairs or financial condition, nor has any independent party verified the statements contained in this Memorandum. Prospective purchasers are urged to contact the Manager directly for additional information about the Company's operations.

  The legal counsel that assisted the Company with the preparation of this Memorandum conducted no due diligence with respect to this offering, or any information connected therein. Consequently, investors should conduct their own due diligence of the Company. The legal counsel represents only the interests of the Company and not the interests of any Investor.

**Risks Related to the Company's Investment Strategy**

- **Non-Diversified Status**. The Company is a "non-diversified" investment company for purposes of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**"), which means that it is not subject to percentage limitations under the Advisers Act on its investments. As a result, it is anticipated that the Company's value may be subject to greater volatility than that of an investment company that is subject to diversification limitations.

- **Concentrated Investments**. The Company's investments will not be diversified. The Company intends to concentrate its investments in Borrower Notes. This focus may subject the Company to greater volatility than that of a portfolio that has a large number of different assets. As a consequence, the aggregate return of the Company will be substantially adversely affected by the unfavorable performance of the Borrower. In addition, the investments of the Company will be disproportionately exposed to the risks associated with the lack of diversification.

- **Interest Rate Changes Can Affect Payments**. Increases and decreases in interest rates could adversely affect the value of the investments and cause the interest expense to increase or interest income from lending activities to decrease, which could result in reduced earnings or losses and negatively affect the Company's profitability as well as the cash available for to make principal and interest payments to the Noteholders.

- **Evolving Investment Strategies**. While the Manager intends generally to apply the investment strategy and investment process described herein to the Company's investments, the Manager may modify or depart from the investment strategy and investment process described herein if it identifies investment opportunities that it believes are sufficiently attractive on a risk/reward basis.

- **No Minimum Capitalization Required to Maintain the Company**. There is no minimum level of capital required to be maintained by the Company. As a result of losses, the Company may not have sufficient capital to diversify its investments to the extent desired or currently contemplated by the Manager. At low asset levels, the Company may be unable to make its investments as fully as would otherwise be desirable or to take advantage of potential economies of scale. It is possible that even if the Company operates for a period with substantial capital, payments to Noteholders could diminish the Company's assets to a level that does not permit the most efficient and effective implementation of the Company's investment program.

- **Limited Information Rights Regarding Investments**. Investors will have no right to receive information about the Borrower or its members, shareholders, managers, officers, or directors, its operations and will have no recourse against such Borrower, or its members, shareholders, managers, officers, or directors.

**Risks Related to Debt Investments**

- **The Company's Underwriting Standards and Procedures are more Lenient Than Conventional Lenders**. The Company will invest in the Borrower which

will not be required to meet the credit standards of conventional lenders, which is riskier than investing in loans made to borrowers who are required to meet those higher credit standards. Additionally, Borrower Notes may be made on greater loan-to-value or loan-to-cost ratios than used by conventional lenders, which is riskier than general conventional loan requirements because there is less equity in the collateral to cover any defaults by the Borrower and Borrower defaults can lead to losses by the Company because the Borrower Notes are not secured by any underlying collateral, although they are convertible to equity in the Borrower.

Because of the foregoing and that the Borrower is an affiliate of the Company, there may be a risk that the due diligence that the Manager performs as part of its underwriting procedures would not reveal the need for additional precautions. If so, the interest rate that the Company charges may not protect the Company adequately or generate adequate returns for the risk undertaken.

- **Risk of Default on Borrower Notes**. The Company's investment strategy is the issuance of Borrower Notes which are subject to the risk of default. At the time of their issuance or thereafter, the Borrower Notes may be nonperforming for a wide variety of reasons. Such nonperforming Borrower Notes may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such Borrower Notes and/or purchasing senior loans. It is possible that the Manager may find it necessary or desirable to foreclose on collateral securing one or more Borrower Notes purchased by the Company. The foreclosure process will vary from jurisdiction to jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a note, including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. During the foreclosure proceedings, the Borrower may have the ability to file for bankruptcy or its equivalent, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disruption of ongoing development, construction, leasing, management and viability of the collateral. Even if foreclosure can be avoided and a restructuring were successfully accomplished, a risk exists that, upon maturity of such Borrower Note, replacement "takeout" financing will not be available.

  In certain circumstances, the Company may lose priority of its debt, by reason of the debt with higher priority or security that the Company has in its Borrower's Notes. See "RISK FACTORS AND CONFLICTS OF INTEREST - *Risks of Investing in Subordinated Loans*." It is possible that the total amount recovered by the Company upon default may be less than the total amount of its Borrower Notes, with resultant losses to the Company. In such circumstances, the Manager may pursue deficiency judgments against the Borrower, if available. Most, if not all, of the Company's Borrower Notes will be general obligations of the Borrower or principals of the Borrower. Gold or other assets held as collateral and foreclosed

upon may not generate sufficient income from sale or other distribution to meet associated expenses and liabilities of the Company. In addition, the sale, disposition and transport of foreclosed assets may require the Company to spend money for an extended period, and subsequent income and capital appreciation from the foreclosed asset to the Company may be less than competing investments.

The Borrower Notes may become uncollectible or subject to a reduced return due to a voluntary or involuntary bankruptcy, insolvency or similar proceeding affecting the Borrower, Gold Brokers or its guarantors. The value of the collateral may be affected by general or local economic conditions, commodity prices, financial markets, availability governmental rules and fiscal policies, wars, pandemics, and other factors which are beyond the Company's or the Manager's control.

- **Regulation Regarding Originating and Servicing Loans**. The origination and servicing of loans may be subject to a significant number of regulatory requirements and oversight. Although the Company does not plan to originate or invest in "consumer" loans and limit its investments to "commercial" loans, there is a risk that a regulatory body could consider a loan originated or held by the Company to be a consumer loan and the Company might be required to adjust the terms of such loan or to refund certain fees charged in connection with such loan.

- **Lack of Operating Control on the Borrower**. Although the Manager will be responsible for monitoring the performance of Borrower Notes, there can be no assurance that the Borrower will be able to fund costs and expenses with additional working capital provided through the Borrower Notes in accordance with their business plans or the expectations of the Company.

- **Borrower General Management Risk**. Management Risk is potentially more concentrated in a single investment structure such as the Company than would be the case if the Company developed its own investment portfolio because it invests a substantial majority of its assets in a concentrated number of investment vehicles managed by a concentrated number of managers that are not affiliated with the Manager.

- **Dependence on the Borrower's and Gold Brokers' Managers and Key Personnel**. The Company relies ultimately on the management team of the Borrower for generating returns on its lending activities and the Gold Brokers for generating returns on their gold buy-sell transactions. No assurance can be given that the Borrower's or the Gold Brokers' management teams will continue to provide services throughout the life of the Company. There could be adverse consequences to the Company in the event that the Borrower's management team ceases to be available to the Borrower and the Gold Brokers' team ceases to be available to the Gold Brokers. The success of the Company is therefore expected to be significantly dependent upon the efforts of the Borrower's and the Gold Brokers' management teams. If the Borrower's or the Gold Brokers' management

teams are unable or unwilling to continue in their positions, the Company's business and operations could be disrupted or fail.

