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PRIVATE PLACEMENT MEMORANDUM

CAROLINA CAPITAL RESERVE FUND II LLC

NOTES

January 25, 2024

325 S Oakland Ave Suite 201
Rock Hill, SC 29730

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF CAROLINA CAPITAL RESERVE FUND II LLC, AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OFFERED HEREBY OR DETERMINED IF THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES OFFERED HEREBY ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. YOU WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Important Considerations

This Confidential Private Placement Memorandum ("Memorandum" or "PPM") is provided for information assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. This PPM is being provided to select qualified prospective investors (the "Investor" or "Investors") on a confidential basis solely in connection with the consideration of an offering (the "Offering") to purchase Promissory Notes ("Notes") issued by Carolina Capital Reserve Fund II LLC (the "Fund", the "Company", or "we"), which is managed by Carolina Capital Management LLC (the "Manager").

In making an investment decision, Investors must rely on their own examination of the Notes and the terms of the Offering, including the merits and risks involved. The information contained in this PPM has been compiled from sources believed to be reliable by the Manager.

The Notes offered hereby are speculative and involve certain risks. See "Risk Factors." There is no public market for the Notes, nor will one develop following this Offering. The fact that the price of the Notes may fluctuate does not imply a public market for, or an accurate valuation of, the Notes. The Notes are subject to certain restrictions on transfer or resale as summarized herein.

All of the information in this PPM is nonpublic, confidential, and proprietary in nature, and the disclosure of any information in this PPM could cause harm to the Manager, the Fund, and other persons. The information in this PPM is disclosed for the sole purpose of evaluating the Notes offered to Investors.

The Notes are suitable only for sophisticated Investors for which an investment in the Fund does not constitute a complete investment program and that fully understand, are willing to assume, and have the financial resources necessary to withstand the risks involved in the investment program in which the Fund will engage. Accordingly, distribution of this PPM, and offers and sales of securities referred to herein, are limited to persons who meet certain suitability requirements. Each Investor will be required to make certain representations to the Fund, including representations as to investment intent, degree of sophistication, having access to information concerning the Fund, and an ability to bear the economic risk of the investment. *If you do not meet the suitability requirements summarized herein, please immediately return this PPM.*

This PPM does not constitute an offer or a solicitation in any state or other jurisdictions in which, or to any person to whom, such an offer or solicitation would be unlawful or is not authorized. This PPM may be relied upon only by the original Person to which it is delivered, and no other use or distribution of this PPM or the information contained herein is authorized. This PPM may not be copied and must be returned to the Fund if the Investor does not subscribe for any Notes if the Investor's subscription is rejected by the Manager.

The contents hereof are not to be construed as tax, legal, or investment advice. Each Investor should consult the Investor's own counsel, accountant, business, or other advisors as to the tax, legal, economic, and other consequences of the purchase of the Notes offered hereby.

This PPM may contain projections which are predictions of future events that may or may not occur. Although all such projections, if any, are based on assumptions that the Fund believes are reasonable there can be no assurance that they will in fact prove to be correct. Consequently, they must not be relied upon to indicate, or guarantee, any actual results that may be realized.

No person is authorized by the Fund to give any information or make any representation other than those contained in this PPM in connection with the Offering made hereby, and if given or made, such other information or representations must not be relied upon as having been authorized by the Fund. Neither delivery of this PPM nor any sale made hereunder, under any circumstances, creates any implication that the information contained herein is correct as of any time subsequent to the date hereof.

The Fund has agreed to make available to each Investor and to the Investor's representative(s), or both, the opportunity, prior to the consummation of a sale of Notes to such Investor, to ask questions of, and receive answers from, the managing members of the Manager concerning the terms and conditions of this Offering and to obtain any additional information, to the extent they possess such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy and completeness of the information set forth herein.

Please contact us at: bill@chmlending.net if you have any questions.

The obligations of the Manager and the Members of the Fund are set forth in and will be governed by an LLC Agreement of the Fund (the "LLC Agreement") and a subscription agreement ("Subscription Agreement"), and the Note Holders' obligations are found in the Note and the Subscription Agreement. All of the statements and information contained herein are qualified in their entirety by reference to these agreements.

This PPM may summarize some of the terms of the Subscription Booklets and other documents referred to herein and therein. However, the discussions set forth in this PPM do not purport to be complete. Copies of the Subscription Booklets have been or will be provided to Investors and each Investor and each Investor's advisors should read these materials, including any and all revisions thereto, prior to deciding to invest in the Fund.

The Fund is not and will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), and the Manager does not anticipate registering as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"), or any similar state laws.

The delivery of this PPM does not imply that the information contained herein is correct as of any time subsequent to the date of its issue. Unless specified otherwise, all statements made herein are made as of January 25, 2024.

Certain statements contained in this PPM, including, without limitation, statements containing the words "believes," "anticipates," "plans," "projects," "targets," "intends," "expects," "will" and words of similar import constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Fund to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Given such uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The Fund and the Manager disclaim any obligation to update such factors or to announce any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

In considering the performance information contained herein, Investors should bear in mind that there can be no assurance that the Fund will achieve the projected results. Actual future conditions may require actions that differ from those contemplated at this time and Investors are cautioned not to place undue reliance on any projections.

OFFERS ARE ONLY BEING MADE PURSUANT TO THIS PPM AND THE RELATED SUBSCRIPTION BOOKLETS. NEITHER THE SEC, NOR ANY OTHER FEDERAL OR STATE AUTHORITY HAS EXAMINED OR ENDORSED THE MERITS OF THE OFFERING OR THE ADEQUACY OF THIS PPM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF BY AN INVESTOR WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGER AND COMPLIANCE WITH APPLICABLE FEDERAL AND STATE SECURITIES LAWS AND THE TERMS AND CONDITIONS OF THE LLC AGREEMENT, AS APPLICABLE.

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INTRODUCTORY LETTER

Dear Investor(s),

Thank you for your interest in investing in the Carolina Capital Reserve Fund II LLC. Our team and I have worked very hard to develop an opportunity for investors that will produce consistent risk-adjusted income and provide a great diversification addition to your existing portfolio. While sharing in high-yield investments can be great, downside exposure can quickly remind you what many are concerned about most, wealth preservation. This fund is specifically designed to provide reasonable returns while protecting against downside risks.

The Fund's core investment strategy is earning note rate interest returns by lending money to qualified real estate investors for the purpose of acquisition, improvement, construction, or bridge financing of commercial real estate assets. All of our loans have a mix of long- and short-term maturities and are directly secured by the real estate assets themselves as collateral. Lending risk is reduced using a two-step process, first we ensure the borrower has a positive credit/background history, and the necessary experience to complete the improvements on the property by the loan maturity date. Second, we limit the Funds market exposure by imposing maximum leverage limits which ensure suitable equity is preserved within the asset throughout the loan's lifecycle. These two steps are critical to protecting against downside risks.

Our team and I have decades of collective experience in the real estate industry. We have learned what works well and what doesn't. If you would like further detailed information regarding our strategies on growth and risk-mitigation, feel free to reach out to me. We hope that you'll join us on our journey and surely appreciate your consideration.

Sincerely,



Bill Fairman

INTRODUCTION

Thank you for expressing an interest in the Carolina Capital Reserve Fund II LLC. We are a group of very experienced financiers and businesspeople dedicated to (1) providing private loans secured by real estate, and (2) packaging those loans into an investable product for investors.

We aim to provide solutions to two challenges simultaneously:

Solution #1: Provide a solution to investors challenged with finding good income vehicles.

Solution #2: Provide a solution to Borrowers challenged with finding access to credit where traditional sources of credit are limited and unresponsive.

Income Investors

For income investors (*retail or institutional*), the challenge to find good yields has been very difficult since the collapse of interest rates in the 2007 recession. This issue has impacted many investors and funds with adverse effects:

- Individual retirements have been delayed or deferred indefinitely.
- Investors have been unable to achieve their goals or have had to incur increased risk.
- Institutional investors have had to endure low yields or increase the risk they take for their stakeholders.
- Pension funds, in particular, are currently challenged to meet their expected rate of return on their investments. This has led to a massive crisis brewing where they may not be able to meet the needs of their future retirees.

Carolina Capital Reserve Fund II LLC will offer an attractive alternative to C.D.'s, High Grade Corporate Bonds, High Yield Corporate Bonds (junk bonds), and other income-oriented investments. The Fund is designed to provide the investor with:

- A portion of a broad pool of loans giving the investor diversification as well as income.
- The protection of real estate collateral usually bolstered with personal and corporate guarantees, cross collateral protection, and life insurance on key borrowers.
- A continual redemption option after an initial two-year lock-up period.

At Carolina Capital Reserve Fund II LLC, we believe that the high current income with the security of real estate as collateral and the short two-year lock-up period will offer a very compelling investment option for our Investors.

The Fund will attempt to help investors achieve several of their goals including:

- Protection of their principal with real estate secured loans
- High current income
- Diversification with a share in a pool of loans
- A relatively short lock-up period followed by a redemption option

The Fund will be open to many potential investors including:

- High net worth individuals
- Family offices
- Bank trust departments
- Pension and endowment funds
- Accredited and non-accredited investors

Client Borrowers

The Fund intends to provide investors with a competitive and secure return on their investment by providing financing to underserved areas of the economy. For Borrowers, our company will be a flexible and innovative alternative finance company.

Our target Borrower will be a diverse group of commercial operations spanning multiple industries. Historically, our group has focused on real estate secured loans and DSCR rentals, which will remain the same. Our Borrowers will mainly be real estate investors who acquire stabilized properties, distressed properties for rehab and sale or lease, along with lots and raw land.

We will provide all types of short-term bridge loans to businesses secured by real estate or businesses wishing to access cash against a real estate asset. In the past, we have also been able to provide credit to people in distressed situations such as a construction project over budget, distressed development projects, or businesses that experience unexpected expenses. Many times, people in these situations have limited access to credit but have viable businesses and quality assets. When traditional sources can't help, we try and find a way to support them.

With our limited partners, we intend to provide real estate secured loans that include:

- Acquisition of stabilized investment properties
- Acquisition of distressed properties for rehab and sale or lease
- Credit extension to distressed situations where traditional sources of credit are limited
- Loans secured by lots and raw land
- Cash out loans against real estate assets
- Business investment loans secured by real estate assets

Loan Products

We will offer the following loan products:

- Interest Only Loans
- Rehab/Construction Loans
- Non-Recourse Loans
- Mezzanine Loans
- Single Payment Balloon Loans
- Any loan that can be real estate secured

Secured Collateral

We will secure loans using the following collateral:

- Single and multi-family residential property
- Commercial and industrial property
- Lots and raw land

Why Consider Carolina Capital Reserve Fund II LLC?

We are not new to the business, bringing extensive knowledge and solid experience. Our founders include a seasoned commercial lending industry executive, successful private businesspeople, and alternative investors that collectively have more than 50 years of experience.

Built on a foundation of integrity and discipline, our mission will be to cultivate relationships with investors and clients, building trust and fostering repeat business. With a solid foundation, we plan to operate the company and manage the fund using sound principles coupled with best practices:

- Operate with the highest level of integrity, discipline, and transparency.
- Deliver high levels of personal service.
- Respond quickly and provide excellent execution.
- Provide clear criteria and ensure thorough documentation.
- Implement thorough due diligence using a process driven review process, taking no short cuts.
- Build and continually cultivate strong relationships.

Most importantly, we will never lose sight of the facts that we invest people's hard-earned money, and we lend to people who are depending on us.

Considering all of the factors that currently challenge investors and borrowers, we believe that now is the opportune time to launch this Fund.

Thank you for considering an investment in Carolina Capital Reserve Fund II LLC.

DEFINITION OF TERMS

The following terms have the meanings ascribed to them below when used elsewhere in this PPM with the initial letter capitalized. Other capitalized terms found throughout this PPM and not defined below or in the body of the PPM have the meaning as ascribed to them in the LLC Agreement:

"Affiliates" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; provided that the Affiliates of the Manager exclude the Company and any Person owned and/or controlled by the Company. "Control" for purposes of this definition means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person, through voting securities, contract rights, or otherwise.

"After Repair Value" or "ARV" means the value of a Fund Asset after the project has been completed with regard to a particular Asset.

"Asset" means any asset acquired by the Company, loaned against by the Company, and/or in which the Company has any direct or indirect interest as an owner, lender, lessor, or otherwise.

"Borrowers" mean the individuals or entities who are the recipients and payors of the Loans.

"Cause" shall be deemed to have occurred if the Manager or any of its managing members is found by a court of competent jurisdiction to have: (i) committed embezzlement, fraud, or any other act involving material improper conduct against the Fund or its Assets; or (ii) engaged in conduct that amounts to recklessness, or willful malfeasance with respect to the Fund or its Assets.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means the property and interests securing a Loan, including but not limited to real property and other real estate related assets.

"Credit Facility" or "Facility" means any loan or line of credit to the Fund, including, but not limited to, warehouse lines, collateral pledge lines, or other short-term cash management lines, individual loans, or lines of credit from any lender, institutional or private, or any other borrowing by the Fund, any of which may be secured in first position by one or more of the Fund Assets, including all of the Fund Assets.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fund Assets" or "Assets" means any and all assets of the Fund including Loans, real property, cash, or any other asset of the Fund.

"Fund Expenses" means Fund organizational costs, tax preparation, CPA fees, legal fees, third party fund administration fees, third party custodian fees, capital acquisition fees and costs (including payment to duly licensed third parties who are contracted by the Manager to raise capital for the Fund), loan origination and/or other fees associated with any capital partner or lender, including the Originator, sales commissions and referral fees, taxes, insurance, inspection, utilities, and any other expense associated with the operation of the Fund and the management of its Assets.

"Investment Advisers Act" means the Investment Advisers Act of 1940, as amended.

"Investment Company Act" means Investment Company Act of 1940, as amended "Investor" means either, or both, a prospective or actual purchaser of Notes pursuant to this Offering, as the context may require.

"Investor" means any Member who has made a Capital Contribution or Note Holder who has subscribed for a Note.

"Investor Capital" or "Investment Capital" means any Capital Contributions made by the Members or Notes purchase by the Note Holders.

"Investor Suitability Statement" means the suitability statement of an Investor contained in that Investor's Subscription Booklet.

"IRS" means the United States Internal Revenue Service.

"Loan to Value" or "LTV" means the ratio of loan amount to value of the property secured by the loan and, for new loans originated by the Fund, will typically not exceed 70% on non-income producing property, but may be as high as 80% on income producing, single-family property, in the Manager's sole discretion. The Manager will determine the value of the property using internal valuations, broker price opinions, online comparable sales, appraisals, prior experience with similar properties, or any other means selected by the Manager in its sole discretion.

"Loans" means performing and non-performing loans, including mortgage loans, intended to be secured by real property, including any SAM Loans.

"Manager" initially means Carolina Capital Management LLC, a South Carolina limited liability company, and thereafter, any other Person elected by the Members to serve as the Manager of the Fund pursuant to the terms of the LLC Agreement.

"Member" means any Person or entity holding Units who has been approved by the Manager and is a party to the LLC Agreement.

"Money Market Account" means one or more accounts in which the Fund's available cash will be placed. Each Money Market Account will consist of investments that are liquid, and that, in the Manager's judgment, are sufficiently safe while producing a yield, if any, on the Fund's cash.

"Note" or "Notes" mean any promissory notes issued by the Fund, whether secured or unsecured.