Noteholders have no right to participate in the management of the Borrower or the Gold Brokers, and no opportunity to select or evaluate any of the Borrower's or any Gold Broker's operations, investments or strategies. Accordingly, an Investor should not invest in the Company unless it is willing to entrust all aspects of the management of the Company and investment selection discretion to the Borrower's and the Gold Brokers' management teams.

- **Change in Operations, Investment Objective and Strategies**. The Borrower may change its operations, business plan, investment objective and strategies at any time by giving notice to the Company, provided that it is expected that no changes which the Borrower reasonably considers to be materially adverse will be made without first noticing the lender to the Borrower and giving them, including the Company, the option to demand repayment of its Principal and all accrued, but unpaid interest prior to such amendments taking effect. Noteholders must understand that there can be no assurance that the Borrower's operations, investment objectives and strategies will not change from those disclosed to the Company.

- **Small-Capitalization Companies**. The Borrower is expected to be a company with a small-market capitalization. While such investments may provide significant potential for appreciation and increased income, they may also involve higher risks than lending to larger companies. The risk of bankruptcy or insolvency is much higher than for larger companies.

- **Risk of Bankruptcy of the Borrower**. The bankruptcy or insolvency of the Borrower could materially and adversely affect the income produced by Borrower and its ability to make interest payments and principal payments on the Borrower Notes, which could materially and adversely affect the Company and the Noteholders. If the Borrower becomes a debtor in a case under federal bankruptcy law, the Company could lose its ability to recover all of its principal in the Borrower Notes. Any loss of the Company's investment in the Borrower could result in losses to the Noteholders.

- **Lender Liability Considerations; Equitable Subordination**. A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders on the basis of various evolving legal theories (collectively, termed "**Lender Liability**"). Generally, Lender Liability is founded upon the premise that a lender has violated a duty (whether implied or express) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower, its other creditors or its beneficial owners. Although the Company does not intend to engage in conduct that it expects would form the basis for a successful cause of action based upon Lender Liability, the potential for such cause of action exists. In addition, under common law principles that in some cases form the basis for Lender

Liability claims, if a lender: (i) intentionally takes an action that results in the undercapitalization of the Borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence to dominate or control the Borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called "**Equitable Subordination**." Although the Company does not intend to engage in conduct that it expects would form the basis for a successful cause of action based upon the Equitable Subordination doctrine, the potential for such a cause of action exists.

- **Risks of Investing in Subordinated Loans.** The Borrower's Note may be a subordinated loan. Such investments may be subordinated to the senior obligations of the Borrower, either contractually, inherently due to the nature of equity securities, or both. In the event of default on the senior debt, the Company as a holder of a subordinated loan may be at the risk of realizing a loss of up to all of its investment before the senior debt will suffer any loss. Consequently, greater credit risks are usually attached to these subordinated investments than to the Borrower's other senior obligations. In addition, these securities may not be protected by financial or other covenants and may have limited liquidity. Adverse changes in the Borrower's financial condition and/or in general economic conditions may impair the ability of the Borrower to make payments on the subordinated securities and cause them to default more quickly with respect to such securities than with respect to the Borrower's senior obligations. In most cases, the Company's management of its investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing investments, will be subject to the rights of the more senior lenders and contractual intercreditor provisions.

- **Usury Limitations**. The interest charged on loans made by the Company may be subject to usury laws imposing maximum interest rates and penalties for violation, including restitution of excess interest and unenforceability of debt. Any reduction in the interest rates will result in less amounts available for payments to Noteholders.

- **Possibility of Fraud and Other Misconduct**. With respect to the Borrower's lending activities to the Gold Brokers, the Manager will not have custody of the Borrower's capital that is lent to the Gold Brokers and then deployed principally through operations and buy-sell gold transactions made by the Gold Brokers. There will always be the risk that managers of the Gold Brokers, custodians or service providers and persons with access to the assets of the Gold Brokers could divert or abscond with those assets, fail to follow agreed upon operational plans and/or investment strategies, default on their obligations to return collateral or other assets, or provide false reports of operations or engage in other misconduct – all of which could substantially harm the Company.

- **Affiliate Lending/Investing**. The Company intends to lend funds to Affiliates, although funds will ultimately be lent to unaffiliated Gold Brokers. In addition to general default risk associated with the Borrower Notes, lending to Affiliates may result in a conflict of interest because the Company may elect not to pursue collection actions to obtain repayment to the Company, may accept less than full value from such Affiliate in satisfaction of such Borrower Note or may refuse to enforce the conversion of any outstanding balance of such Borrower Notes. Any one of the above actions could result in the Affiliate, and based on ownership of such Affiliate, obtaining property of the Company without adequate compensation to such Noteholders in the event that an Affiliate defaults on its repayment obligation of any Borrower Note. Additionally, the Borrower may co-invest with Affiliates of the Company including its management team and the Principal. Co-investing with Affiliates may allow such Affiliates to also profit from investment activities of the Company not available to Noteholders. Any profits generated from co-investments will be allocated between the Borrower and the co-investor based on the amount of capital each party provided to the investment.

- **The Company May Have Difficulty Protecting Its Rights as a Secured Lender**. The Company believes that its lending/joint venture or similar documents with the Borrower will enable it to enforce commercial arrangements with Gold Brokers and other counterparties. However, the rights of the Gold Brokers, the location of the collateral being held, governing jurisdictions of its agreements with the Gold Brokers, counterparties holding Company collateral and other secured lenders may limit the Borrower's practical realization of those benefits. For example:

- Judicial foreclosure is subject to the delays of protracted litigation. Although the Company expects nonjudicial foreclosure to be generally quicker, because the Company's collateral is located outside the United States, there may be additional costs and delays in foreclosing on it.

- The Company's ability to foreclose is subject to the laws of countries outside the United States, particularly countries in Africa and/or the Middle East, whose laws could favor the Gold Brokers or other third parties holding gold that is subject to agreements with the Company simply due to the Company being from the United States. As such the Company's right of foreclosure may by frustrated or denied.

- The Gold Broker or other third parties holding gold that is subject to agreements with the Company may have redemption rights during foreclosure proceedings can deter the transfer or sale of the collateral and can delay or prevent the Company from obtaining possession of such collateral.

- Because the Gold Brokers and the gold being purchased and sold or held for collateral will be located in multiple countries outside the United States, each with varying foreclosure laws, procedures and timelines, foreclosure take more or less time and costs associated with foreclosing may vary.

- The rights of junior or senior secured parties in the same collateral can create procedural hurdles for the Company when it forecloses on collateral.

- The Company may not be able to pursue deficiency judgments or obtain possession of the collateral after it forecloses on it. Even if it does acquire the collateral, it may not be able to sell the collateral in a timely manner in order to pay the Company amounts due on the Company Notes.

- Laws of countries involved in the purchase, sale, transport, or holding of gold can prevent the Company from pursuing any actions, regardless of the progress in any of these suits or proceedings.