"Note Holder" means any Person holding a promissory Note issued by the Fund.

"Offering" means the offering of Notes pursuant to the terms of this PPM, the Subscription Booklet, and any other related documents.

"Operating Account" means the operating account of the Fund to which investor funds are deposited upon the Manager's acceptance of Investor's Subscription Documents.

"Opportunity" means an opportunity that is competitive with the Fund or similar to Assets in which the Fund ordinarily might invest.

"Originator" means the Manager, who is also the Originator of Loans.

"Pari Passu" means proportionally, at an equal pace with, and without preference over other Note Holders, as applicable.

"Person" means an individual, a partnership (general, limited, or limited liability), a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental, quasi- governmental, judicial, or regulatory entity, or any department, agency, or political subdivision thereof.

"SEC" means the United States Securities and Exchange Commission.

"Securities" means either Units or Notes.

"Securities Act" means Securities Act of 1933, as amended.

"Shared Appreciation Loans" or "SAM Loans" means Loans in connection with which the Borrower agrees to pay, either in lieu of or in addition to any interest and fees paid to the lender, a portion of any net profits generated from the sale of the property or project for which the loan is made.

"Subscription Booklet" means the document in addition to this PPM provided to Investors for the purposes of evaluating the Offering and Notes from the Fund.

STRUCTURE OF FUND

The Manager has endeavored to create this Fund in a way that balances the Manager's need for flexibility, autonomy, and control with respect to Fund policies and investment decisions with the Investors' natural desire for safety, oversight, and transparency.

The Fund is organized as a South Carolina limited liability company. Investors may participate in the Offering by purchasing Notes pursuant to a Note Subscription Booklet.

Investor Suitability Standards

The Offering is being conducted pursuant to an exemption from registration under Rules 504(b)(1)(i) and 504(b)(1)(ii) of Regulation D of the Securities Act of 1933 (the "ACT" or "Securities Act"). The Fund is open to both United States and foreign Investors.

This is an Offering which is being made only by delivery of a copy of this PPM and the Subscription Booklet. Each Investor in the Fund must be an "accredited investor", as such term is defined in Regulation D promulgated by the SEC under the Act, or be a "sophisticated investor". An "accredited investor" will be required to verify their status as such in accordance with SEC guidelines to the Manager's satisfaction including, but not limited to, through the provision of two years of tax or wage statements, brokerage or bank statements or confirmation by certain third parties. In addition, each Investor will be required to represent and warrant to the Fund and Manager that it meets the "accredited investor" and other requirements as detailed in the Subscription Booklet. Generally, "sophisticated investor" means that the investor, alone or with a purchaser representative, possesses sufficient knowledge and experience in financial and business matters to make it capable of evaluating the merits and risks of the prospective investment.

An Investor with any of the following attributes can currently qualify as an "accredited investor":

- For natural person Investors, having a net worth of at least \$1,000,000, excluding the positive value of a primary residence; or
- For natural person Investors, having an adjusted gross income of at least \$200,000 for the last 2 years (or \$300,000 with a spouse) and reasonably expecting to attain those amounts this year; or
- For certain entity Investors, having assets of at least \$5,000,000, or
- For entity Investors, having all of the owners of the entity otherwise be "accredited investors."

Subscriptions from suitable Investors will be accepted or rejected by the Manager in its sole discretion after receipt of the Investor's Subscription Booklet properly completed and executed by the Investor. The Manager reserves the right to reject any subscription for any reason. If the subscription is accepted, the Investor will become a Note Holder without any further action by any Person. If the subscription is rejected, the Investor's completed Subscription Booklet and subscription funds will be returned promptly to the Investor.

INVESTMENT OBJECTIVES AND OVERVIEW OF FUND STRATEGY

Principal Investment Objectives

The Fund's objectives are to deploy the proceeds of this Offering in qualified Fund Assets (described below) that will be intended to provide a return to Investors.

An investment in the Fund is inherently speculative and there can be no promise or guarantee that the Fund will be able to achieve its objectives or that the Fund will not experience losses, which could be substantial. See "Risk Factors" below for more detail about just some of the risks attendant to an investment in the Fund.

Strategy to Achieve Fund Investment Objectives

The strategy of the Fund will be to create a portfolio of Loans and related small balance real estate-based assets ("Assets" or "Fund Assets") to produce attractive risk adjusted returns.

The Fund will pursue its objectives by making and acquiring performing and non-performing loans secured by real property (the "Loans") and may allow property to be secured in markets nationwide, in the sole discretion of the Manager. Loans will be originated by the Manager who is also the Originator and closed by the Fund, or the Manager may close loans and then sell them to the Fund. The Fund's strategy is to pursue opportunities to make loans and acquire performing and non-performing notes as opportunities present themselves in the market. The Manager anticipates that the mix between the two may change over time, depending on market dynamics, but the Manager will pursue whatever is available and in the best interest of the Fund. The Fund may also purchase "tapes" or loan portfolios from other lenders, banks, and/or finance companies, and may invest in other funds, directly or indirectly through SPV/SPEs or other entities.

The Loans originated or acquired by the Fund may include "Shared Appreciation Loans" or "SAM Loans"—loans that give the Fund the right to participate in the net profits generated by the property or project for which the Borrower is obtaining a loan. The Manager will make or acquire SAM Loans when it believes that the right to participate in net profits will improve or increase the returns to the Fund, despite the lower interest rate that the Fund will likely be able to realize on a SAM Loan compared to a traditional loan.

The Fund will endeavor to spread its risk in a myriad of ways, by property location, by borrower, by duration of loan term, and by investment size. As a result, the Fund may also purchase and acquire real estate and related assets of all types and values. The Fund may acquire properties directly, through foreclosure, and may participate as an investor in a variety of real estate investments, directly or indirectly through other entities.

MANAGEMENT

The Manager of the Fund is Carolina Capital Management LLC, a South Carolina limited liability company (the "Manager"). The Manager will also act as the Originator on behalf of the Fund and will originate loans for the Fund.

Management Team

Bill Fairman

Bill began his career in the mortgage banking industry in 1989 as a residential mortgage loan officer with The Money Centre, a Charlotte, North Carolina based mortgage brokerage firm. He moved up the ranks to Residential Sales Manager and eventually to Wholesale Account Executive. In 2000, Bill went on to become Regional Sales Manager for One Source Mortgage, a residential wholesale mortgage company, managing 8 sales representatives and consistently exceeding company quotas. Then in 2003, he was recruited to join Coastal Capital, a wholesale originator newly expanded into the southeast, managing 10 sales representatives and increasing market share month over month. In 2005, Bill accepted a Branch Manager position with Silver Hill Financial, a nationwide wholesale small balance commercial mortgage lender, to make the leap to commercial lending and continue his progression in the real estate lending business.

Bill was one of the few that successfully made the transition from residential to commercial lending and was assigned the duty of hosting the company's half-day seminars teaching residential mortgage professionals how to underwrite commercial loans. He was also chosen to become part of Silver Hill's training team for new hires. In 2008, the massive economic downturn and accompanying mortgage crisis took its toll on the small balance commercial origination business and Silver Hill Financial closed all of its sales offices. Unfortunately, Bill's assets were tied to the industry, and he suffered a total loss

and an ensuing bankruptcy. His case was heard and discharged in the Western District of North Carolina, Charlotte Division, Case Number 09-31240.

With the mortgage industry shrinking to about 25% of what it was just a few years prior, Bill temporarily left the industry and went to work for a consumer electronic design and installation firm, Audio Video Architects. Bill was able to translate his sales and managerial abilities to this new field and was instrumental in adding a commercial division to the firm. He landed new contracts with a local community college with five campuses throughout the Charlotte, North Carolina metropolitan area for the design and installation of smart classrooms, conference rooms, and digital signs. However, as the recession deepened. That company was forced to downsize, and Bill obtained a commercial class, a driver's license and drove a long-haul truck for two years. His heart, however, remained in the real estate lending business.

In 2012, as the real estate market had rebounded significantly and the demand for private money continued to grow, he and his sister, Wendy Sweet, formed Carolina Hard Money LLC. Given their different roles and experiences in the industry, they felt they complement each other nicely and together make an excellent team. Having spent the vast majority of his time on the wholesale side of the mortgage industry, he has been involved in literally thousands of mortgage transactions and has seen almost every type of scenario play out, both good and bad, giving him a unique depth of experience to bring to the management of the Fund.

Bill spent six years as a lieutenant in the North Carolina Civil Air Patrol early in his career. This invaluable training taught and reinforced a commitment to a disciplined approach to managing all the moving parts of an enterprise and has served him greatly in all of his business endeavors throughout his career. Bill has managed the Carolina Capital Reserve Fund I since 2014, is also a best-selling author, nationally recognized speaker and serves on the government affairs committee for the national Association of private lenders.

Jonathan Davis

Currently the CEO and a Principal of Carolina Capital Management and Carolina Hard Money, a private money lending company that lends on assets from single family fix and flips and rental loans to commercial assets ranging from multifamily to development. Mr. Davis brings a unique perspective to his Portfolio Management style having first cut his teeth in the non-performing servicing industry, where he started in loss mitigation. Prior to Carolina Capital Management and Carolina Hard Money, Mr. Davis built out and managed an Origination Arm for a Family Office where he originated over \$200MM during his tenure there, spanning over a dozen states. Prior to that he was involved in Note Trading, from Non-Performing Residential to Performing Commercial paper, where he was involved in all aspects from Pricing to Due Diligence and Servicing, Mr. Davis was part of a trading desk team where he played an integral role trading in excess of \$500MM. Mr. Davis Received his BA from Western Kentucky University in Political Science and Sociology.

Wendy Sweet

Wendy Sweet began her early career in commercial real estate and hotel management. She developed Fairman & Associates in 1995, sharing her knowledge and marketing expertise with private, semiprivate, and daily fee/resort clubs and residential communities across the country. She has spoken nationally at events hosted by Crittenden Golf Expo, Hotel and Golf Associates, and the National Homebuilders Association. Wendy then began working for a national lender as an account executive promoting their investor niche product programs to mortgage brokers. There she met Larry Goins at Financial Help Services, Inc., and she and Larry subsequently became partners in a mortgage company to broker hard money loans. Together, Wendy and Larry started Investors Rehab, a wholesale real estate firm. In 2007, at the outset of the real estate downturn, Wendy started South Street Mortgage, establishing a company geared toward the owner-occupied market while continuing to offer hard money loans for investors. In order to better present her business with a name that reflected what she does and where she does it, Wendy wound down South Street Mortgage and opened Carolina Hard Money with her brother, Bill Fairman, in 2012. As a strategic adjunct to the hard money business, in that same year, Wendy also established Sweet Carolina Houses. She serves as the exclusive buyer's agent for Larry Goins while also managing Investors Rehab, Inc. The roles combine to provide a synergistic opportunity to serve her clients and create business for the Fund.

Between Financial Help Services, South Street Mortgage, and Carolina Hard Money, over 700 hard money loans have been completed giving Wendy extensive experience in the space. Her passion for real estate is anchored by her passion for God. While engaged in her various real estate pursuits, Wendy graduated from the New Life Theological Seminary in 2012 as well. Real estate has given Wendy the opportunity to implement her belief in ethical, moral, and biblical principles, and put people and principles before profits.

Originator and Servicer

An Affiliate of Manager is also the Originator for the Fund and will charge Origination Fees to Borrowers for Loans that will be owned by the Fund. Another Affiliate of the Manager may be the Servicer for the Fund. The Manager or an Affiliate may also provide loan brokerage services for Borrowers of the Fund and will charge Borrowers from the Fund a market-based fee for loans originated by entities other than the Fund. The principals of the Fund are the owners and managers of the Manager.

Third Party Fund Administration

The Fund intends to retain the services of a Fund Administrator to provide professional Fund administration services, the cost of which shall be a Fund Expense.

SUMMARY OF THE OFFERING

The following summary is qualified, in its entirety, by information appearing elsewhere in this PPM and the Subscription Booklet (collectively, the "Documents"). You should read the Documents in their entirety and, in particular, focus on the risks described in the section of this PPM titled "Risk Factors." In the event of a conflict between this summary and any of the Documents, the provisions of the Documents will control.

- Company:** Carolina Capital Reserve Fund II LLC, a South Carolina limited liability company (the "Fund" or the "Company").
- Manager and Originator:** Carolina Capital Management LLC, a South Carolina limited liability company (the "Manager" and the "Originator").
- Notes:** The Fund will issue Notes to investors. Notes shall bear Interest at seven percent (7%) annually for those purchasing a one (1) year Note, eight and one-half percent (8.5%) for those purchasing a three (3) year Note, and nine and one-half percent (9.5%) for those purchasing a five (5) year Note.
- Cash-Out Notice.** A Note Holder shall be required to provide 60 days written notice to the Manager of Note Holder's desire to cash-out and receive payment of outstanding principal and interest upon the Maturity Date (the "Cash-Out Notice"). If the Note Holder does not provide the Cash-Out Notice at least (60) days prior to the Maturity Date, the Note upon the Maturity Date will automatically extend at the Note Rate less 1% until either (i) the Note Holder notifies the Fund that it wishes for the outstanding balance of the Note to be rolled over into a new Note, based on the then current Note Schedule, and such new Note is executed, or (ii) 60 days after the Note Holder provides a Cash-Out Notice.
- 90-Day Continuation of Note.** The Fund shall have the right to continue to make interest payments on a monthly basis to the Note Holder at the existing Note Rate plus 1% for up to 90 days beyond the Maturity Date, or up to 90 days beyond the date on which a Cash-Out Notice is given if such notice is given beyond the Maturity Date, whichever is later, without such continuation constituting an Event of Default.
- Prepayment.** Prepayment of all or any portion of any Note is permitted at any time by the Fund without premium or penalty. A Note Holder may also request a repayment of Note prior to the Maturity Date, subject to the Early Repayment Fee, which is a penalty equal to the amount of interest paid under the original Note Rate and the amount of interest that would have been paid had the Note Rate been set based on the shorter Note Term, as determined by the Fund in its sole discretion, plus a fee of 5% of the original Principal balance. The granting of any repayment request hereunder shall be subject to the sole discretion of the Manager.
- Minimum Investment:** \$25,000 per Investor, which amount may be waived in the sole discretion of the Manager.

Financial Statements and CPA:

The Fund will prepare its financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") or use any other method selected by the Manager in consultation with qualified accountants. The Manager, in its sole discretion, may cause the Fund to have its financial statements audited by a qualified Certified Public Accountant, or as required by any particular state regulations. These statements and any audits shall be made available to Investors.

Activities of Fund:

All identification of property, due diligence, and underwriting of Assets identified will be done by the Manager for the benefit of the Fund and the Investors. The Manager may subcontract some due diligence functions to third parties (e.g., appraisers, inspectors, subcontractors, real estate brokers, accountants, etc.) for the benefit of the Fund which shall be considered Fund Expenses.

Fund Administration:

The Fund intends to initially retain the services of a fund Administrator to provide professional Fund administration services, the cost of which shall be a Fund Expense.

Target Overall Return:

The Fund's objective is to produce an overall return to Note Holders in the range of 7-9.5% annually depending on the Note selected.

However, an investment in the Fund is inherently speculative and no specific return on invested capital or even a return of invested capital can be promised or guaranteed.

Fund Expenses:

Fund Expenses will include, but not necessarily be limited to, the following reasonable expenses incurred in execution of the Fund's strategy: Fund organizational costs, tax preparation, CPA fees, legal fees, third party fund administration fees, third party custodian fees, capital acquisition fees and costs (including payment to duly licensed third parties who are contracted by the Manager to raise capital for the Fund), loan origination and/or other fees associated with any capital partner or lender, including but not limited to Origination Fees, processing fees, underwriting fees, doc prep fees, loan servicing fees, draw fees, appraisal fees, sales commissions and referral fees, taxes, insurance, inspection, utilities, and any other expense associated with the operation of the Fund and the management of its Assets.

The Manager shall be reimbursed for all reasonable out of pocket expenses incurred on behalf of the Fund which shall be considered Fund Expenses.

Fund Income:

The Fund's income will be comprised of 100% of any interest collected on Loans, 100% of any interest collected on deposited funds or receivables owned by the Fund, any prepayment fees payable pursuant to the terms of a Loan and/or promissory note, default interest fees, asset recovery overages, and any fees that may be assigned to the Fund by the Manager/Originator.

Skin in the Game:

The Manager/Originator, and the managing members and members of the Manager/Originator may invest in the Fund and may purchase Notes under this Offering. The amount and timing of these investments, however, have not been determined. Any investment the managing members make will entitle them to all benefits available to other Members of the Fund, including the right to receive a *pro rata* share of any Distributions made by the Fund, based on their Capital Contribution to the Fund as Members.

Manager and Originator Income:

In addition to a Management Fee, the Manager (as Manager and Originator) may also charge other market-based processing, underwriting, and inspection fees, which shall at all times be commercially reasonable to help cover expenses associated with processing, underwriting, and inspecting any Fund Assets originated, acquired or extended. The Manager may charge Borrowers a market-based Origination Fee, which is expected to be in the range of 1-5%. The Manager may, in its sole discretion, assign a portion of any Origination Fee to the Fund in order to enable the Fund to manage its target returns, but is under no obligation to do so. The Manager intends to charge an Origination Fee to Borrowers for Loans that will be owned by the Fund. It may also provide brokerage services for Borrowers for the Fund and will charge the Borrower a market-based fee for loans originated by entities other than the Fund. The Manager may sell or assign loans to the Fund on terms acceptable to the Manager. The Manager anticipates keeping any Origination Fees received in connection with a Loan that it assigns to the Fund but may, in its sole discretion, assign some or all of the Origination Fees or points associated with any Loan to the Fund.

Minimum Offering:

The Fund will begin making investments immediately upon receipt of Investment Capital, or as soon thereafter as is practicable in the judgment of the Manager. The Fund expects to raise capital on an ongoing basis and to begin making investments immediately.

Maximum Offering:

The Fund will seek to raise up to a maximum of \$10,000,000 per year (the "Annual Maximum") in aggregate Notes, and up to \$30,000,000 over the life of the Offering (the "Maximum Offering") in aggregate Notes, which Maximum Offering amount may be increased in the sole discretion of the Manager. The Manager may or may not raise the Maximum Offering during the life of the Fund. The Manager will be entitled to sell additional Notes at any time and on an ongoing basis.

Term:

The Offering is an open-ended, “evergreen” offering with no set end date. The Manager expects to originate and acquire Fund Assets on a frequent and ongoing basis and will continue to do so indefinitely until the Maximum Offering has been reached, or until the Manager believes market conditions do not justify doing so. The Manager may utilize the return of capital from the disposition of Fund Assets to make and acquire new Fund Assets or may return the capital to Note Holders. The Manager expects to manage the Fund’s investments and capital structure in such a manner as to attempt to provide a reasonable level of capability for the Fund to accommodate reasonably anticipated Redemption Requests given the relatively illiquid nature of real estate-based investments in general.

If the Manager deems it appropriate based on evolving market conditions and dynamics, the Manager shall cease to make and acquire new Fund Assets and shall distribute any return of capital from the disposition of Fund Assets until all Fund Assets have been liquidated.

Use of Leverage/Credit Facilities:

The Fund may choose to borrow money from time to time from one or more senior lenders (“Credit Facility(ies)” or “Facility(ies)”) and may pledge one or more Fund Assets as collateral for any such borrowing. The LLC Agreement grants the Manager significant latitude and discretion in its ability to use Credit Facilities in the operation of the Fund, however, it also places specific limitations on the use of Credit Facilities by the Manager. The Fund may, in the Manager’s sole discretion, use a Facility in an amount not to exceed 70% of the Stated Value of any Fund Asset at the time of procurement of that Asset.

Any Facility shall be nonrecourse to the Note Holders. The Manager (and/or its managing members) and the Fund may agree to provide guaranties for a given Facility but are not required to provide a guarantee under any circumstances. Any Facility will likely have covenants that affect the Fund and the Manager.

Eligible Investors:

Notes will be offered solely to Investors who can verify, to the Manager’s satisfaction, that they are either “Accredited Investors” (as that term is defined by Rule 501 of the Securities Act of 1933) or “Sophisticated Investors” (See “Investor Suitability Standards” above), and who satisfy eligibility requirements set from time to time by the Fund and its Manager. In the sole discretion of the Manager, the Fund may establish a structure to secure investments in the Fund from foreign Investors.

DESCRIPTION OF FUND ASSETS

The Manager will analyze and review various investment opportunities on an ongoing basis. THERE IS NO GUARANTEE THAT THE FUND WILL INVEST IN ANY PARTICULAR ASSET TYPE, PROJECT, OR OPPORTUNITY, AND THE FUND MAY OPT AGAINST PURSUING ANY PARTICULAR OPPORTUNITY.

The Fund will make Loans and acquire Assets that meet the following general criteria:

- Loans secured in first or second lien position, made primarily to investors, developers and private businesses, for the acquisition, rehabilitation and stabilization of single family, multi-family, mixed-use, non-owner occupied residential, and commercial properties.
- Participation Interests in loans alongside other investors, which may arise as the result of the Fund selling all or part of Loans that the Fund makes to other investors.
- Loans with an interest rate primarily in the range of 8% to 13%. However, for loans in first position, the Fund anticipates the interest rate to be in the range of 10% to 12% and 15% or more for loans in second position.
- Loans that are expected to be relatively short-term in nature, with terms typically ranging from 6 to 18 months, and with principal amounts in the range of \$50,000 to \$500,000, provided that Loans outside these general ranges may be made or acquired in the Manager's sole discretion.
- Loan to Value ("LTV") for loans (including DSCR loans) made by the Fund will typically not exceed 70% on non-income producing and ARV property, up to 70% LTC on income producing property, and up to 80% on income producing single-family properties, in the Manager's sole discretion. The Manager will determine the value of the property through internal valuations, broker price opinions, online comparable sales, appraisals, prior experience with similar properties, or any other means in the sole discretion of the Manager.
- For performing Notes acquired by the Fund from third parties (including DSCR loans and notes), the price paid for those notes will typically not exceed 70% on non-income producing property, and up to 80% of the value of the collateral securing the note on single-family income producing property.
- If the Manager makes a loan based on the After Repair Value ("ARV") or post-improvement value of a property instead of its As-Is Value, the Manager may require holdbacks in its sole discretion, to be released as repairs or improvements are completed.
- The Fund may selectively make "Shared Appreciation Loans" or "SAM Loans". SAM Loans are Loans where in lieu of, or in addition to interest and any loan Origination Fee being collected, the net profits from the sale of property are split between the Fund and the Borrower. The split amount will vary based on the underwriting criteria and will be adjusted based on the risk profile of the loan.
- Borrowers, who may be experienced real estate investors, developers, and private business owners, will typically be required to demonstrate and document their experience in completing similar projects, as well as satisfactory financial strength and credit worthiness in the sole discretion of the Manager.

UNDERWRITING GUIDELINES AND PHILOSOPHY

Experience

Our executive team provides a wealth of experience, knowledge, skills, best practices, and contacts.

- Lending experience of over \$100,000,000 of commercial real estate loans over the last 20 years
- Underwriting guidelines and a lending philosophy that have been refined and developed over years of experience with an aim of continual improvement.
- Market experience in dealing with multiple asset classes through several economic cycles, enabling our team to better assess downside risk and identify favorable risk adjusted returns
- Numerous contacts in the real estate finance arena

Incentives

We may offer a referral rewards program to unaffiliated third parties who can identify Borrowers that meet our criteria.

Marketing Tools

To provide exposure to potential Borrowers and ensure market presence, we will be implementing an easy-to-use web site with search engine optimization that will allow potential Borrowers to quickly access our web site during their "alternative lending" research process.

Underwriting Process

The flow of opportunities will be pumped through our underwriting process. With the submittal of each loan request, we will analyze, underwrite, and carefully consider the loan request using specific criteria.

Our underwriting decisions are primarily driven by four criteria prioritized in the following order:

1. ***Determine Character.***

The character test is always the first review because if you cannot trust your Borrower, none of the other qualifications matter. We believe that this is critical to avoiding future problems. We will not do business with people who have a checkered past, a history of litigation, or other questionable issues.

To determine character, we build a report on the Borrower utilizing what we believe is a "best in class" public records search service. Our business is built on a person-to-person relationship, and all Borrowers will be thoroughly vetted before they get through the door.

2. ***Assess Collateral.***

Since all Loans are expected to be secured, the second set of testing criteria is Collateral review. Following are some of the measurements used to determine how much can be lent on an individual piece of real property:

- What is the Collateral underlying the loan? We must attempt to ensure downside protection.
- Is the market value of the Collateral sufficient to cover the amount lent in the event of default?
- Is the Collateral useful and in demand?
- Is the property occupied or vacant?
- How fast could the property be sold?

When determining the value of property, we may use appraisals. Appraisals are an integral part of the real estate industry. We commonly order appraisals on property to support our collateral review process.

However, in some instances, we may determine that additional criteria must be applied to determine the value of the property because appraisals may vary widely on the same property. For example, during a collateral review, we may encounter two appraisals within a short period of time with a significant variance in the appraisal value. In another review, we may encounter a wide range of selling price differentials in comparable properties selling during the same time period. When we encounter these situations, we apply more criteria to determine the true value of the property.

- Who did the appraisal(s)?
- Is the methodology plausible and appropriate?
- Are the comparable transactions inside the appraisal truly comparable?
Are there special circumstances?
- Is there an existing appraisal? Can we accept the existing appraisal?

In addition to appraisals, we may also use broker's price opinions and/or our own internally produced Property Valuation Report as tools to support our collateral review.

In addition to the tools, we will always attempt to supplement our review with the knowledge and experience of our team and industry colleagues which includes:

- Internal professional opinions.
- Assessment of comparable properties.
- First-hand site walks.
- Opinions derived from real estate professionals, engineers, and other related or connected professionals.

3. ***Evaluate Capacity.***

Each Borrower needs to provide a plausible strategy and an ability to repay the Loan and exit the transaction on or before the maturity date.

- Is the Borrower an experienced investor or businessperson?
- Are we comfortable with the Borrower's program?
- Is the strategy comprehensive, sound, and in tune with the current market, trends, and economic climate?

4. ***Review Credit.***

Once we have evaluated the first three criteria, we will review the Borrower's credit. A successful passing of character, Collateral, and capacity gives us space to be flexible with the last criteria - credit.

Most of our Borrowers will turn to us, an alternative lender, because traditional lenders have turned down their request for financing. There will be different circumstances:

- Borrowers may not have A+ credit. In many situations, the Borrowers have middle of the road credit, some better and some worse.
- Borrowers may have decent credit but may be overextended due to specific circumstances.
- Borrowers may have excellent credit and great collateral, but due to traditional lending criteria, do not have the required income to be accepted for financing.
- Borrowers may have excellent credit and would qualify for traditional financing but do not have the time to wait for the long approval process.

Typically, all “non-qualifying for traditional lending” Borrowers have obtained financing from a traditional source in the past. This is where we will work hard, applying the four criteria, to understand why a Borrower’s circumstances have changed, preventing them from obtaining traditional financing. If the Borrower's credit is not perfect, we will make sure the Borrower passes the first three criteria in the specified review process order. In addition, we will take a global view of a Borrower's credit history.

Our business is built on the person-to-person relationship, and we lend to people not just a credit score number. If a Borrower has no character issues, good collateral, and a capacity to repay the debt, we can support them even with a less than perfect credit.

In summary, as an alternative lender, we will receive all types of lending requests. We will always attempt to consider the whole picture in the evaluation process. Different loans require different considerations, and all four criteria will be applied when we make decisions. For these reasons, we reserve the flexibility to determine the best and most appropriate method for determining the value of collateral. We believe our underwriting process will both protect us from loss and gives us the flexibility that an alternative lender needs.

RISK FACTORS

There are risks associated with investing in the Fund, the majority of which are not within the Fund's or the Manager's control. These risks include, among others, trends in the economy, particularly the real estate and capital markets, fluctuations in the interest rate environment, income tax laws, government regulations, and the availability of satisfactory investment opportunities. Prior to investing in the Fund, Investors should perform their own analysis of the investment opportunities and objectives presented and discuss investing in the Fund with their own advisors.

Risks Relating to an Investment in the Fund – General

Best Reasonable Efforts Offering; Diversification

This Offering is being conducted on a "best reasonable efforts" basis by the Manager only. No guarantee can be given that all or any of the securities will be sold, or that sufficient proceeds will be available to conduct successful operations. Receipt of a relatively small amount of invested Capital may reduce the ability of the Fund to spread investment risks through diversification of its portfolio.

No Guarantee of Profitability

There can be no assurance that cash flows will be sufficient to create net profits for the Fund even if the Manager believes in each Fund Asset's economic viability. Poor performance by a few of the Fund Assets could significantly affect the total returns to Investors. In addition, there is no guarantee that the Preferred Return will be paid on a quarterly basis, if at all.

No Guaranteed Return of Investor's Investments

Investment in the Fund is speculative and involves a high degree of risk. There can be no guarantee that an Investor will realize a substantial return on the investment, or any return at all, or that the Investor will not lose the entire investment. For this reason, each prospective Investor should read this PPM and all documents in the applicable Subscription Booklet carefully and should consult with his, her, or its own legal counsel, accountant(s), or business advisor(s) prior to making any investment decision.

Borrowing by the Fund Could Increase the Risk of Losses

As described in this PPM, the Fund may choose to borrow money from time to time from one or more senior lenders ("Credit Facilities" or "Facilities") and may pledge one or more Fund Assets as collateral for any such borrowing. The LLC Agreement grants the Manager significant latitude and discretion in its ability to use Credit Facilities in the operation of the Fund, however, it also places specific limitations on the use of Credit Facilities by the Manager.

Any Facility shall be nonrecourse to the Note Holders. The Manager (and/or its principals) and the Fund may agree to provide guaranties for a given Facility but are not required to provide a guarantee under any circumstances. Any Facility will likely have covenants that affect the Fund and the Manager.

The interest rates at which the Fund is able to borrow funds will affect the Fund's operating results. While the use of borrowed funds will increase returns if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for the funds, the use of leverage will decrease returns if the Fund fails to earn as much on such incremental investments as it pays for the funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Fund than if the Fund was not so leveraged. The use of leverage has the potential to magnify the gains or the loss on the Fund's investments and to make the Fund's returns more volatile.