- The courts may unilaterally alter the contractual terms of Company's agreements with the Gold Brokers, including doing so to the detriment of the Company.

Care will be exercised upon creation of the legal documents at the time of origination to ensure that as many bases as possible have been covered in the documents. However, in the event of default, it can be very difficult to predict with any certainty how courts will respond.

**Risks Related to Investments in Precious Metals**

- **The Gold Brokers Operate in the Highly Competitive Precious Metals Industry**. The business of buying, holding, and selling precious metals, such as gold, is global and highly competitive. The Gold Brokers compete with precious metals firms and banks throughout North America, Europe and elsewhere in the world, some of whom have greater financial and other resources, and greater name recognition, than the Gold Brokers. Given the global reach of the precious metals business, the absence of intellectual property protections and the availability of numerous, evolving platforms for the vaulting and trading of precious metals, the Company cannot assure Investors that the Gold Brokers will be able to continue to compete successfully or that future developments in the industry will not create additional competitive challenges.

- **The Precious Metals Held by the Gold Brokers are Subject to Loss, Damage, Theft, or Restriction on Access.** The Gold Brokers may have from time-to-time significant quantities of high-value precious metals at third-party depositories and in transit. There is a risk that part or all of the gold (including gold used as collateral for the Borrower Notes) and other precious metals held by the Gold Brokers, on its own behalf or for customers, could be lost, damaged or stolen. Although the Gold Brokers will maintain insurance on terms and conditions that the Gold Brokers consider appropriate, the Gold Brokers may not have adequate sources of recovery if its precious metals inventory is lost, damaged, stolen or destroyed, and recovery may be limited. Among other things, the Gold Brokers' insurance policies may exclude coverage in the event of loss as a result of terrorist attacks or civil unrest.

  The Gold Brokers' recourse against the third-party custodians of its precious metals under the law governing their custody operations is limited. It is expected that each of

these third-party custodians will maintain insurance with regard to its business on such terms and conditions as it considers appropriate which may not cover the full amount of loss of the precious metals. The Company will not a beneficiary of any such insurance and does not have the ability to dictate the existence, nature, or amount of coverage. Therefore, the Company cannot be assured that the Gold Brokers and their third-party custodians will maintain adequate insurance or any insurance with respect to the precious metals held by such custodians on behalf of the Gold Brokers.

Consequently, a loss may be suffered with respect to the Gold Brokers' precious metals that is not covered by insurance and for which no person is liable in damages.

The liability of each third-party custodian may be limited under the prevailing custody agreements. Under any such Custody Agreements, a third-party custodian may only be liable for losses that are the direct result of its own negligence, fraud, or willful default in the performance of its duties. In addition, any third-party custodian will not be liable for any delay in performance or any non-performance of any of its obligations under the custody agreements by reason of any cause beyond its reasonable control, including acts of God, war, or terrorism. As a result, the recourse of the Gold Brokers will be limited.

- **The Gold Brokers' Business is Heavily Influenced by Volatility in Commodities Prices for Precious Metals.** A primary driver of the Gold Brokers' profitability is volatility in commodities prices for precious metals, which leads to wider bid and ask spreads. Among the factors that can impact the price of precious metals are supply and demand of precious metals; political, economic, and global financial events; movement of the U.S. dollar verses other currencies; and the activity of large speculators such as hedge funds. If commodity prices were to stagnate, there would likely be a reduction in trading activity, resulting in less demand for the services the Gold Brokers provides, which could materially adversely affect its business, liquidity, and results of operations.

  This volatility may drive fluctuation of our revenues, as a consequence of which our results for any one period may not be indicative of the results to be expected for any other period.

- **Substantial Sales of Precious Metals by the Official Sector Could Adversely Affect the Gold Brokers' Ability to Repay Their Notes and/or Profits to be Made.** The official sector consists of central banks, other governmental agencies and international organizations that buy, sell, and hold gold as part of their reserve assets. The official sector holds a significant amount of gold, most of which is static, meaning that it is held in vaults and is not bought, sold, leased, or swapped or otherwise mobilized in the open market. In the event that future economic, political, or social conditions or pressures require members of the official sector to liquidate their gold assets all at once or in an uncoordinated manner, the demand for gold might not be sufficient to accommodate the sudden increase in the supply of gold to the market. Consequently, the price of gold could decline significantly, which would adversely affect the ability of the Gold Brokers' to pay interest and principal on its notes to the Borrower or revenues and/or profits to be made on joint venture, revenue share or profit share or

other agreements made with the Gold Brokers.

- **Crises may Motivate Large-Scale Sales of Gold That Could Decrease the Price of Gold and Adversely Affect the Gold Broker's Ability to Repay its Notes to the Borrower.** The possibility of large-scale distress sales of gold in times of crisis may have a negative impact on the price of gold and adversely affect the Gold Brokers' ability to repay its notes to the Borrower. For example, the 2008 financial crisis resulted in significant sales of gold by individuals which depressed the price of gold. Crises in the future may impair gold's price performance which would, in turn, adversely affect the Company's ability to repay the Notes.

- **Our Precious Metals Trading Business is Subject to the Risk of Fraud and Counterfeiting.** The precious metals (particularly bullion) business is exposed to the risk of loss as a result of "materials fraud" in its various forms. Gold Brokers will seek to minimize its exposure to this type of fraud through a number of means, including third-party authentication and verification, reliance on our internal experts and the establishment of procedures designed to detect fraud. However, we may not be successful in preventing or identifying this type of fraud, or in obtaining redress in the event such fraud is detected.

**Regulatory Risks**

- **No Regulatory Oversight by SEC**. The Company's investments are not supervised or monitored by any regulatory authority. The Company is not registered as an "investment company" under the Investment Company Act. Further, the Manager is not registered as an investment adviser with the U.S. Securities and Exchange Commission (the "**SEC**") or any state regulatory authority because it is exempt from such registration. Consequently, Noteholders will not benefit from some of the protections afforded by these statutes, including SEC oversight. Further, Noteholders of the Company do not have the regulatory protections provided to equity holders in registered and regulated investment companies which, for example, require investment companies to have a certain percentage of disinterested directors, impose liquidity and diversification requirements, and regulate the relationship between the investment company and certain of its Affiliates.

- **Business and Regulatory Risks**. The financial services industry generally, and the activities of private investment funds and their managers, in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Company's exposure to potential liabilities, legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Manager, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Manager's time, attention and resources from its management activities. The regulatory environment for funds and lenders is evolving, and changes in the regulation of funds and lending may adversely affect Borrower Notes held by the Company and the ability of the Company to obtain leverage it might otherwise obtain or to pursue its lending strategies.

- **Regulatory and Legal Matters**. Although the Manager strives to comply with all applicable laws and regulations, there can be no certainty that this objective will be achieved. Even an inadvertent violation or an alleged violation of applicable laws or regulations could impose significant costs on the Company, including disgorgement of profits, penalties, settlement payments, loss of necessary licenses, restrictions on future activities, adverse publicity and otherwise. Such costs will generally be borne by the Company, except to the extent such costs are a result of the bad faith, willful misconduct or gross negligence of the Manager. Furthermore, at the time the Company bears such costs, the composition of Noteholders will be different than it was at the time of the violation giving rise to such costs. There is generally no mechanism by which the Company may recapture such costs from, or otherwise allocate such costs to, a satisfied Noteholder. As a result, at the time such costs are paid, the current Noteholders may bear a disproportionate share of such costs.