The Fund may be unable to meet its obligations to a lender under a Credit Facility. If this occurs, the Fund may be liable for increased payments and penalties to the lender. The lender may also foreclose on any Fund Assets in which it holds a security interest. As such, the Fund's inability to perform under a Credit Facility could have significant negative effects on the Fund, its Assets, and ultimately the Investors.

The Fund could be in a position where it must borrow funds in order to cover its operating expenses, overhead, or committed investments. In any of these events, it is uncertain whether debt financing will

be available to the Fund on desirable terms, or at all. If the Fund is unable to secure debt financing in these circumstances, the Fund could end up in default of its obligations to third parties and incur significant penalties and other negative consequences. If the Fund is able to secure debt financing in these circumstances, the Fund could be highly leveraged and would be subject to all the risks associated with borrowing.

Risks of Credit Facility Being Unavailable, Called or Terminated

The Fund has not yet obtained a Credit Facility, and its ability to do so is not certain. Even if the Fund is able to obtain a Credit Facility, that Credit Facility could later be called or terminated for a variety of possible reasons. The Credit Facility lender may get bought out, may cease such a business unit altogether, or may claim an event of default under the terms of the Credit Facility. In such an event, the Fund may need to either replace a substantial amount of money or the lender may collect all incoming cash and not allow for any payments to Note Holders until the default is cured or the Credit Facility is paid off.

Ability to Make Sufficient Number of Loans

The Fund's business model depends on its ability to make Loans in adequate amounts and with fees and interest rates high enough to generate income in excess of the Fund's debt service costs and other expenses. If demand for loans is not sufficient, if the Fund is not able to charge sufficient rates or fees on the loans due to market pressures or other reasons, the Fund's income from interest and fees may not be adequate for the Fund to achieve its anticipated net income and may result in net losses. This could have a material adverse impact on the Fund's financial condition and ability to provide a return to Investors.

Governmental Regulation Could Be Costly and Restrict the Fund

The industry in which the Fund will become an active participant may be highly regulated at both state and federal levels, both with respect to its activities as an issuer of securities and its investing activities. Some of these regulations are discussed in greater detail below under "U.S. Securities Laws and Foreign Investors," "Compliance with Anti-Money Laundering Requirements," "Compliance with Dodd-Frank Act," "Usury Risk," "Risk that the Fund May Become Subject to the Provisions of the Investment Company Act of 1940," "Risk that the Manager May Become Subject to the Provisions of the Investment Advisers Act of 1940," "The Fund's Reliance on Exclusions from the Investment Company Act May Impact Certain Investment Decisions," and "Recent and Anticipated Legislative and Regulatory Activity." The Fund or the Fund Assets may be subject to governmental regulations in addition to those discussed in this PPM, and new regulations or regulatory agencies may develop that affect the Fund's operations and ability to generate revenue. The Fund will attempt to comply with all applicable regulations affecting the markets in which it operates. However, such regulation may become overly burdensome and therefore may have a negative effect on the Fund's ability to perform as illustrated.

U.S. Securities Laws and Foreign Investors

The offer and sale of the Notes will not be registered under the Securities Act or the laws of any applicable state pursuant to an exemption from the registration requirements of the Securities Act, and the securities laws of certain states. Each Investor must furnish certain information to the Manager and represent, among other customary private placement representations, that it is acquiring its Notes for investment purposes and not with a view towards resale or distribution. The acquisition of Notes by each Investor also must be lawful under applicable state securities laws or the laws of the applicable foreign jurisdiction if the Investor is a non-U.S. person.

The Notes have not been, and will not be, registered under the Securities Act. Accordingly, the United States securities laws impose certain restrictions upon the ability of a Note Holder to transfer such Notes. Notes may not be offered, sold, transferred, or delivered, directly or indirectly, unless (i) such Notes are registered under the Securities Act and any applicable state securities laws, or (ii) an exemption from registration under the Securities Act and any applicable state securities laws is available. Moreover, there will be no public market for the Notes, and none is expected to develop.

Further, Notes may not be offered, sold, transferred, assigned or delivered, directly or indirectly, to any "Unacceptable Investor." An Unacceptable Investor means any person who is known to be a:

(a) person or entity who is a "designated national," "specially designated national," "specially designated terrorist," "specially designated global terrorist," "foreign terrorist organization," or "blocked person" within the definitions set forth in the Foreign Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended, or

(b) person acting on behalf of, or an entity owned or controlled by, any government against whom the United States maintains economic sanctions or embargoes under the Regulations of the United States Treasury Department, 31 C.F.R., Subtitle B, Chapter V, as amended—including, but not limited to—the "Government of Sudan," the "Government of Iran," the "Government of Cuba," the "Government of Syria," and the "Government of Burma", or

(c) person or entity subject to additional restrictions imposed by the following statutes or Regulations and Executive Orders issued thereunder: the Trading with the Enemy Act, the Iraq Sanctions Act. Pub. L. 101-5 13, Title V, §§ 586 to 586J, 104 Stat. 2047, the National Emergencies Act, 50 U.S.C. §§ 1601 et seq., the Antiterrorism and Effective Death Penalty Act of 1996, Pub. L. 104 132, 110 Stat. 1214 1319, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., the United Nations Participation Act. 22 U.S.C. § 287c, the International Security and Development Cooperation Act, 22 U.S.C. § 2349aa-9, the Nuclear Proliferation Prevention Act of 1994, Pub. L. 103 236, 108 Stat. 507, the Foreign Narcotics Kingpin Designation Act, 21 U.S.C. §§* 1901 et seq., the Iran and Libya Sanctions Act of 1996, Pub. L. 104 172, 110 Stat. 1541, the Cuban Democracy Act. 22 U.S.C. §§ 6001 et seq., the Cuban Liberty and Democratic Solidarity Act. 22 U.S.C. §§ 6021-91, and the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1997, Pub. L. 104 208, 110 Stat. 3009 172, or any other law of similar import as to any non-U.S. country, as each such Act or law has been or may be amended, adjusted, modified, or reviewed from time to time.

In the event of a registered public offering of Notes in the U.S., the Fund would become subject to the reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Under such circumstances, a significant Note Holder or Member (more than 5% of the ownership of the Fund) may be obligated to make certain information filings with the Commission pursuant to the Exchange Act. Each prospective Note Holder is advised to consult with its own legal advisor regarding the securities law consequences of ownership of Notes if the Notes become subject to the Exchange Act.

Compliance with Anti-Money Laundering Requirements May Require Reporting Investor Interests and Affect Investor Rights to Participate in the Fund

The Fund may be subject to certain provisions of the USA PATRIOT Act of 2001 ("the Patriot Act"), including, but not limited to, Title III thereof, the International Money Laundering and Abatement and Anti-Terrorist Financing Act of 2001 ("Title III"), certain regulatory and legal requirements imposed or enforced by the Office of Foreign Assets Control ("OFAC") and other similar laws of the United States. In response to increased regulatory concerns with respect to the sources of the Fund's capital used in investments and other activities, the Manager may request that Investors provide additional documentation verifying, among other things, such Investor's identity and source of funds to be used to purchase Notes. The Manager may decline to accept a subscription from an Investor if this information is not provided or on the basis of the information that is provided. Requests for documentation and additional information may be made at any time during which a Note Holder holds Notes. The Manager may be required to report this information or report the failure to comply with such requests for information, to appropriate governmental authorities, in certain circumstances without informing a Note Holder that such information has been reported. The Manager will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives, or special measures, including, but not limited to, those imposed or enforced by OFAC, the Patriot Act, and Title III. Governmental authorities are continuing to consider appropriate measures to implement anti-moneylaundering laws and at this point it is unclear what steps the Manager may be required to take; however, these steps may include prohibiting a Note Holder from making further investments in the Fund, depositing distributions to which such Note Holder would otherwise be entitled into an escrow account or causing the withdrawal of such Investor from the Fund.

Compliance with New Regulations

The U.S., state, and foreign governments have taken or are considering extraordinary actions in an attempt to address real or perceived underlying causes of financial crisis and fraud and to prevent or mitigate the recurrence. These actions or other actions under consideration could result in unintended consequences or new regulatory requirements which may be difficult or costly to comply with. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act or the "Dodd-Frank Act," creates a Financial Services Oversight Council to identify emerging systemic risks and improve interagency communication, creates a Consumer Financial Protection Agency authorized to promulgate and enforce consumer protection regulations relating to financial products, which would affect both banks and non-bank finance companies, imposes a comprehensive new regulatory regime of financial markets, including derivatives and securitization markets and creates an Office of National Insurance within Treasury. While the bill has been signed into law, a number of provisions of the law remain to be implemented through the rulemaking process at various regulatory agencies. It is unforeseeable what the final form of these rules will be when implemented by the respective agencies, but certain aspects of the new legislation, including, without limitation, the additional cost of higher deposit insurance and the costs of compliance with disclosure and reporting requirements and examinations by the new Consumer Financial Protection Agency, could have a significant impact on the Fund's business, financial condition, and results of operations. Additionally, it is unforeseeable whether there will be additional proposed laws or reforms that would affect the U.S. financial system or financial institutions, including the Fund, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such changes may affect the Fund. For example, bankruptcy legislation could be enacted that would hinder the ability to foreclose promptly on defaulted Loans or permit limited assignee liability for certain violations in the mortgage origination process, any or all of which could adversely affect the Fund's business or result in the Fund and/or the Manager being held responsible for violations in the Loan origination process even were the Fund was not the originator of the loan.

Other laws, regulations, and programs at the federal, state, and local levels are under consideration that seek to address the economic climate and real estate and other markets and to impose new regulations on various participants in the financial system. It is unforeseeable the effect that these or other actions will have on the Fund's business, results of operations and financial condition. Further, the failure of these or other actions and the financial stability plan to stabilize the economy could harm the Fund's business, results of operations, and financial condition.

The Manager's Interests May Be in Conflict with the Note Holders' Interests

The Manager and its Affiliates are subject to various conflicts of interest in managing the Fund.

The Fund will pay the Manager and Affiliates substantial fees that are not determined by arm's length negotiations. There is no requirement that the Fund create or utilize a board or committee of unaffiliated persons or other advisors to review and approve transactions that may constitute a conflict of interest or any determination by the Manager of the value of any Fund Assets.

The Fund does not, at this time, have its own officers, directors, or employees. The Manager supervises and controls the business affairs of the Fund, locates investment opportunities for the Fund, raises capital for the Fund, administers the financial affairs of the Fund, and renders certain other services, in each case subject to delegation to other firms or Affiliates of the Manager. The Manager, however, is only obligated to devote such time to the Fund's affairs as may be reasonably necessary to conduct its business. The Manager, or its Principals, or their respective Affiliates may be a manager of, or investor in, other companies (some of which will very likely directly compete with the business of the Fund) and have other business interests of significance. Notwithstanding the foregoing, the LLC Agreement requires the Manager to give the Fund the ability to take advantage of any potential investment (each an "Opportunity") that is suitable for the Fund (as determined by the Manager) prior to the Manager taking that Opportunity itself. Factors the Manager may consider in determining whether an Opportunity is suitable for the Fund include, but are not limited to, whether the Opportunity meets the Fund's underwriting criteria, whether it is consistent with the investment objectives of the Fund, and whether the Fund has sufficient financial resources at the time to accommodate the Opportunity. The Manager may also determine that an Opportunity is too small for the more complex structure of the Fund, or an outside investor with significant capital may require that an Opportunity be pursued without the Fund.

Please see the "CONFLICTS OF INTEREST" section for more discussion of the actual or potential conflicts of interest as between the interests of the Manager and its Affiliates, on one hand, and the interests of the Investors on the other.

Risk Additional Offerings and/or Investors

The Fund is an open-ended, "evergreen" fund which means it does not have restrictions on the number of Units or Notes the Fund will issue. If demand is high enough, the Fund may continue to issue Units no matter how many Investors there are. While this Note Offering is for up to a maximum amount of \$10,000,000 per year (the "{Annual Maximum}") and \$30,000,000 over the life of the Offering (the "Maximum Offering"), the Maximum Offering amount may be increased at any time in the sole discretion of the Manager. In addition, Units may be sold from time to time to the Manager, its Affiliates, new Investors, or current Investors. As Units are issued, the increase in Units may reduce the amounts the Fund has available to make Distributions to any one Investor, as Distributions will need to be distributed amongst more Units. The Fund intends to only accept additional capital to the extent it will result in additional yields sufficient to provide for the associated distributions, but the Fund cannot assure Investors that this will happen. In addition, subsequent sales may be at a Unit Price higher or lower than the price at which the Fund issues its initial Units.

Failure of Digital and Technology Systems and Interruptions of the Manager's Operations Could Damage the Fund

The Fund depends on the Manager to develop, implement and maintain appropriate systems for the Company's activities. The Manager uses technology extensively, with all documents secured and managed digitally. The Manager utilizes software that allows it to track and manage its investments with confidence and accuracy. In addition, the Fund relies on information systems to store sensitive information about the Company, the Manager, and the Note Holders. However, there are risks associated with such technology and systems. Defects in software products and errors or delays in processing of electronic transactions could result in:

- transaction or processing errors,
- diversion of technical and other resources from other efforts,
- loss of credibility with current or potential customers,
- harm to reputation, or
- exposure to liability claims.

Certain of the Fund's and the Manager's activities will be dependent upon systems operated by third parties including brokers, the third-party administrator, and other service providers, and the Manager may not be in a position to verify the risks or reliability of such third-party systems and technology. These third-party systems and technologies may also contain undetected errors, viruses, or defects that could have a material adverse effect on the Fund's financial condition and results of operations. Disruptions in the Company's operations or breach of the Fund's information systems, or failures in the systems employed by the Fund's or the Manager's third-party service providers may cause the Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage which could have a material adverse effect on the Fund and the Note Holders' investments therein.

Despite any security measures established by the Manager and third-party service provider to safeguard the information in these systems, such systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise these systems and result in the theft, loss or public dissemination of the information stored therein. Disruptions in the Fund's operations or breach of the Fund's or the Manager's information systems may cause the Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage which could have a material adverse effect on the Fund and the Note Holders' investments therein.

Coronavirus and other Pandemic Related Issues

As of the date hereof, there is an outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a "Public Health Emergency of

International Concern.” The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity, debt, derivatives and commodities markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting (or strongly encouraging) quarantines, prohibitions on travel, the closure of offices, businesses, schools, retail stores, restaurants, hotels, courts and other public venues, and other restrictive measures designed to help slow the spread of COVID-19. Businesses are also implementing similar precautionary measures. Governments are also implementing moratoriums or other restrictions on tenant evictions due to the economic fallout from COVID-19. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment, and related industries. Moreover, with the continued spread of COVID-19, governments and businesses are likely to take increasingly aggressive measures to help slow its spread and mitigate its damages. For this reason, among others, as COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Fund. The extent of the impact of any public health emergency on the Fund will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, and levels of economic activity, the length, frequency, or magnitude of any moratoriums or other restrictions on tenant evictions applicable to the Project, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the development of the Project and its performance once stabilized, which could result in significant losses to the Fund. In addition, the operations of the Manager (or others involved with the Project) may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of their key service providers or other personnel.

Side Letters

The Manager, on its own behalf or on behalf of the Fund, may enter into letter agreements or other similar agreements (collectively, “Side Letters”) with one or more Persons. These Side Letters may entitle the recipient to make an investment in the Fund on terms other than those described in this Memorandum or the LLC Agreement or provide the recipient with additional or different rights and benefits. Any such terms, including with respect to (i) access to information, (ii) liquidity, or (iii) re-allocating profits allocated to the Manager, may be more favorable than those offered to any other Note Holder.

As a result of these Side Letters, certain Persons may receive additional benefits (including expanded informational rights or re-allocation of profits allocated to the Manager) that other Note Holders will not receive. The Manager, on its own behalf or on behalf of the Fund, will not be required to notify any or all of the other Note Holders of any such Side Letters or any of the rights or terms or provisions thereof, nor will the Manager, on its own behalf or on behalf of the Fund, be required to offer such additional or different rights or terms to any or all of the other Note Holders. The Manager, on its own behalf or on behalf of the Fund, may enter into such Side Letters with any party as the Manager may determine in its sole and absolute discretion at any time. The other Note Holders will have no recourse against the Fund, the Manager, or any of their affiliates in the event that certain Note Holders receive additional or different rights, terms or benefits as a result of such Side Letters.

Risks Specifically Related to the Fund's Business Model

An Investment in the Fund Involves Various Risks Associated with Many Other Real Estate Investments

The Fund will be subject to the risks that generally relate to investing in real estate. Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of the Fund's real estate related investments. The performance and value of its investments once originated or acquired depend upon many factors beyond the Fund's control. The ultimate performance and value of the Fund's investments are subject to the varying degrees of risk generally incident to the ownership and operation of the properties in which the Fund invests, and which collateralize or support its investments.

The ultimate performance and value of the Fund's investments will depend upon, in large part, the Borrower's ability to operate any given property so that it produces sufficient cash flows necessary to pay the interest and principal due to the Fund on its Loans.

In addition, revenues and cash flows may be adversely affected by: changes in national or local economic conditions; changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics, including, but not limited to, changes in the supply of and demand for competing properties within a particular local property market; competition from other properties offering the same or similar services; changes in interest rates and the credit markets which may affect the ability to finance, and the value of, investments; the ongoing need for capital improvements, particularly in older building structures; changes in real estate tax rates and other operating expenses; changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes, and other natural disasters, acts of war, or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses; changes in governmental rules and fiscal policies which may result in adverse tax consequences, unforeseen increases in operating expenses generally or increases in the cost of borrowing; decreases in consumer confidence; government taking investments by eminent domain; various uninsured or uninsurable risks; the bankruptcy or liquidation of major tenants; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws; the impact of lawsuits which could cause the Fund to incur significant legal expenses and divert management's time and attention from the day-to-day operations of the Fund; and other factors that are beyond the Fund's control and the control of the property owners.

Any of the foregoing factors as well as others could adversely impact the return on and cash flows and values of the Fund's investments. In addition, property values can decline below their acquisition price or below their appraised, assessed, or perceived values after the acquisition. Appraisals, if obtained, are only the appraiser's opinion of the property values at a given point in time. Material declines in values could result in subsequent losses. The Fund's real estate-based investments may be difficult to sell in an efficient and expeditious manner, and there can be no assurance that there will be a ready resale market if or when the Fund finds it necessary or otherwise elects to sell such investments.

The Fund's Underwriting Standards and Procedures are More Lenient than Conventional Lenders

The Fund will invest in Loans with Borrowers who may not be required to meet the credit standards of conventional mortgage lenders, which is riskier than investing in loans made to Borrowers who are required to meet those higher credit standards.

Because the Manager approves Loans more quickly than some other lenders or providers of capital, there may be a risk that the due diligence the Manager performs as part of its underwriting procedures would not reveal the need for additional precautions. If so, the interest rate the Fund charges and the Collateral the Fund requires may not protect the Fund adequately or generate adequate returns for the risk undertaken.

A Borrower's ability to pay a Loan balance in a large lump sum may depend on its ability to obtain suitable refinancing, sell the property or otherwise raise a substantial cash amount. We can provide no assurance that any Borrower will accomplish any of those things.

Risk of Default on Loans / Nonperforming Loans

The Fund's investment strategy includes the acquisition or origination of Loans which are subject to the risk of default. At the time of their acquisition, origination, or thereafter, Loans may be nonperforming for a wide variety of reasons. Such nonperforming Loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of such Loan, and/or the necessity of purchasing senior loans to protect the Fund's interest in its investment.

Loans may become uncollectible or subject to a reduced return due to any voluntary or involuntary bankruptcy, insolvency, or similar proceeding affecting any of the Fund's Borrowers or guarantors. It is possible that the Manager may find it necessary or desirable to foreclose on collateral securing one or more Loans purchased by the Fund. 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 Loan, 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, a 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 may create a negative public image of the Collateral property and may result in disrupting ongoing leasing and management of the property. The Collateral value could also be negatively impacted if a defaulting Borrower were to damage the property, negligently or intentionally, while still in possession. Even if foreclosure can be avoided and a restructuring were successfully accomplished, a risk exists that, upon maturity of such Loan, replacement "takeout" financing will not be available.

In certain circumstances, the Fund may lose priority of its liens to mechanic or materialmen's liens, by reason of the Borrower's wrongful acts or the priority allowed to certain tax liens. It is possible that the total amount recovered by the Fund upon default may be less than the total amount of its Loan, with resultant losses to the Fund. In such circumstances, the Manager may pursue deficiency judgments against Borrowers, if available. Most, if not all, of the Fund's Loans will be general obligations of the Borrower or principals of the Borrower. Properties held as collateral and foreclosed upon may not generate sufficient income from operations to meet associated expenses of the Fund. In addition, operation of foreclosed properties may require the Fund to spend money for an extended period, and subsequent income and capital appreciation from the foreclosed properties to the Fund may be less than competing investments.

The Fund may be required to rely totally on its interest in the Collateral for repayment of a Loan. The value of the Collateral may be affected by general or local economic conditions, neighborhood values, interest rates, real estate tax rates, and other operating expenses, the possibility of competitive overbuilding, and of the inability to obtain or maintain full occupancy of the properties, governmental rules and fiscal policies, acts of God or casualties for which insurance is not available or obtainable for commercially reasonable premiums, and other factors which are beyond the Fund's or the Manager's control.

The Fund may require transaction analysis reports for environmental screening or other environmental reports on the proposed Collateral, which reports may not reveal actual conditions and risks associated with the Collateral. The presence of hazardous substances on such Collateral may subject the Fund to substantial liability for the cost of removal and/or treatment, reduce the value of the Collateral or make it unmarketable. That cost may substantially exceed the value of the Collateral involved.

Further, under U.S. law, investments in properties or loans operating under bankruptcy laws are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of the Fund's original investment therein.

The Fund May Have Difficulty Protecting its Rights as a Secured Lender

The Fund believes that its Fund Asset documents will enable it to enforce commercial arrangements with Borrowers and other counterparties. However, the rights of Borrowers, counterparties, and other secured lenders may limit the Fund's practical realization of those benefits. For example:

- Judicial foreclosure is subject to the delays of protracted litigation. Although the Fund expects non-judicial foreclosure to be generally quicker, the Fund's Collateral may deteriorate and decrease in value during any delay in foreclosing on it.
- The Borrower's right of redemption during foreclosure proceedings can deter the sale of the Collateral and can for practical purposes require the Fund to manage the property.
- The Fund will be making loans in different states, with varying foreclosure laws, procedures, and timelines. Depending on which state a Fund Asset is located, there may be more or less time, effort, and cost associated with foreclosing on Loans.
- Unforeseen environmental hazards may subject the Fund to unexpected liability and procedural delays in exercising its rights.
- The rights of junior or senior secured parties in the same property can create procedural hurdles for the Fund when it forecloses on Collateral.
- The Fund may not be able to pursue deficiency judgments after it forecloses on Collateral.
- State and federal bankruptcy laws can prevent the Fund from pursuing any actions, regardless of the progress in any of these suits or proceedings.
- The courts, particularly the bankruptcy courts, may unilaterally alter the contractual terms of Fund Assets, including doing so to the detriment of the Fund.
- The Fund will also take a secured interest in assets other than real estate assets owned by various borrowers. There is no assurance that such collateral will have value equal to or greater than the amount borrowed by such borrowers. Neither the Fund nor any of its managers are experts in valuing collateral other than real estate and such, there is no way of assuring that the Fund is adequately secured in its loans. Throughout the period of its loans, the Fund may be under-secured.

Care is exercised upon creation of the Loan documents at the time of origination or acquisition 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.

Risk of Lack of Knowledge in Various Geographic Markets

Although the Fund intends to focus its investments in locations with which the Manager is generally familiar, the Fund runs a risk of experiencing underwriting challenges or issues associated with a lack of familiarity in some markets. Each market has nuances and idiosyncrasies that affect values, marketability, desirability, and demand for individual Collateral that may not be easily understood from afar. While the Manager believes it can effectively mitigate these risks in a myriad of ways, there is no guarantee that investments in geographic markets outside the physical location of the Manager (or even inside this perceived boundary) will perform as expected.

Risks of Real Estate Ownership

When the Fund acquires real estate, either directly or through foreclosure, deed in lieu of foreclosure, or otherwise, it has economic and liability risks as the owner, including but not limited to:

- earning less income on disposition of the property than costs incurred in purchasing, improving it, and maintaining it,
- keeping the property leased by tenants,
- potential damage to the property by any tenants,
- lack of availability or lapse in insurance coverage for the property,
- controlling operating expenses,
- coping with general and local market conditions,
- possible exposure to environmental contamination remediation and cleanup costs, which in some cases could exceed the value of the property,
- complying with changes in the laws and regulations pertaining to taxes, use, zoning and environmental protection; and/or
- possible liability for injury to persons and property.

The Fund intends to secure insurance against hazards and contingencies to the extent it can obtain such insurance as an owner at a reasonable cost.

The Fund's Participation in Assets with Other Investors May Result in Decisions and Outcomes Different than Those Best for the Fund

- Other owner(s) of a Participation Interest in such a Fund Asset may have different ideas, motivations, or desired outcomes than the Fund which may give rise to disputes in how to manage the Asset.
- There may be complications in disposing of a Participation Interest that require additional time, money, and cooperation of parties who may be adverse at the time of maturity or disposition of the Asset, which may reduce the amount recovered by the Fund on such an Asset.
- The Manager and/or the Fund may not control or have influence over the transaction involving the Asset subject to agreement governing the Participation Interest. Such a scenario would subject the Fund to the decisions of another party, whose interests may be adverse to those of the Fund.
- There may be regulations or laws that govern or influence a Participation Interest that are unknown at the time the investment is made, but which have a negative impact on the Asset at the time of maturity or disposition.

Risks of Investing in Subordinated (or Second Lien Position) Loans or Securities

Some of the Fund's investments may consist of subordinated Loans or securities. Such investments will be subordinated to the senior obligations of the property or issuer, either contractually, inherently due to the nature of equity securities, or both. In the event of default on the senior debt, the Fund 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 subordinated investments than to a Borrower's first mortgage or other senior obligations. In addition, 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 Fund'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. The Fund may also take a secured interest in assets other than real estate assets owned by various Borrowers. There is no assurance that such Collateral will have value equal to or greater than the amount borrowed by such Borrowers. Neither the Fund nor any of its Managers are experts in valuing Collateral other than real estate and such, there is no way of assuring that the Fund is adequately secured in its loans. Throughout the period of its loans, the Fund may be under-secured.

Risks of SAM Loans

When the Fund enters into a SAM Loan, there are additional risks to that particular investment structure including, but not limited to, the following:

- The Fund will typically have charged a lower interest rate in exchange for the right to participate in back-end profits on a SAM Loan, and such participation may be less than the foregone or waived interest,
- There may be complications in disposing of SAM loans that require additional time, money, and cooperation of parties who may be adverse at the time of retirement of the loan or disposition of the property, which may reduce the amount recovered by the Fund on such loan,
- The Manager and/or the Fund may not control or have influence over the transaction involving the Asset subject to the SAM Loan. Such a scenario would subject the Fund to the decisions of another party, whose interests may be adverse to those of the Fund, and
- There may be regulations or laws that govern or influence SAM Loan that are unknown at the time the loan is made, but which have a negative impact on the Asset at the time of maturity or disposition.

The Fund's Investments are Illiquid in Nature, Which Could Limit the Fund's Flexibility or Cause the Fund to Receive Less than Anticipated Value on Disposition

Although some of the Fund's investments may generate current income the Fund's investments will primarily be illiquid and may not be readily sold for fair value. The illiquidity commonly associated with

real estate investments may limit the Fund's ability to vary its portfolio of investments in response to changes in economic and other conditions. Illiquidity may result from the absence of an established market for investments as well as the legal or contractual restrictions on their resale. In addition, illiquidity may result from the decline in value of a property comprising one of the Fund's investments. There can be no assurances that the fair market value of any property held by the Fund will not decrease in the future, leaving the Fund's investment relatively illiquid.

Furthermore, although the Manager expects that the Fund's investments will be disposed of prior to dissolution, the Fund may have to sell, distribute, or otherwise dispose of its investments at a disadvantageous time as a result of dissolution.

Other Real Estate Related Risks

The Fund's real estate related investments will be subject to the varying degrees of risk and significant fluctuations in their value. The value of the Fund's investments depends upon the real property owner's ability to repair or rehabilitate the property as projected, operate the real property in a manner sufficient to meet its commitments, including debt service, and/or maintain or increase revenues in excess of operating expenses or, in the case of real property leased to a single lessee, the ability of the lessee to make rental payments. Revenues may be adversely affected by changes in national or international economic conditions; changes in local market conditions due to changes in general or local economic conditions and neighborhood characteristics; the financial condition of tenants, buyers, and sellers of properties; competition from other properties offering the same or similar services; changes in interest rates and in the availability, cost, and terms of mortgage funds; the impact of present or future environmental legislation and compliance with environmental laws; the ongoing need for capital improvements (particularly in older structures); changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; civil unrest; acts of God, including earthquakes, hurricanes, and other natural disasters; acts of war; acts of terrorism (any of which may result in uninsured losses); adverse changes in zoning laws; and other factors that are beyond the control of the real property owners and the Fund. In the event that any of the properties underlying the Fund's investments experience any of the foregoing events or occurrences, the ability of the real property owner to pay the interest and principal on any debt securities would be negatively impacted.

Deterioration in the Mortgage, Real Estate or Financial Markets or the Economy in General May Cause the Fund to Experience Losses

The recent downturn in the U.S. and many non-U.S. economies, including the European sovereign debt and banking crises, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets, both within and outside the United States. The mortgage market has been adversely affected by changes in the lending landscape, and there is no assurance that these conditions will stabilize or that they will not worsen. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact conditions in a different country or region. In the U.S. and other jurisdictions where economic conditions are recovering, they are nevertheless perceived as still fragile. The Fund's investments will be materially affected by conditions in the mortgage market, the residential and commercial real estate markets and the financial markets and the economy generally. Delinquencies and losses with respect to residential and commercial real estate loans generally have increased in recent years and may continue to increase. Although the Fund's investments may be acquired at favorable prices that already reflect these circumstances, a further deterioration of the mortgage or real estate markets or the financial markets or the economy in general may nonetheless cause the Fund to experience losses related to its investments in real estate loans.

Interest Rate Fluctuations and Other Risks Could Negatively Impact the Fund's Operating Results

The Fund's operating results depend, to a large extent, on its ability to generate a net profit, which is essentially the difference between the interest income earned on its loans to business and projects and the interest expense incurred in connection with its interest-bearing liabilities, such as any Credit Facility. Changes in the general level of interest rates can affect the Fund's ability to generate a net profit by affecting the spread between the Fund's interest earning assets (i.e., loans originated to business and projects) and interest-bearing liabilities, such as any Credit Facility. This may be due to the disparate maturities when repricing the Fund's interest earning assets and interest-bearing liabilities.