- **Future Regulation**. Growing concern about the lack of regulation of private investment funds has led to the proposal of various state and federal laws and regulations regarding investment funds and may, in the future, lead to additional such proposals. Such regulatory proposals, or any future proposals, if adopted, could adversely affect the Company, including its business and financial condition and prospects and could significantly raise expenses. In addition to the aforementioned regulation, there is the potential for change in any of the other laws under which the Company and the Manager operate. Any such regulatory obligations may cause the Company and/or the Manager to incur additional and possibly extraordinary expenses, which could materially and adversely affect the Company. To the extent the Company is unable to comply with any regulatory requirements or otherwise decides not to pursue such registration or licensing, the Company may be forced to liquidate.

**Tax Risks**

- **Tax Considerations; Payment of Tax Liability**. It is not possible to provide here a description of all potential tax risks to a person considering investing in the Company. Investors are urged to consult their own legal counsel and tax advisors with respect thereto. The Company will not seek a ruling from the U.S. Internal Revenue Service (the "**IRS**") with respect to any tax issues affecting the Company.

  It should also be noted that the Company's tax return may be audited by the IRS, and any such audit may result in an audit of the returns of the Noteholders for the year(s) in question or unrelated years. Further, any adjustment resulting from an audit would also result in adjustments to the tax returns of the Noteholders and may result in an examination and adjustment of other items in such returns unrelated to the Company. Noteholders could incur substantial legal and accounting costs in litigation of any IRS challenge, regardless of the outcome. (See "TAXATION.")

- **Tax Risks**. Each Investor should read the section entitled "TAXATION" for a discussion of some of the tax risks of investing in Notes. Each Investor should also talk to its tax advisor about how an investment in the Company would affect such Investor's personal tax situation.

- **Tax on Interest Whether or Not Distributed or Received**. According to the terms of the Notes, the interest payable to Noteholders is to be paid on a quarterly or annual basis. However, the IRS requires interest due on the Notes to be accrued as of the end of the Noteholder's taxable year and included as income in the Noteholder's annual tax return, even if the Noteholder has not actually received such interest payments on the Notes. A Noteholder may be required to pay taxes on any accrued interest income, even though such Noteholder has not received payment of such interest income. It is therefore possible that the Investors could incur income tax liabilities without receiving sufficient payments from the Company to defray such tax liabilities. In order to satisfy its tax liability in such a case, an Investor would need sufficient funds from sources other than the Company.

- **Delayed 1099s**. The Company will try to provide Noteholders with a final 1099 by March 31st of each year. If the final 1099 is not available by that date, a Noteholder will either have to file for an extension or pay taxes based on an estimated amount and then file an amended return once the 1099 is received.

- **Changes in Tax Law**. Investors will be subject to the risk that changes to the tax law may adversely affect the U.S. federal income tax consequences of their investment in the Company. Changes in existing tax laws or regulations and their interpretation may be enacted after the date of this Memorandum, possibly with retroactive effect, and could alter the income tax consequences of an investment in the Company. Certain provisions of the Code may be further amended or interpreted in a manner adverse to the Company, in which event, any benefits derived from an investment in the Company may be adversely affected.

**Risks Related to Purchasing Notes**

- **The Notes Lack Liquidity and There Are Restrictions on Transfer**. The Notes have not been registered or qualified under the Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any other jurisdiction, and the Company will neither be obligated to register nor qualify any of the Notes to permit the transfer of any Note without such registration or qualification. Also, the Notes by their terms will not be negotiable or assignable. Consequently, the Notes will not be transferable other than in a transaction that is exempt or otherwise does not require registration under the Securities Act and upon satisfaction of certain other provisions of the Subscription Agreement.

- **No Market for the Notes**. There will be no market for the Notes prior to the issuance thereof, and it is not expected that a secondary market will develop or, if it does develop, it will provide the Notes thereof with liquidity of investment or will continue for the life of the Notes. The Notes will not be listed on any securities exchange. As a result, Investors must be prepared to bear the risk of holding the Notes until maturity.

- **Noteholders Are Not Entitled to Vote**. Noteholders may not vote. As a result, it is not possible for Noteholders to make policies, direct investments or remove the

Manager. The common members, therefore, control the Company, despite potential objections from the Noteholders.

- **Significant and Controlling Principal**. The Principal owns the Company through majority ownership of one or more entities, and the Principal will control the Company after the offering. Accordingly, Noteholders must trust the Principal to exercise sound business judgment in respect of the Company and its operations.

- **Noteholder's Limited Recourse Against Management**. The Company and the Manager will not be liable to the Noteholders based on errors in judgment or other faults in connection with the offering and the Company, so long as the Company and the Manager act in compliance with the Company's Operating Agreement, federal securities laws and Wyoming laws.

- **No Guarantee of Timely Payments**. Although the interest may be required to be paid on a quarterly or annual basis and the Loan Amount and any interest accrued but unpaid thereon is required to be paid on the Maturity Date, those payments will be made only to the extent that the Company has available cash, and the Company has realized profits. If the Company does not have sufficient cash available for payments, it could cause the Company to default on the Notes.

- **Notes Are Not Guaranteed and Could Become Worthless**. The Notes are not secured by any assets of the Company and not guaranteed or insured by any government agency or by any private party. Although any senior notes will receive first priority to the assets of the Company, which includes any collateral received from Gold Brokers, they are likewise not guaranteed or insured by any government agency or by any private party. The amount of earnings is not guaranteed and can vary with market conditions. The return of all or any portion of capital invested in Notes is not guaranteed, and the Notes could become worthless. Further, because Notes are not secured by the assets of the company, they are subordinate to senior notes that have be issued priority and upon any liquidation of the Company, holders of the Notes would only receive payment of principal and interest after all of the senior notes are satisfied in full, which may not occur.

- **The Notes Should Be Deemed Registered Notes**. The Notes were drafted so that the Notes are at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code, and any related IRS regulations promulgated thereunder.

- **Conversion to Company Equity**. In the event of a default by the Company on the repayment of its Notes, a Noteholder's sole recourse will be to receive equity in the Company in the form or preferred equity interests. Such preferred equity interests will also be restricted securities and subject to transfer restrictions with distributions to be determined in the sole discretion of the Manager and only made in the event that the Company has available net proceeds after payment of the Company's expenses including Noteholders of unmatured Notes. Further, there is no guarantee that the Company will ever generate any proceeds to make distributions to any converted

Noteholders or any guarantee that a Noteholder will not lose its entire investment in the Company.