In addition to its effect on the Fund's interest rate spread, changes in the general level of interest rates also affect, among other things:

- the ability of the Fund to originate Loans,
- the average life of the Fund's Loans.

Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond the control of the Fund.

Borrower Fraud May Adversely Impact Results of the Fund's Operations

Of paramount concern in originating and acquiring loans is the possibility of material misrepresentation or omission on the part of the Borrowers. The quality of the Fund's investments in loans is subject to the accuracy of representations made by Borrowers. Misrepresentations or omissions by Borrowers may adversely affect what the Fund believes to be the value of the collateral underlying the loans or may adversely affect

the ability of the Fund or its affiliates to perfect or effectuate a lien on the Collateral securing the loans. The Fund will rely upon the accuracy and completeness of representations made by Borrowers to the extent reasonable but cannot guarantee such accuracy or completeness. It is unclear whether loans and other forms of direct indebtedness offer securities laws protections against fraud and misrepresentation. Accordingly, the Fund is subject to the risk that the systems used by the originators of Loans to minimize borrower misrepresentations or omissions are defective.

Loans by the Fund Could be Challenged under Usury Laws

State and federal usury laws limit the interest that lenders are entitled to receive on loans. Statutes differ in their provision as to the consequences of a usurious loan. One group of statutes requires the lender to forfeit the interest above the applicable limit or imposes a specified penalty. Under this statutory scheme, the borrower may have the recorded mortgage or deed of trust canceled upon paying its debt with lawful interest, or the lender may foreclose, but only for the debt plus lawful interest. Under a second, more severe type of statute, a violation of the usury law results in the invalidation of the transaction, thereby permitting the borrower to have the recorded mortgage or deed of trust canceled without any payment and prohibiting the lender from foreclosing.

Usury laws in the states where the Fund's investments are located may limit the ability of the Fund to charge interest and create the risk that the Fund may not be able to fully realize their investment in their Loans. For example, some states make it unlawful for a lender to charge or collect interest at a rate exceeding a statutorily prescribed interest rate per annum, unless the lender falls into one or more exclusion categories which exempts it from such prohibition. The Manager and/or the Fund may not be eligible for such exemptions under the relevant usury restrictions, and moreover, exemptions may not be available in all states in which the Fund intends to invest. In addition, if a license were required in a state in order to avail the Fund of an exemption, and the Manager loses its license in that state, the Manager and hence the Fund may no longer be eligible for that state's exemptions from usury law relying on such licensing, which may in turn limit the Fund's ability to generate revenues. While the Manager and the Fund intend to fully comply with any usury laws affecting the Fund's investments, in the event the Fund does violate these laws, it may have a negative impact on the Fund's operations and ability to recover on its investments.

The Fund is Subject to Other Risks Associated with Real Estate Investment and Ownership

The Fund's investments will be subject to the varying degrees of risk and significant fluctuations in their value. Revenues may be adversely affected by changes in national or international economic conditions; changes in local market conditions due to changes in general or local economic conditions and other characteristics; the financial condition of Borrowers, tenants, buyers, and sellers of properties; competition from other companies offering the same or similar services; changes in interest rates and in the availability, cost, and terms of mortgage funds; the impact of present or future legislation and compliance with laws; the ongoing need for capital improvements (particularly in older structures); changes in tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; civil unrest; acts of God, including earthquakes, hurricanes, and other natural disasters; acts

of war; acts of terrorism (any of which may result in uninsured losses); adverse changes in zoning laws; and other factors that are beyond the control of the Fund.

Other General Risks of an Investment in the Fund

Investors Have Limited Information Upon Which To Base Investment Decisions Because the Fund Is A Newly Formed Entity

The Fund is a newly formed entity with no operating history on which prospective Investors may base an evaluation of likely performance, and the Fund will be the first fund managed by the Manager. To the extent that the Manager, its principals and Affiliates are responsible for the investment results of previous investment funds, those results are, in any event, past results and are not necessarily indicative of future results of the Fund's investments. There can be no assurance that any of the Fund's investments will perform as well as the past investments of the principals or that the Fund's investments will meet the Fund's target return.

Investors Must Rely on the Manager to Source Investments Consistent with the Fund's Objectives, Unspecified Investments

The Fund has not identified the particular investments it will make. Accordingly, an Investor must rely upon the ability of the Manager in making investments consistent with the Fund's investment objectives and policies. Although the Principals have been successful in locating investments in the past, the Fund may be unable to find a sufficient number of attractive opportunities to invest its committed capital or meet its investment objectives. An Investor has no ability to control or determine the Fund's underwriting criteria, investment decisions, or other decisions with respect to the business of the Fund. Nor is there any requirement that the Fund create or utilize a board or committee of advisors to assist the Manager with respect to such decisions. Therefore, an Investor must completely rely on the discretion of the Manager and its Principals, and their respective employees and contractors, with respect to such decisions and the overall performance of the Fund.

The Fund's Due Diligence May Not Reveal All Factors Affecting an Investment and May Not Reveal Weaknesses in Such Investments.

There can be no assurance that the Manager's due diligence processes will uncover all relevant facts that would be material to an investment decision. Before making an investment, the Manager will assess the strength of the underlying properties and any other factors that they believe are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, the Manager will rely on the resources available to them and, in some cases, investigations by third parties.

No Minimum Offering Amount, Investments May be Less than Anticipated and the Fund's Investments May Not Be Diversified

While the Fund is targeting a \$10,000,000 Annual Maximum and a \$30,000,000 Maximum Offering amount over the life of the Offering, there is no minimum total amount the Fund must receive before accepting subscriptions, transferring Investor money to the Operating Account and acquiring Fund Assets. There is a substantial risk that the Fund will receive less subscriptions or Capital investments than it anticipates. In such event, the Fund's investment strategy will be adversely affected, the opportunity for diversification of investments will be materially decreased, and the returns on those investments likely will be reduced as a result of allocating Fund expenses among fewer investments. During the period when the Fund acquires its initial Fund Assets and until the time the Fund acquires a substantial amount of Fund Assets, the Fund will not be diversified, and Fund Assets may consist of only a few Fund Assets. In addition, without broad diversification, the risk of loss to the Fund and its Investors is much greater.

The Fund's Results Will Depend on the Manager's Performance and Continuing Services

The Manager will make all Fund decisions, including Fund Asset selection. The Fund will be relying solely on the Manager's expertise and judgment. There is no requirement that the Fund create or utilize a board or committee of advisors to assist the Manager in making decisions with respect to the Fund. The Manager may resign at any time with one year's notice to the Members without liability to the Fund.

The Members may only remove the Manager for Cause upon a vote of the Members holding at least eighty percent (80%) of the Ownership Interests. There can be no guaranty or assurance that a suitable replacement Manager will be identified and elected in the event of the resignation or removal of the Manager. The Note Holders have NO vote and may not remove the Manager and may not influence any decisions of the Fund.

Key Persons

The principals of the Manager are each a "Key Person". The death or permanent disability of a Key Person may impair the Fund's ability to conduct its business as anticipated.

The Fund Is at Risk if the Manager Withdraws or is Terminated

The Fund presently only has one Manager. If the Manager withdraws from the Fund, is terminated by the Members for Cause, or is terminated as Manager by dissolution or bankruptcy, it may be difficult or impossible for the Members of the Fund to locate a suitable replacement for the Manager. If it is unable to replace the Manager, the Fund would proceed with liquidating the Fund's Assets, which may or may not be able to be successfully executed. The Note Holders have no rights to remove the Manager or replace the Manager.

Valuation Risk of Illiquid Investments

Certain of the securities or assets the Fund will purchase or originate will not be actively traded. In the absence of market comparisons, the Fund will be required to resort to other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of an Investment. Such methodologies may not prove to be accurate and the Fund's inability to accurately price securities or assets may adversely affect the return on the Fund's investments.

The Fund Could Incur Losses as a Result of Litigation

The Fund's investment activities may include activities that will subject it to the risks of becoming involved in litigation by third parties. The expense of defending claims against the Fund by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Fund and would reduce net assets and could require the Investors (Members and/or Note Holders) to return distributed capital and earnings to the Fund. The Manager, its Affiliates and their members will be indemnified by the Fund in connection with such litigation, subject to certain conditions.

Lender Liability Risks Including Equitable Subordination

In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Fund's investments, the Fund could be subject to allegations of lender liability.

In addition, under common law principles that, in some cases, form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (d) uses its influence as an equity holder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court applying bankruptcy laws may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." The Fund could be subject to claims from creditors of an obligor that the Fund's investments in debt obligations of such obligor should be equitably subordinated. Alternatively, in bankruptcy a court may re-characterize the Fund's claims or restructure the debt using "cram down" provisions of the bankruptcy laws.

Recourse to the Fund's Assets

The Fund's Assets, including any investments made or acquired by the Fund, may be required to be available to satisfy all liabilities and other obligations of the Fund in certain circumstances. Although the Fund may seek to structure investments through investment entities having limited liability, there can be no assurance that such efforts will always be successful or respected. If the Fund or one or more of its investments becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's Assets generally and not be limited to any particular Asset of the Fund, such as the Asset representing the Investment giving rise to the liability.

A Changing Economic Environment and Increasing Regulation of the Financial Markets Could Constrain Capital

As a result of the credit crisis of a decade ago and the occurrence of several high-profile bankruptcies, government bailouts, bank failures, other negative corporate events and certain other events, the financial markets have been disrupted in general and the availability and cost of capital for the Fund and that of the Fund's competitors have been adversely affected. The achievement of the Fund's targeted rate of return is dependent, at least in part, upon the Fund's ability to access capital at rates and on terms the Manager determines to be acceptable. If the Fund's ability to access capital becomes significantly constrained, the Fund's financial condition and future investments may be significantly adversely affected.

Fund Losses May Be Uninsured Losses

The Fund will attempt to ensure that all Assets are insured against reasonably foreseeable hazards. However, some events may be uninsurable or insurance coverage for such events may not be economically practicable. Losses from earthquakes, floods, or other weather phenomena, for example, that could occur may be uninsured and cause losses to the Fund. In addition, insurance may lapse without proper notice to the Manager and/or Assets may become temporarily uninsured and sustain damage during this period.

Risk of Repayment of Fund Assets and Redeployment of Cash

There is a risk that when Fund Assets are sold or Loans are paid off, there may not be sufficient quality opportunities to immediately redeploy the proceeds received from these payoffs into new Fund Assets. If the Fund is unable to locate new Assets in a timely manner, the excess cash may water down the overall yield to the Fund, or the Manager may choose to repay Investors a portion or all of their Capital Account earlier than expected.

Defective Title May Impact the Value of Fund Assets

The Fund may acquire real estate either directly, through foreclosure, or deed in lieu of foreclosure, and knowingly or unknowingly, may incur defective title on such property. Defective title on real estate could result in other parties laying claim to all or a portion of the property. Such additional claims may have to be litigated or paid in order for the Fund to rehabilitate, develop or dispose of such property. Costs for litigation or satisfaction of such claims may result in an investor losing all or a portion of its investment in such real estate or in the Fund.

Competition for Fund Assets Could Reduce Fund Results

The business and arena in which the Fund is engaged is highly competitive, and the Fund and Manager compete with numerous established entities, some of which have more financial resources and experience in the business than the Fund or Manager. The Fund and Manager expect to encounter significant competition from other market participants including private lenders, private equity fund managers, real estate developers, pension funds, real estate investment trusts, other private parties, potential investors or homeowners, and other people and/or entities with objectives similar in whole or in part to those of the Fund. Any general increase in the availability of capital for such purposes may increase competition for Fund Assets and could reduce the yields they produce, including those of the Fund.

Risk of Lack of Geographical Diversity

The Fund intends to acquire Assets in a limited number of states but may allow property to be secured in additional markets nationwide, in the sole discretion of the Manager. If any region in which the Fund has a concentration of Assets suffers economic adversity, the value of the Fund's Assets will suffer.

Risk of Loss of Funds in Money Market Accounts or Other Investments

The Manager has all power of investment of the Fund's Assets, including investment into rated or non-rated instruments and issuances of all types, short duration or long duration investments, government backed investments, non-government backed and uninsured investments, and private investments for cash and Assets not otherwise deployed. Each Money Market Account is expected to consist of investments that are immediately liquid, and that, in the Manager's judgment, are sufficiently safe while producing a small yield on the Fund's cash. Notwithstanding the foregoing, any investment inherently involves risks.

There Are Risks Involved in Investing in an Offering That is Not Registered Under Applicable Securities Laws

This Offering is being made under certain federal and state securities laws exemptions. As such, the Securities have not been registered under the Securities Act, or applicable state securities laws. Therefore, no regulatory authority has reviewed the terms of this Offering, including the nature and amounts of the compensation, the disclosure of risks and tax consequences, and the fairness of the terms of this Offering. Further, Investors do not have all of the protection afforded in registered and/or qualified offerings, and they must judge the adequacy of disclosure and the fairness of the terms of this Offering without the benefit of prior review by any regulatory authority.

Furthermore, the Fund may fail to comply with the requirements of the exemptions from registration on which it is relying. If so, the Note Holders could rescind their purchase of Notes under applicable state and federal securities laws. If enough Note Holders successfully sought rescission, the Fund and the Manager would face severe financial demands, which would adversely affect the Fund.

Absence of Certain Regulatory Oversight May Result in the Manager and the Fund Operating Different From, or Providing Less Disclosure Than, a Regulated Investment Fund

While the Fund may be considered similar to an investment company, it is not presently, and does not propose in the future, to register as such under the Investment Company Act of 1940 or the laws of any other country or jurisdiction and, accordingly, the provisions of the Investment Company Act (which, among other matters, require investment companies to have a majority of disinterested directors, require securities held in custody to be individually segregated at all times from the securities of any other person and to be clearly marked to identify such securities as the property of such investment company, and regulate the relationship between the adviser and the investment company) will not be applicable to the Fund. In addition, the Manager is not registered as an investment adviser under the Investment Advisers Act of 1940 or as a Commodity Trading Advisor under the Commodity Exchange Act (or any similar law).

Risk that the Fund May Become Subject to the Provisions of the Investment Company Act

The Fund intends to operate so as to not be regulated as an investment company under the Investment Company Act based upon certain definitions and exemptions thereunder. Companies that are subject to the Investment Company Act must register with the SEC and become subject to various registration, governance and reporting requirements. Compliance with such restrictions would limit the Fund's flexibility and create additional financial and administrative burdens on the Fund. The Fund believes it can avoid these restrictions based on one or more exemptions provided for companies like the Fund. Specifically, the Fund expects to be exempted from registration under the Investment Company Act because the Fund will not make a public offering of the Notes and the Fund will be primarily engaged in purchasing real estate or acquiring mortgages and other liens on, and interests in, real estate as determined under exemptions from the Investment Company Act and rules issued thereunder. Accordingly, the Fund does not expect to be subject to the restrictive provisions of the Investment Company Act. However, the SEC has recently indicated that it may seek to narrow the exemption from registration for entities engaged in purchasing or acquiring mortgages and other liens on real estate. If

the Fund fails to qualify for exemption from registration as an investment company, its ability to conduct its business as described herein will be compromised. Any such failure to qualify for such exemption would likely have a material adverse effect on the Fund.