**Risks Related to the Company**

- **Compliance, Litigation and Claims**. The Company must comply with various legal requirements, including requirements imposed by the securities laws, tax laws and pension laws in various jurisdictions. Should any of those laws change over the scheduled term of the Company, the legal requirements to which the Company and the Noteholders may be subject could differ materially from current requirements. The Company may be subject to lawsuits or proceedings by government entities or private parties. Except in the event of a lawsuit or proceeding arising from the Manager's willful misfeasance, bad faith or gross negligence in the performance of its duties, expenses or liabilities of the Company arising from any suit or proceeding shall be borne by the Company.

- **The Manager's Right to Dissolve the Company**. The Manager may dissolve the Company at any time upon approval of a majority of the common members, of which Toolbox OS is the sole member. Accordingly, there is a risk that if the Company's assets become depleted and, as a result, its income generated from its lending activities become minimal, the Manager may elect to dissolve the Company and distribute its remaining assets.

- **Internal Controls**. The Manager has adopted compliance guidelines and other controls with the intention of preventing the misappropriation of corporate property and other violations of law by employees of the Manager and other agents of the Company. There can be no assurance, however, that such procedures and controls will be effective. Any violation of such procedures and controls, including acts of fraud by employees of the Manager could result in material losses or costs, which will generally be borne by the Company.

**Conflicts of Interest**

There are numerous inherent and potential conflicts of interest between the Manager and the Company including the following:

- **No Obligation for Full-time Service**. None of the Manager or its principals have any obligation to devote their full time to the business of the Company. They are only required to devote as much time and attention to the affairs of the Company as they decide is appropriate and they may engage in other activities or ventures, including competing ventures and/or unrelated employment, which result in various conflicts of interest between such persons and the Company. (See "MANAGEMENT.")

- **Competing Ventures**. The Manager manages other businesses for which they are compensated. They may also provide consulting and/or advisory services to other clients. In addition, the Manager and its principals will determine the allocation of funds from the Company and such other accounts and clients to investment strategies

and techniques on whatever basis they decide is appropriate. The records of these accounts and clients will not be made available to Noteholders.

- **Affiliated Third-Party Contractors**. The Principal may be affiliated with various third parties who perform services or contract with the Company. As a result, contracts for services may not be negotiated on an arm's-length basis and may not be as favorable to the Company as if they had been negotiated with an unaffiliated third party.

- **Receipt of Fees and Other Compensation**. The Manager may receive substantial compensation from the proceeds of this offering and any cash flow or capital transaction proceeds generated by the Company. The Manager may earn other income from their affiliation with the Company. Such fees and income may take the form of, among others, asset management fees, net break-up fees, advisory fees, disposition fees, origination fees, servicing fees, modification fees, consulting fees, monitoring fees, transaction fees and investment banking fees. Although the Manager believes that the compensation payable by the Company and any of its subsidiaries and its Affiliates will reflect the fair market value for the services to be provided and an appropriate return on the investment of the Manager and its Affiliates in the Company, such arrangements are not the result of arm's-length negotiations. Subject to Wyoming law and the terms of the Operating Agreement, the Manager has the sole and absolute discretion with respect to all decisions relating to the terms and timing of transactions. The Manager may have an interest in taking, or not taking, certain actions on behalf of the Company that differ from the interests of the Noteholders, including, for example, an interest in taking or not taking certain actions so as to maximize amounts payable to the Manager and its Affiliates.

- **Lack of Separate Representation**. No agreement, contract and arrangement between the Company and the Manager was or will be the result of arm's-length negotiations. The attorneys, accountants and others who have performed services for the Company in connection with this offering, and who will perform services for the Company in the future, have been and will be selected by the Manager. No independent counsel has been retained to represent the interests of Investors or Noteholders, and the Notes have not been reviewed by any attorney on their behalf. Investors are therefore urged to consult their own counsel as to the terms and provisions of the Notes and all other related documents.

- **Waivers; Differing Terms**. The Manager may have a conflict of interest in approving differing terms among Noteholders, which provide certain Noteholders with special terms regarding their investment in the Company ("**Side Letters**"). Often, Side Letters are entered into in order to attract capital and waivers in order to maintain good relations with major investors.

  The Manager has the absolute discretion to agree with a Noteholder to waive or modify the application of any provision of the Note with respect to such Noteholder (including, without limitation, minimum Loan Amount, interest rate, Maturity Date, etc.), without obtaining the consent of any other Noteholder (other than a Noteholder which is materially adversely affected by such waiver or modification). A waiver granted in the

specific case will not obligate the Manager to grant the same or any comparable waiver to the recipient a second time or to any Noteholder.

**This list may not describe all of the risks and conflicts of interest relating to the Company. Investors should read this entire Memorandum and consult with their own legal and financial advisors before investing in the Company.**

## CERTAIN CONSIDERATIONS APPLICABLE TO ERISA, GOVERNMENTAL AND OTHER PLAN INVESTORS

The following is a summary of certain considerations associated with an investment in the Company by Benefit Plan Investors subject to ERISA and/or the Internal Revenue Code of 1986, as amended (the "**Code**") (including IRAs) and by Other Benefit Plans subject to provisions under any federal, state, local, foreign or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Comparable Laws**"). Benefit Plan Investors and Other Benefit Plans are collectively referred to herein as "**Plan Investors**." THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ISSUE THAT MAY BE APPLICABLE TO PLAN INVESTORS IN THE COMPANY. ACCORDINGLY, EACH PROSPECTIVE PLAN INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ISSUES UNDER ERISA, THE CODE AND OTHER COMPARABLE LAWS AFFECTING THE COMPANY AND THE POTENTIAL PLAN INVESTOR.

### General Fiduciary Considerations

Persons who are fiduciaries with respect to Plan Investors should consider, among other things, the matters described below before determining whether to purchase Notes issued by the Company.

Under ERISA, any person who exercises any discretionary authority or control over the administration of a plan subject to Title 1 of ERISA (an "**ERISA Plan**"), or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation to an ERISA Plan is generally considered to be a fiduciary of an ERISA Plan.

ERISA imposes certain general and specific responsibilities on persons who are fiduciaries with respect to an ERISA Plan, including prudence, diversification, avoidance of prohibited transactions and compliance with other standards. In determining whether a particular investment is appropriate for an ERISA Plan, U.S. Department of Labor ("**DOL**"), regulations provide that a fiduciary of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, the risk and return factors of the potential investment, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan, the projected return of the total portfolio relative to the ERISA Plan's funding objectives, and the limitation on the rights of Noteholders to transfer their Notes. If a fiduciary with respect to any ERISA Plan breaches its responsibilities with regard to selecting an investment or an investment course of action for such ERISA Plan, the fiduciary may be held personally liable for losses incurred by the ERISA Plan as a result of such breach. A person who is a fiduciary with respect to Other Benefit Plans should consider whether Comparable Laws impose similar duties on fiduciaries.

Before purchasing the Notes using the assets of a Benefit Plan Investor or Other Benefit Plan, a fiduciary should determine whether such an investment is in accordance with the

documents and instruments governing the Plan Investor and the applicable provisions of ERISA, the Code and any Comparable Law. For example, a fiduciary should consider whether the purchase of the Notes may be too illiquid or too speculative for a particular Plan Investor (e.g., whether the investment will be sufficiently liquid to allow an IRA to make required minimum distributions) and whether the assets of the Plan Investor or would be sufficiently diversified. Plan fiduciaries under ERISA and the Code are generally required to report the fair market value of plan investments.