Risk that the Manager Become Subject to the Provisions of the federal Investment Advisers Act or state Investment Adviser Acts

The Manager has not registered as an investment adviser under the Investment Advisers Act and intends to operate so as to not be required to register as an investment adviser with the SEC or the states in which the Manager and/or the Fund operates. Specifically, a provider of investment advice as to real estate, and not as to securities, should not be considered an "investment adviser" for purposes of the Investment Advisers Act, but the Fund Assets and Loans may be considered securities. Even if the Manager is deemed an investment adviser, investment advisers are not required to register under the Investment Advisers Act so long as they have less than \$100 million in assets under management, and the Manager expects to be further exempted from registration so long as the Manager has less than \$150 million in Assets under management based on the fact that it is solely a manager of a real estate fund that is a qualifying private fund exempt from registration under the Investment Company Act. Even if the Manager is able to rely on the exemption for advisers solely to one or more private investments funds, it may nonetheless be required to file certain reports and other information with the SEC as an "exempt reporting adviser." This information will be publicly available by the SEC, and this information could reduce the competitive advantage of the Manager and Fund. As an exempt reporting adviser, the Manager and Fund may be subject to SEC examination, record-keeping, compliance, and reporting obligations. If the Manager was deemed to be an investment adviser, and if or when the Manager exceeds that threshold, unless it is eligible for another exemption, it will be required to register under the Investment Advisers Act and will be subject to various restrictive provisions provided for therein. The Manager cannot determine at this time, what, if any, impact such registration and restrictions will have on its business or the business of the Fund.

Because the Manager views itself as being solely in the business of advising the Fund as to real estate, and not as to securities, the Manager does not intend to register under the Investment Advisers Act or any equivalent laws of one or more states that pertain to investment advice on securities ("State Advisers Acts") pursuant to available exemptions. Nevertheless, given that each state may adopt its own interpretations, the Manager could be required at some point to register with one or more State Advisers Acts. State Advisers Acts are similar to the Investment Advisers Act but generally apply to investment advisers that are not subject to the Investment Advisers Act because of the amount of assets under management or other exemptions from registration. The Manager intends to seek exemptions from such registration where possible. If the Manager does have to register under one or more State Advisers Acts, such registration may create administrative and financial burdens on the Manager, and the Manager's operation of the Fund could be adversely affected to the extent that technical requirements or prohibitions were to prevent the Fund from operating as planned or add costs to the Fund such as certain custody related requirements. So long as the Manager is not an investment adviser, it does not owe the Fund a formal fiduciary duty as such, and the Fund does not benefit from the protections of the Advisers Act or State Advisers Acts.

The Fund's Reliance on Exclusions from the Investment Company Act May Impact Certain Investment Decisions

To the extent that the Fund invests solely in real estate and not in securities, it should not be considered an investment company under the Investment Company Act. It is nevertheless conceivable that certain ways in which the Fund's investments are structured could be construed as securities for purposes of the Investment Company Act. The Investment Company Act excludes an issuer that follows a real estate program from the definition of an "investment company" if it is "primarily engaged" in, the origination or acquisition of mortgages and other liens on, and/or interests in, real estate. The Manager has not sought a no-action letter from the SEC to confirm that the Fund is eligible for this exemption. However, the Manager will rely on guidance issued by the SEC stating that so long as (1) qualifying percentages of the Fund's Assets consist of Loans and other liens on or interests in real estate; and (2) the remaining percentage of the Fund's Assets consist primarily of "real estate related" Assets, the Fund will remain exempt from the Investment Company Act registration requirements. Because the Fund is relying on an exemption that is dependent on the nature of the Fund's investment holdings, the Manager may need to consider such restrictions when assessing a potential investment for the Fund and may decide not to

pursue an Asset because such asset would jeopardize the Fund's use of the exemption, as opposed to whether or not the asset would otherwise be a sound investment for the Fund.

Recent and Anticipated Legislative and Regulatory Activity Could Impede on the Fund's Investment Strategy and May Otherwise Have an Adverse Impact on the Fund's Returns

The U.S. Congress, the SEC, and other regulators have taken, or represented that they may take, action to increase or otherwise modify the laws, rules, and regulations applicable to techniques and instruments in which the Fund may invest. New (or modified) laws, rules, and regulations may prevent, or significantly limit the ability of, the Manager from using certain such instruments or from engaging in such transactions. This may impair the ability of the Manager to carry out the Fund's investment strategy and may otherwise have an adverse impact on the Fund's returns. Compliance with such new or modified laws, rules, and regulations may also increase the Fund's expenses and therefore, may adversely affect the Fund's performance. It is not possible at this time to predict with certainty what, if any, impact the new or modified regulations will have on the Manager or the Fund, and it is possible that such impact could be adverse and material.

Benefit Plans Must Consider Rules Unique to the Plans and the Fund Makes No Benefit Plan Representations

In considering the acquisition of Securities to be held as a portion of the assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA ("a Benefit Plan" or "Plan"), a Plan fiduciary, taking into account the facts and circumstances of such trust, should consider, among other things: (a) the effect of the "Plan Asset Regulations" (Labor Regulation Section 2510.3-101) including potential "prohibited transactions" under the Code and ERISA; (b) whether the investment satisfies the "exclusive purpose," "prudence," and "diversification" requirements of Sections 404(a)(1)(A),(B) and (C) of ERISA; (c) whether the investment is a permissible investment under the documents and instruments governing the plan as provided in Section 404 (a)(1)(D) of ERISA; (d) the Plan may not be able to distribute Securities to participants or beneficiaries in pay status because the Manager may withhold its consent; and (e) the fact that no market will exist in which the fiduciary can sell or otherwise dispose of the Securities and the Fund has no history of operations. The prudence of a particular investment must be determined by the responsible fiduciary with respect to each employee benefit plan, considering the facts and circumstances of the investment.

ERISA Investors Must Consult with Their Own Tax Advisors

Any Investor that invests funds belonging to a qualified retirement plan or IRA should carefully review the tax risks provisions of this PPM as well as consult with their own tax advisors. The contents hereof are not to be construed as tax, legal, or investment advice.

PROSPECTIVE BENEFIT PLAN INVESTORS ARE URGED TO CONSULT THEIR ERISA ADVISORS WITH RESPECT TO ERISA AND RELATED TAX MATTERS, AS WELL AS OTHER MATTERS AFFECTING THE BENEFIT PLAN'S INVESTMENT IN THE FUND. MOREOVER, MANY OF THE TAX ASPECTS OF THE OFFERING DISCUSSED HEREIN ARE APPLICABLE TO BENEFIT PLAN INVESTORS WHICH SHOULD ALSO BE DISCUSSED WITH QUALIFIED TAX COUNSEL BEFORE INVESTING IN THE FUND.

The Fund May Incur Significant Costs as the Result of Its Indemnification Obligations

Pursuant to the LLC Agreement, the Fund will indemnify the Manager and their Affiliates, and any director, officer, agent, employee, or owner of the Manager, and their Affiliates ("Covered Parties") from any losses, proceedings, investigations, claims, damages, liabilities, judgments, demands or expenses of any kind or nature whatsoever arising from any action taken or failure to act on behalf of the Fund within the scope of authority conferred on the Manager under the LLC Agreement, unless the act or omission was conduct not undertaken in good faith or constitutes gross negligence, fraud, or willful misconduct. If the Fund becomes obligated to make such payments, such indemnification costs would be paid from funds that would otherwise be available to distribute to Note Holders or invest in additional Fund Assets. To the extent these indemnification provisions protect the Covered Parties at the cost of the Note Holders, a conflict of interest exists, as the Note Holders may not receive interest or a return of their principal as a result of paying to indemnify the Covered Parties.

Risk that the Stated Value of Individual Fund Assets is Incorrectly Determined by the Manager

The Manager will develop and utilize a consistent methodology to calculate the Stated Value of each individual Fund Asset on an ongoing basis, typically calculating this Stated Value for each Fund Asset at the time of origination or acquisition and at the end of each calendar quarter. The Manager will use methodologies that it deems reasonable based on various valuation practices commonly used in similar businesses in the industry including broker price opinions, comparative market analyses, appraisals, comparable sales of other assets similar to Fund Assets, historical data and trends from actual sales, disposition or performance of Fund Assets, cash balances (in the case of cash Assets), and other such methodologies generally used and accepted in the market. This being said, the determination of Stated Value of any given Fund Asset may be highly subjective and may change continuously on an ongoing basis. There is no guarantee that any Stated Value as determined by the Manager of one or more of the Fund Assets is an accurate representation of the true current value of any Fund Asset.

Federal Income Tax Risks

As with any investment that generates income and/or loss and distributes cash, an investment in the Fund has federal income tax risks. The significant tax risks are discussed in greater detail later in the "Tax Aspects of the Offering" section of this PPM. All Investors are encouraged to review the tax risk section with competent tax counsel. This discussion does not constitute tax advice and is not intended to substitute for tax planning.

Investors should understand the role of the Fund and the IRS concerning the tax issues involved in any investment in the Fund. The IRS may do any of the following:

- Examine the investment in the Fund at any time, subject to applicable statute of limitations restrictions. Such an examination could result in adjustments of items that are both related and unrelated to the Fund.
- Review the federal income taxation rules involving the Fund and any investment in it, and issue revised interpretations of established concepts.
- Scrutinize the proper application of tax laws to the Fund, including a comprehensive audit of the Fund at any time. The Fund does not expect to fall under the reporting requirements for tax shelters, as the Fund does not have the avoidance or evasion of federal income tax as a significant purpose. If the Fund borrows significant sums and incurs significant losses, however, the Fund may be required to notify the IRS of its status as a tax shelter. The effect of such action is generally unknown but could result in increased IRS scrutiny of the Fund's taxes.

The Fund will:

- Defend any investigation by the IRS or any state agency that seeks to make adverse tax adjustments to the Fund. A dispute with the IRS or a state agency could also result in legal and accounting costs to individual Investors directly (if the IRS audits an Investor's tax return) and indirectly (if the IRS audits the Fund's tax returns),
- Retain an accounting firm to annually prepare a financial statement on the Fund's behalf, reviewing the Manager's treatment of all distributions to the Investors. At the discretion of the Manager, the Manager may at any time change accounting firms, and
- Not apply to the IRS for any ruling concerning the establishment or operation of the Fund.

Note Holders need to be aware that the cash distributed may not be sufficient to satisfy the income tax liability attributed to the Note Holder's interest income and gain. Hence, the Note Holder may be forced to either borrow or use cash from another source to satisfy their income tax liabilities associated with an investment in the Fund.

Investors Could Realize Losses on Dissolution and Termination of the Fund as a Result of Prior Payments to Creditors

In the event of a dissolution or termination of the Fund, the proceeds realized from the liquidation of Assets, if any, will be distributed to the Note Holders, but only after the satisfaction of claims of prior creditors, which include any Credit Facilities, liquidation and other Fund Expenses, and could include accrued Management Fees. Accordingly, the ability of a Note Holder to recover all or any portion of its

investment in the Fund under such circumstances will depend on the amount of funds so realized and claims to be satisfied therefrom. There is no guarantee of a return of any of a Note Holder's investment.

Loss of Limited Liability in Certain Cases

In general, holders of Securities in a limited liability company are not liable for the debts and obligations of a limited liability company beyond the amount of the capital contributions they have made or are required to make under their subscription agreement. Under the South Carolina Limited Liability Company Act, members of a limited liability company would be held personally liable for any act, debt, obligation, or liability of a limited liability company to the extent that shareholders of a business corporation would be liable in similar circumstances. In this regard, the court may consider the factors and policies set forth in established case law with regard to piercing the entity veil, except that the failure to hold meetings may not be considered a factor tending to establish that the members have personal liability for any act, debt, obligation, or liability of the limited liability company if the certificate of formation and limited liability company agreement do not expressly require the holding of meetings of members and managers. The Manager intends to take action to avoid personal liability on its Members by complying with the LLC Agreement and applicable state-imposed formalities.

Securities are Subordinate to Fund Liabilities and Expenses

The Securities are subordinate to the prior payment in full of all liabilities and expenses of the Fund. As a result, upon the liquidation of the Fund, Assets will be available for Distribution to the Members and Note Holders only if, after payment of all liabilities and expenses, including any amounts owed to any Credit Facility and any amount of Fund Expenses due but not yet paid, the Fund has any remaining amount of Assets available for Distribution to the Note Holders and Members. The Fund may not have sufficient remaining Assets upon liquidation to pay the Preferred Return in full, return all invested but unreturned Capital to the Investors, or make any Distribution of net profits to the Members.

Limited Fiduciary Duties

Conflicts may arise between the interests of the Manager and those of the Investors. Although the Manager is accountable to the Fund as a fiduciary, the LLC Agreement grants the Manager broad discretion as to many matters and limits the Manager's fiduciary duties. By entering into the Subscription Agreement, each Member acknowledges and consents to the exercise of such discretion, including when the Manager has a conflict of interest.

Risk of Investment Procedure for Securities

As described in this PPM, the Fund generally accepts subscriptions for Securities at any time, subject to acceptance by the Manager.

CONFLICTS OF INTEREST

The Fund is subject to various conflicts of interest arising out of its relationship with the Manager. None of the agreements and arrangements between the Fund, the Manager (as Manager and Originator), including those relating to compensation, resulted from arm's length negotiations. In addition, no assurances can be made that other conflicts of interest will not arise in the future. These conflicts of interest include, but are not limited to, the following:

The Manager Will Be Paid a Management Fee

The Manager will be paid a Management Fee. This fee is intended to compensate the Manager for its services and were not negotiated on an arm's length basis. Since absent the existence of this fee, Investors might receive a higher rate of return, the interests of the Manager and the Investors are adverse in this respect.

Additional Fees Payable to a Manager Affiliate as Originator

An Affiliate of the Manager, as Originator, may charge Borrowers a market-based Origination Fee, which is expected to be in the range of 1-5% and which are not used in calculating the interest or return to Note Holders. The Manager may, in its sole discretion, assign a portion of any Origination Fee to the

Fund in order to enable the Fund to manage its Target Returns, but is under no obligation to do so. The Manager may also sell or assign loans to the Fund on terms acceptable to the Manager.

The Manager may also charge other market-based processing, underwriting, and inspection fees, which shall at all times be commercially reasonable to help cover expenses associated with processing, underwriting, and inspecting any Fund Assets originated, acquired or extended. Since absent the existence of these fees, Investors might receive a higher rate of return, the interests of the Manager and the Investors are adverse in this respect.

The foregoing fees create potential conflicts of interest in that they compensate an Affiliate of the Manager at the expense of the potential cash available for distribution to the Members, which compensation may be paid before interest or principal is paid to Note Holders and before Distributions to Members. The Manager may be incentivized to authorize these fees, or negotiate higher fees, in an effort to increase the compensation payable to the Manager or the Originator, even though it may be to the detriment of the Investors. Additionally, it is possible that such services on behalf of the Fund can be procured by a Person that is not the Manager or an Affiliate of the Manager at a lower cost to the Fund.