**Benefit Plan Investors Having Prior Relationships with the Company or its Affiliates**

Certain prospective Benefit Plan Investors, including ERISA Plans and IRAs, may currently maintain relationships with the Manager or other entities that are affiliated with the Manager. Each of such entities may be deemed to be a party in interest to and/or a fiduciary of any Benefit Plan Investor to which any of the Affiliates provides investment management, investment advisory or other services. ERISA prohibits plan assets to be used for the benefit of a party in interest and also prohibits an ERISA Plan fiduciary from using its position to cause the ERISA Plan to make an investment from which it or certain third parties in which such fiduciary has an interest would receive a fee or other consideration. Similar provisions are imposed by the Code with respect to IRAs and other "plans" described in Section 4975(e)(1) of the Code. ERISA Plans, IRA investors and other Benefit Plan Investors should consult with counsel to determine if participation in the Company is a transaction that is prohibited by ERISA or the Code. Other Benefit Plans (including governmental plans, foreign plans, and church plans not subject to ERISA) should also consult with counsel to determine if participation in the Company is a transaction prohibited under the Comparable Laws applicable to such Plans.

**Representations by Plan Investors**

Any Plan Investor proposing to purchase the Notes will be required to represent that it is, and any fiduciaries responsible for the plan's investments are, aware of and understand the Company's investment objective, policies and strategies, and that the decision to purchase the Notes using the assets of the Plan Investor was made with appropriate consideration of relevant investment factors with regard to the Plan and is consistent with the duties and responsibilities imposed upon fiduciaries with regard to their investment decisions under ERISA, the Code or Comparable Laws, as applicable. Plan Investors will also be required to represent that the investment in the Company is permitted by the Plan Investor's governing documents and any other documents to which the Plan Investor is subject.

The purchase of Notes by an ERISA Plan is subject to ERISA and an investment by an IRA or other Benefit Plan Investor is subject to the Code. Accordingly, ERISA Plans, IRAs (and other Benefit Plan Investors) and Other Benefit Plans should consult with their own counsel as to the consequences under ERISA, the Code or other Comparable Laws, as applicable, of the Purchase of Notes.

ACCEPTANCE OF SUBSCRIPTIONS OF ANY PLAN INVESTOR IS IN NO RESPECT A REPRESENTATION BY THE COMPANY, THE MANAGER OR ANY OTHER PARTY THAT SUCH INVESTMENT MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO THAT PLAN INVESTOR OR THAT THE INVESTMENT IS APPROPRIATE FOR SUCH PLAN INVESTOR. THE FIDUCIARY OF EACH PLAN

INVESTOR SHOULD CONSULT WITH ITS OWN LEGAL ADVISORS AS TO THE PROPRIETY OF AN INVESTMENT IN THE COMPANY IN LIGHT OF THE SPECIFIC REQUIREMENTS APPLICABLE TO THAT PLAN INVESTOR.

# TAXATION

## Introduction

The following is a general summary of certain significant aspects of the U.S. federal income taxation of the Company and its Noteholders which should be considered by a Noteholder to the Company. A complete discussion of all tax aspects of an investment in the Notes is beyond the scope of this Memorandum, and the tax considerations relevant to a specific Noteholder depend upon its particular circumstances. The following summary is only intended to identify and discuss certain salient issues interpreting existing laws and regulations in force as of the date of this Memorandum. This summary is based upon relevant provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), the Federal Income Tax Regulations promulgated thereunder (the "**Regulations**"), and administrative and judicial interpretations thereof as of the date hereof, all of which are subject to change (potentially on a retroactive basis). No assurance can be given that changes in existing laws or regulations or their interpretation will not occur after the date of this Memorandum or that any such future guidance or interpretation will not be applied retroactively, and this summary does not discuss the impact of various proposals to amend the Code or the Regulations which could change certain of the tax consequences of an investment in the Company. No tax rulings have been or are anticipated to be requested from the Internal Revenue Service (the "**IRS**"), or other taxing authorities with respect to any of the tax matters discussed herein.

Except as specifically noted, the following general discussion assumes that each Noteholder is an individual who is a U.S. citizen or resident individual or a U.S. domestic company that is not tax-exempt and that each Investor holds the Notes as a capital asset and is the initial holder of such Note. Except as specifically indicated, the following discussion does not deal with the consequences of the ownership of the Notes by special classes of holders, such as dealers in securities, life insurance companies or foreign Noteholders. Special rules applicable to foreign Noteholders are discussed separately below.

THE FOLLOWING SUMMARY IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO THE COMPANY ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE PRESENT U.S. FEDERAL INCOME TAX TREATMENT OF AN INVESTMENT IN THE COMPANY MAY BE MODIFIED BY LEGISLATIVE, JUDICIAL OR ADMINISTRATIVE ACTION AT ANY TIME AND ANY SUCH ACTION MAY AFFECT INVESTMENTS PREVIOUSLY MADE, AND IN SOME CASES SUCH MODIFICATIONS MAY APPLY WITH RETROACTIVE EFFECT. THE RULES DEALING WITH U.S. FEDERAL INCOME TAXATION ARE CONSTANTLY UNDER REVIEW BY PERSONS INVOLVED IN THE LEGISLATIVE PROCESS AND BY THE IRS, THE U.S. TREASURY DEPARTMENT AND THE COURTS, RESULTING IN REVISIONS OF THE CODE, THE REGULATIONS AND ADMINISTRATIVE AND JUDICIAL INTERPRETATIONS OF ESTABLISHED CONCEPTS AS WELL AS STATUTORY CHANGES. THE EFFECT OF EXISTING U.S. INCOME TAX LAWS AND OF PROPOSED CHANGES IN U.S. INCOME TAX LAWS ON NOTEHOLDERS WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH NOTEHOLDER, AND REVISIONS OF SUCH LAWS OR THEIR INTERPRETATION COULD ADVERSELY

AFFECT THE U.S. TAX TREATMENT OF THE COMPANY OR A NOTEHOLDER. ACCORDINGLY, EACH NOTEHOLDER MUST CONSULT WITH AND RELY SOLELY ON ITS PROFESSIONAL TAX ADVISORS WITH RESPECT TO THE TAX RESULTS OF ITS INVESTMENT IN THE COMPANY. IN NO EVENT WILL THE AFFILIATES, COUNSEL OR OTHER PROFESSIONAL ADVISORS BE LIABLE TO ANY NOTEHOLDER FOR ANY FEDERAL, STATE, LOCAL OR OTHER TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY, WHETHER OR NOT SUCH CONSEQUENCES ARE AS DESCRIBED BELOW.

**Income of Noteholders**

Each Noteholder will be considered to own a single debt obligation held by the Company and having an issue price and Loan Amount equal to the total stated issue price and Loan Amount on the Note purchased. A Noteholder will recognize income on the payment of any interest by the Company on the Notes. Generally, the interest income received will be ordinary income to the Noteholder taxed at the individual Noteholder's tax rate in the year of receipt. Noteholders will also recognize income on any interest accrued in a given tax year, regardless of whether such interest is paid.

**Sale or Exchange of Notes**

A Noteholder will recognize gain or loss on the sale of its Notes equal to the difference between the amount realized on the sale and its adjusted basis in the Notes. A Noteholder's adjusted basis generally will equal the issue price of such Note to the Noteholder. However, if the Noteholder receives a principal payment, then such Noteholder's basis in its Notes will adjust accordingly by the amount of the principal payment. Except as provided in Section 582(c) of the Code, generally any such gain or loss will be capital gain or loss, provided that such Notes are held as a "capital asset" (generally, property held for investment) within the meaning of Section 1221 of the Code.

**Company Modification of Note**

Section 1001 of the Code and the Regulations thereunder (the "**Debt Modification Rules**"), classify certain changes and alterations to the terms of a debt instrument as "significant modifications" resulting in a deemed taxable exchange of the old (unmodified) debt for the new (modified) debt for U.S. federal income tax purposes. For non-publicly traded debt instruments, such as the Notes, the amount realized on such a deemed exchange is generally the face amount of the debt instrument and not its fair market value. Thus, the Notes purchased by a Noteholder for less than its face amount is subsequently treated as having undergone a deemed exchange under the Debt Modification Rules, the Noteholder could be treated as recognizing gain for U.S. federal income tax purposes equal to the difference between the face amount of the debt instrument and the adjusted basis of such debt instrument in the hands of such Noteholder.

**Notes at Zero Value**

A Noteholder will recognize a loss equal to the difference between the amount received from the Company not considered a payment of interest and the Noteholder's adjusted basis in the Notes should the Company be unable to pay off the loan amount of its Note at the Maturity Date.

A Noteholder's adjusted basis generally will equal the cost of such Note to the Noteholder. However, if the Noteholder receives a principal payment, then such Noteholder's basis in its Notes will adjust accordingly by the amount of the principal payment. Except as provided in Section 582(c) of the Code, generally any such loss will be capital loss, provided that such Notes are held as a "capital asset" (generally, property held for investment) within the meaning of Section 1221 of the Code.

**Reporting and Backup Withholding**

Reporting of interest income with respect to the Notes will be required annually, and may be required more frequently under IRS regulations. These information reports generally are required to be sent to individual holders of the investment and the IRS. Any Noteholders that are corporations, trusts, securities dealers and certain other non-individuals will be provided with interest income information and the information set forth in the following paragraphs upon request in accordance with the requirements of the applicable IRS regulations.

Payments of interest and principal, as well as payment of proceeds from the sale of the Notes, to Noteholders which are not exempt recipients may be subject to the backup withholding tax under Section 3406 of the Code if the recipient of such payments fails to furnish to the payor certain information, including their taxpayer identification numbers, to the Company, or otherwise fails to establish an exemption from such tax. The amounts deducted and withheld from payments to a Noteholder would be allowed as a credit against such recipient's federal income tax. Furthermore, certain penalties may be imposed by the IRS on a Noteholder which is required to supply information but does not do so in the proper manner.

**Other Taxes**

Noteholders may be subject to other taxes, such as the U.S. alternative minimum tax, state and local income taxes, and estate, inheritance or intangible property taxes that may be imposed by various jurisdictions. Each Investor should consider the potential consequences of such taxes on an investment in the Company. It is the responsibility of each Investor to become satisfied as to the legal and tax consequences of an investment in the Company under state law, including the laws of the state(s) of its domicile and residence, by obtaining advice from its own tax advisors, and to file all appropriate tax returns that may be required.

**State Taxation**

In addition to the U.S. federal income tax consequences described above, Investors should consider potential state tax consequences of an investment in the Company. No attempt is made herein to provide a discussion of such state tax consequences. State laws often differ from U.S. federal income tax laws with respect to the treatment of specific items of income, gain, loss, deduction and credit. Interest payable to a Noteholder generally will be required to be included in determining its reportable income for state tax purposes in the jurisdiction in which it is a resident. Each Investor must consult its own tax advisors regarding such state tax consequences.

**Special Considerations for Noteholders which are not U.S. Citizens or Residents**

A "**U.S. Person**" is: (a) a citizen or resident of the United States; (b) a corporation, partnership, or other entity organized under the laws of the United States, any state, or the District of Columbia, other than a partnership that is not treated as a U.S. Person under the Regulations; (c) an estate whose income is subject to United States income tax, regardless of its source; or (d) a trust if a court within the United states is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust or, to the extent provided in the Regulations, certain trusts in existence on August 20, 1996, and treated as U.S. Persons prior to such date, that elect to be treated as U.S. Persons.

Interest income generated from the ownership of the Notes produces U.S.-source fixed or determinable annual or periodical income under legislation commonly referred to as the "Foreign Account Tax Compliance Act" or "**FATCA**." Under FATCA, fixed or determinable annual or periodical income payable to Investors who are not U.S. Persons (i.e., a "**Non-U.S. Noteholder**"), is subject to withholding tax. The U.S. withholding tax rate is generally 30.00%. Generally, qualified interest, such as portfolio interest (as defined in Section 871(h) of the Code), should not be subject to U.S. withholding tax. Assuming that the Company complies with certain rules and procedures pertaining to the drafting and issuing of the Notes, it is anticipated that the interest income from payable to Non-U.S. Noteholders will be classified as portfolio income and will not generally be subject to regular U.S. federal income taxes on the basis of net income to Non-U.S. Noteholders. In the event the Company does not meet all of the requirements for the interest generated from the Notes to qualify as portfolio interest (as defined in Section 871(h) of the Code), Non-U.S. Noteholders would be subject to withholding taxes on payments of the interest under the Notes, the rate of which could be reduced based on tax treaties between the Non-U.S. Noteholder's country of residence and the United States.

THE U.S. FEDERAL INCOME TAX TREATMENT OF A NON-U.S. NOTEHOLDER'S INVESTMENT IN THE COMPANY IS COMPLEX AND WILL VARY DEPENDING UPON THE UNIQUE CIRCUMSTANCES OF THE NON-U.S. NOTEHOLDER AND THE ACTIVITIES OF THE COMPANY. ACCORDINGLY, EACH POTENTIAL NON-U.S. NOTEHOLDER IS URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX TREATMENT AND CONSEQUENCES OF AN INVESTMENT IN THE COMPANY.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN NOTEHOLDER'S PARTICULAR SITUATION. NOTEHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAW.

## ANTI-MONEY LAUNDERING PROCEDURES

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA PATRIOT Act**"), signed into law on and effective as of October 26, 2001, requires that financial institutions establish and maintain compliance programs to guard against money laundering activities. The USA PATRIOT Act requires the Secretary of the U.S. Department of the Treasury (the "**Treasury**"), to prescribe regulations in connection with anti-money laundering policies of financial institutions. The Financial Crimes Enforcement Network ("**FinCEN**"), an agency of the Treasury, has announced that it is likely that such regulations would subject pooled investment vehicles such as the Company to enact anti-money laundering policies. It is possible that there could be promulgated legislation or regulations that would require the Manager or other service providers to the Company, in connection with the establishment of anti-money laundering procedures, to share information with governmental authorities with respect to the Noteholders. Such legislation and/or regulations could require the Company to implement additional restrictions on the transfer of the Notes. The Manager reserves the right to request such information as is necessary to verify the identity of a Noteholder and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by FinCEN and/or the SEC. The Company may, in the event of delay or failure by the applicant to produce any information required for verification purposes, or for any other reason, in its sole and absolute discretion, refuse an investment in or transfer of Notes by any person or entity.

The Manager on behalf of the Company and its Affiliates, subsidiaries or associates will require a detailed verification of each Investor's identity and the source of subscription funds. The Company may also require that this information be supplied by a Noteholder that did not supply such information when it subscribed for Notes. This information, and any other information supplied by a Noteholder (each, a "**Subscriber**"), may be transmitted to any governmental agency that the Company reasonably believes has jurisdiction (each, a "**Governmental Authority**"), without prior notice to the Investor, in order to satisfy any applicable anti-money laundering laws, rules or regulations to which the Company is or may become subject, notwithstanding any confidentiality agreement to the contrary.

Depending on the circumstances of each Subscriber, a detailed verification might not be required where:

(i) the applicant is a recognized financial institution which is regulated by a recognized regulatory authority and carries on business in a recognized jurisdiction; or

(ii) the application is made through a recognized intermediary which is regulated by a recognized regulatory authority and carries on business in a recognized jurisdiction. In this situation the Company may rely on a written assurance from the intermediary that the requisite identification procedures on the applicant for business have been carried out.

These exceptions only apply if the financial institution or intermediary referred to above is

within a country recognized as having sufficient anti-money laundering regulations.

In attempting to verify a Subscriber's identity, the Manager may request any information it deems necessary including, but not limited to, the Subscriber's legal name, current address, date of birth or date of formation (as applicable), information regarding the nature of the Subscriber's business, the locations in which the Subscriber transacts its business, proof as to the current good standing of the Subscriber in its jurisdiction of formation (if an entity), proof of identity (e.g., a driver's license, social security number or taxpayer identification number), and any other information the Manager believes is reasonably necessary to verify the identity of the Subscriber. The Manager may also request information regarding the source of the subscription amount including, but not limited to, letters from financial institutions, bank statements, tax records, audited financial statements and any other information the Manager believes is reasonably necessary to verify the source of the subscription amount.

The Company may request that a Subscriber supply updated information regarding its identity or business at any time. The Company may also request additional information regarding the source of any funds used to purchase Notes. In the event of delay or failure by a Subscriber to produce any information required for verification purposes, the Manager may refuse to accept a new or additional subscription proceeds. The Manager may refuse to pay the Note or other transfer of funds if it believes such action is necessary in order to comply with its responsibilities under applicable law.

A Subscriber may be asked to indemnify and hold harmless the Company, the Manager and their respective affiliates, including their officers, directors, members, partners, shareholders, managers, employees, agents and the Principal or any entities owned or managed by the Principal (collectively, the "**Affiliates**"), from and against any loss, liability, cost or expense (including, but not limited to, attorneys' fees, taxes and penalties) which may result, directly or indirectly, from any misrepresentation or breach of any warranty, condition, covenant or agreement set forth in the Subscription Documents or any other document delivered by the Subscriber to the Company or as a result of any violations of law committed by the Subscriber. Such Subscription Documents further provide that the Company and its Affiliates are not and shall not be liable for any loss, liability, cost or expense to the Subscriber resulting, directly or indirectly, from any action taken by the Company and its Affiliates in making a good faith attempt to comply with the laws of any jurisdiction to which the Company and its Affiliates are or become subject, including loss resulting from a failure to process any application for redemption if such information that has been required by the Company and its Affiliates has not been provided by the Subscriber or if the Company and its Affiliates believe in good faith that the processing thereof would violate applicable law. This indemnification provision shall be in addition to, and not in limitation of, any other indemnification provision applicable to the Company and its Affiliates.

The Company and its Affiliates hereby disclaim any and all responsibility for any action taken by them in a good faith attempt to comply with the applicable laws of any jurisdiction or at the direction of any Governmental Authority. Any and all losses incurred by a Subscriber as a direct or indirect result of any action taken by the Company and its Affiliates in a good faith attempt to comply with the applicable laws of any jurisdiction or at the direction of any Governmental Authority shall be the sole responsibility of the Noteholder without recourse to the Company and its Affiliates.

## OTHER MATTERS

### Governing Law

The Company has been organized pursuant to the provisions of Wyoming Limited Liability Company Act, and the Operating Agreement provide that it shall be governed by the laws of Wyoming. All Notes are governed by the laws of the state of Wyoming, the Company's state of organization.

### Electronic Delivery of Documents

In order to improve timeliness of delivery and promote cost savings, for Noteholders who consent, the Company may deliver its financial statements, investor newsletters, offering document supplements, revised Company governing documents, annual privacy notices and other investor notices and materials by email to the address in the Company's records or by posting them on any password protected webpage that the Company may establish in the future. When delivering documents by email, the Company will generally distribute them as attachments to emails in Adobe Acrobat Document Format (PDF). The Adobe Acrobat Reader software is available free of charge from Adobe's website at www.adobe.com. The Adobe Acrobat Reader software must be installed correctly on the Noteholder's system before the Noteholder will be able to view the documents in PDF format. By acquiring a Note from the Company, the Noteholder is consenting to electronic delivery of documents. Noteholders which do not wish to receive documents and notices electronically, or wish to change the method or address of notice, must so elect by notifying the Manager.

### Bad Actor Provision

Rule 506(d) of Regulation D of the Securities Act provides for disqualification of a Rule 506 offering in the event a beneficial owner of 20.00% or more of any of the Company interests are owned by a member involved in a "disqualifying event" such as in connection with the sale of securities, within the securities industry or with the SEC (a "**Bad Actor Event**"). An Investor subject to a Bad Actor Event may be denied the ability to purchase Notes in the Manager's sole and absolute discretion. An existing Noteholder must inform the Manager immediately upon being subject to a Bad Actor Event. The Company may prepay such Noteholder's Note in full satisfaction and cancel such Note at its sole and absolute discretion. As of the date of this Memorandum, the Manager, its managers, officers and members are not subject to a Bad Actor Event.

### Additional Information

This Memorandum is not intended to provide a complete description of the investment in the Company. A copy of the Form of Note is included herewith. Investors are encouraged to ask the Manager for any information they consider relevant prior to an investment in the Company. Upon request, the Manager will provide Investors with any information it can reasonably supply. Notwithstanding such inquiries or responses, each Noteholder will be required to represent in the

Subscription Documents that it has subscribed for Notes solely on the basis of the information set forth in this Memorandum. No representative of the Company or the Manager is authorized to give information or make representations other than those contained in this Memorandum and Investors may not rely on any such information or representations.