Manager Additional Incentives

In addition to the Management Fee and the other fees described in this PPM and the LLC Agreement, the Manager or its Affiliates currently own the equity interests in the Fund. Since the Manager will receive substantial additional compensation, the Manager may have incentive to invest in riskier opportunities that it might believe would produce a greater return, a portion of which the Manager would keep. Since this potential additional return might result in additional risk and exposure, the interests of the Manager and Investors may be adverse in this respect. The potential additional return may also encourage the Manager to cause the Fund to make Distributions when it might otherwise reinvest in Fund Assets.

Other Investment Activities by the Manager or Affiliated Parties; Competition with the Fund

The Manager and any of its managing members, their respective Affiliates, or their respective members (collectively, the "Affiliated Parties") may engage for their own accounts or for the accounts of others in other business ventures, including other public or private limited partnerships or limited liability companies, some of which may compete directly with the business of the Fund. Neither the Fund nor any holder of a Unit issued by the Fund is entitled to an interest therein. The Manager/Organator, their Affiliates, and the managing members may invest in real estate or other activities similar to those of the Fund or in competition with the Fund for their own accounts or the accounts of others and expect to continue to do so.

The above notwithstanding, the LLC Agreement requires the Manager to give the Fund the ability to take advantage of any potential investment (each an "Opportunity") that is suitable for the Fund (as determined by the Manager) prior to the Manager taking that Opportunity for itself. Factors the Manager may consider in determining whether an Opportunity is competitive include, but are not limited to, whether the Opportunity meets the Fund's underwriting criteria, whether it is consistent with the Investment Objectives of the Fund, and whether the Fund has sufficient financial resources at the time to accommodate the Opportunity.

The Manager and its Members may be members or managers of other entities which have investment objectives that have some similarities to the Fund, which may cause the Manager's members to pursue investments that are competitive with those of the Fund. However, the decision as to the suitability of the investment by the Fund will be determined by the Manager in its sole discretion and will be based upon a review of the Fund's investment portfolio and upon factors including but not limited to property location, investment size, net income, the effect of the investment on diversification of the Fund's portfolio, and the amount of Fund capital then available for investment.

Diverse Membership

The Investors may include taxable and tax-exempt persons and entities and may include persons or entities organized in various jurisdictions, including outside of the United States. As a result, conflicts of interest may arise in connection with decisions made by the Manager that may be more beneficial for one type of Member than for another type of Member. In addition, the Manager may make investments

for the Fund that may have a negative impact on other investments made by certain Investors in separate transactions. In selecting investments appropriate for the Fund, the Manager will consider the investment objectives of the Fund as a whole, not the investment, tax or other objectives of any particular Member.

Lack of Separate Representation

The Manager has retained its own legal counsel in connection with the preparation of the PPM, LLC Agreement, and Subscription Agreement, and no separate legal counsel has been retained to represent the Fund or any Investor in connection with the Offering. The legal counsel and other experts who have prepared the Documents for this Offering may also perform other services for the Manager. This representation will likely continue.

The Manager as a Member

The Manager may be a Member of the Fund and/or a Note Holder, and from time to time may invest additional amounts in the Fund. The Manager determines the Stated Value and Unit Price upon which the Manager and all others will make their investment decisions. Any further investment by the Manager will be made according to the then prevailing Unit Price and otherwise be in such form and in such amount as determined by the Manager in its sole discretion, without notice or approval of the other Members. The Manager may also determine to have the Fund accept its investment while rejecting the investments of others (though it does not intend to do so). As additional Units are issued, the increase in Units may reduce the amounts the Fund has available to make Distributions to other Investors, as Distributions will need to be distributed amongst more Units. In addition, the Manager will be eligible to have the same rights to request the Fund to redeem its Units as any other Investor. Any such Redemption may reduce the amount of funds available for the Redemption of other Investors interests.

Furthermore, while the Manager in its capacity as Manager is obligated to consider the interests of the Members as a whole, the Manager may vote in its capacity as a Member without considering the interests of the other Members. The interests of the Manager in its capacity as a Member may be adverse to the interests of other Members.

Affiliates May Perform Other Services for Potential Compensation

The Fund may engage Affiliates of the Manager to perform services for and on behalf of the Fund and the Fund may, in connection with such services, pay to such Affiliates brokerage commissions, fees, and other compensation. Affiliates of the Fund may receive commissions or fees from unrelated third parties with whom the Fund is purchasing or selling assets or engaging in other transactions and that, in such event, such Affiliate may have a potentially conflicting division of loyalties and responsibilities regarding the Fund and the other parties to the transaction. Any commission paid to such Affiliate shall not exceed commercially reasonable market rates.

Indemnification

Pursuant to the LLC Agreement, the Fund will indemnify the Manager and its Affiliates, and any director, officer, agent, employee, or owner of the Manager and its Affiliates ("Covered Parties") from any losses, proceedings, investigations, claims, damages, liabilities, judgments, demands or expenses of any kind of nature whatsoever arising from any action taken or failure to act on behalf of the Fund within the scope of authority conferred on the Manager under the LLC Agreement, unless the act or omission was conduct not undertaken in good faith or constitutes gross negligence, fraud, or willful misconduct. If the Fund becomes obligated to make such payments, such indemnification costs would be paid from funds that would otherwise be available to distribute to Investors or invest in additional Fund Assets. To the extent these indemnification provisions protect the Covered Parties at the cost of the Investors in the Fund, a conflict of interest may exist.

GENERAL TAX RISKS WITH REGARD TO THE FUND AND OFFERING

The following discussions are summaries of certain anticipated federal income tax consequences of the purchase, disposition, and ownership of the Securities. These summaries are based upon the existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed regulations thereunder, and the current administrative rulings and other courts decisions, all of which

are subject to change. There can be no assurances that any changes in the Code, regulations or court cases will not retroactively change the statements made herein. Further, the discussions herein are of a general nature only and are not intended and do not exhaust all possible aspects of federal income taxation that may be relevant to an Investor based on its particular circumstances (including potential application of the alternative minimum tax). Moreover, these summaries do not consider or anticipate any changes in the law, whether by judicial, government or legislative discussion or action, nor does it consider any state, local or foreign income tax consequences or considerations for any potential investors. No rulings on the federal, state or local tax issues considered relevant to the organization or operation of the Fund or an investment in the Fund have been sought or obtained by the Fund. Accordingly, Investors are advised to consult their own tax advisors concerning the federal, state, local, foreign or other tax consequences to them from the purchase, sale, and ownership of the Securities.

Nature of Income Derived by the Fund

The Fund expects generally to recognize ordinary income in connection with its transactions but may also recognize either or both long-term and short-term capital gains. It is also possible that the Fund will recognize capital losses for federal income tax purposes, the deductibility of which may be limited.

The Fund may invest (i) in certain securities, such as original issue discount obligations, preferred stock with redemption or repayment premiums, certain foreign corporations, or equity in other entities treated as transparent for tax purposes or (ii) engage in transactions such as debt restructurings or foreclosures that could cause the Fund, and consequently the Investors, to recognize taxable income without receiving any cash. Thus, taxable income allocated to a U.S. Member may exceed cash Distributions, if any, made to such U.S. Member, in which case such U.S. Member would have to satisfy tax liabilities arising from an investment in the Fund from its own funds.

Original Issue Discount

Certain loans acquired by the Fund may be treated as having "original issue discount" ("OID") for U.S. federal income tax purposes. A loan will be treated as having OID if the loan's stated redemption price at maturity exceeds its issue price by more than a statutory *de minimis* amount. In the case of any loan treated as having OID, the holder would be required to accrue a portion of the OID daily as interest income even though receipt of the corresponding cash payment is deferred and regardless of the Investor's method of accounting.

Market Discount Loans

The Fund may acquire certain loans at a "market discount" ("Market Discount Loans"). A loan acquired after its original issuance will generally be treated as a Market Discount Loan if the stated redemption price of the loan at maturity (or its adjusted issue price in the case of an obligation that was issued with OID) exceeds the holder's basis for the loan immediately after its acquisition by more than a statutory *de minimis* amount. In general, any gain recognized on the maturity or disposition of a Market Discount Loan will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Market Discount Loan. Alternatively, the holder may elect to ratably include market discount in income during the period that such holder holds the Market Discount Loan. Market discount accrues on a straight-line basis unless the holder elects to accrue such discount on a constant yield to maturity basis. If the Fund does not elect to include market discount in income currently, it generally will be required to defer deductions for interest on borrowings allocable to such Market Discount Loan in an amount not exceeding the accrued market discount on such Market Discount Loan until the maturity or disposition of such Market Discount Loan.

Upon the sale of property by the Fund, the Fund will recognize a gain or loss in an amount equal to the difference between the amount realized and the Fund's tax basis in the property sold. The gains or losses realized by the Fund from the sale or other disposition of property generally would be treated as capital gains or losses, subject to certain rules some of which are discussed above. However, if the Fund (or an entity in which the Fund is a partner, member, or other type of investor) were treated as a "dealer" with respect to all or part of its property (meaning that it was viewed as holding such property for sale to customers in the ordinary course of its business), then all the gains from such property would be treated as ordinary income. Further, if a Fund Asset is sold in less than one year from the date of acquisition, then gains from such property would likely be treated as short-term capital gains and taxed at ordinary

income rates. Long-term capital gains, other than certain types of depreciation recapture, are taxable at a reduced rate for individuals (20% plus the 3.8% tax on unearned income described below).

U.S. Members who are individuals, estates, or certain trusts will be subject to a 3.8% Medicare tax on certain investment income such as interest, dividends, and rents from certain passive activities. Prospective Investors should consult their tax advisors regarding the possible applicability of the Medicare tax to income and gain in respect of an investment in the Fund.

Possible Audit of Information Return

A limited liability company generally is not liable for the payment of federal income tax but is required to file a federal income tax return on Form 1065 each year. Any such return may be audited, and any such audit may result in adjustments. Specifically, some of the deductions, claims, income reported, or positions taken by the Fund may be challenged by the IRS. Any audit adjustment made by the IRS could adversely affect the Investors, and even if no such adjustment were ultimately sustained, the Investors would, directly or indirectly, bear the expense of contesting such adjustments.

Sale or Exchange of U.S. Securities

Except to the extent the Fund holds appreciated inventory or unrealized receivables, a U.S. Member that sells or otherwise disposes of an interest in the Fund in a taxable transaction generally will recognize gain or loss equal to the difference, if any, between the adjusted basis of the interest and the amount realized from the sale or disposition. The amount realized will include the U.S. Member's share of the Fund's liabilities outstanding at the time of the sale or disposition. Capital gain would be eligible for a reduced rate of federal income taxation if the interest has been held for more than one year. The holding period for capital gains purposes begins on the day after the interest is issued to the U.S. Member.

In the event of a sale or other transfer of an interest at any time other than the end of the Fund's taxable year, the share of income and losses of the Fund for the year of transfer attributable to the interest transferred will be allocated for federal income tax purposes between the transferor and the transferee on either an interim closing-of-the-books basis or a *pro rata* basis reflecting the respective periods during such year that each of the transferor and the transferee owned the interest.

Tax-Exempt Investors

In general, organizations that are otherwise exempt from federal income taxation pursuant to Section 501(a) of the Code ("Tax-Exempt Investors") are subject to taxation with respect to any unrelated business taxable income ("UBTI"). Under Section 512(c) of the Code, when computing UBTI, a Tax-Exempt Investor must include its distributive share of income of any partnership of which it is a partner to the extent that such income would be UBTI if earned directly by the Tax-Exempt Investor.

UBTI is generally defined as gross income from a trade or business regularly carried on by a tax-exempt entity that is unrelated to its exempt purpose (including an unrelated trade or business regularly carried on by a partnership of which the entity is a partner) less the deductions directly connected with that trade or business. Subject income earned through conducting a U.S. trade or business and to the discussion of the "unrelated debt financed income" below, UBTI generally does not include interest, most real property rents or gains from the sale, exchange or other disposition of property (other than inventory or property held primarily for sale to customers in the ordinary course of a trade or business), but does include operating income from businesses owned directly or through a "flow-through" entity for U.S. federal income tax purposes.

If a Tax-Exempt Investor's acquisition of an interest in the Fund is debt-financed, or the Fund incurs "acquisition indebtedness" with respect to an investment, then all or a portion of the income attributable to the debt-financed property will be included in UBTI regardless of whether such income would otherwise be excluded as dividends, interests, rents, gain or loss from sale of eligible property or similar income. Such treatment will apply, in the case of ordinary income, only in tax years in which the Fund had acquisition indebtedness outstanding or, in the case of a sale, if the Fund had acquisition indebtedness outstanding at any time during the 12-month period prior to the sale.

In addition, UBTI can be realized through an acquisition, development and disposition strategy whereby the Fund would be treated as a "dealer" with respect to all or part of the assets in which it invests. In

this case, all the gain from the disposition of such assets generally would be UBTI (subject to a limited exception for gain from the sale of certain real estate assets acquired from insolvent financial institutions).

Because the Fund expects to incur "acquisition indebtedness" with respect to certain investments, Tax-Exempt Investors will likely recognize UBTI with respect to an investment in the Fund. In addition, the loans and some of the direct acquisitions of real property may constitute a U.S. trade or business. The Manager may, in its sole discretion, establish parallel, feeder, or alternative entities such as partnerships, corporate subsidiaries, or other investment vehicles to address the tax, regulatory, or other concerns of certain Investors. In addition, the Manager may also, in its sole discretion, reorganize the Fund into a master-feeder structure. However, there can be no assurance that the Tax-Exempt Investors will not incur UBTI with respect to any investment. Accordingly, Tax-Exempt Investors are urged to consult with their own tax advisors regarding the possible consequences of an investment in the Fund.

TAX-EXEMPT INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING ALL ASPECTS OF UBTI.

Non-U.S. Members and Investors

Should the Manager extend the Offering to Units, non-U.S. Persons, Non-U.S. Members that invest directly in the Fund generally will be subject to U.S. federal income tax on their distributive share of the taxable income of the Fund that is deemed to be "effectively connected" with a U.S. trade or business as if they were U.S. citizens or residents, regardless of whether the Fund makes any cash Distributions.

Generally Non-U.S. Members that invest directly in the Fund will be required to file a U.S. federal income tax return with respect to their distributable share of the Fund's effectively connected income. Investments made in the U.S. by the Fund may cause the Fund to be engaged in a U.S. trade or business. In that event, Non-U.S. Members would be considered engaged in a U.S. trade or business. Income and gain from any such U.S. investments, including a portion of gain on the sale or redemption of interests in the Fund, may be treated as effectively connected with the conduct of a U.S. trade or business and thus be subject to U.S. federal income tax, regardless of whether the Fund makes any cash Distributions.

Generally, the Fund would be required to withhold at a 35% rate from effectively connected income allocable to Non-U.S. Members. In addition, such Non-U.S. Members would be required to file U.S. federal income tax returns. The 30% branch profits tax may also apply to non-U.S. corporate Members on their share of effectively connected earnings and profits, although the rate may be reduced under applicable tax treaties.

If the Fund generates any U.S. source, "fixed or determinable, annual or periodic" gains, profits, or income, such as interest or dividends, that is not effectively connected with a U.S. trade or business, a Non-U.S. Member's allocable share of such income (whether or not distributed) will be subject to U.S. withholding tax at 30%, unless reduced or eliminated by an applicable exception or tax treaty.

In addition, regardless of whether the activities of a Fund constitute a U.S. trade or business, Non-U.S. Members will be taxable on any gain derived from the disposition of a "U.S. real property interest" as if such gain were effectively connected income. U.S. real property interests include interests in U.S. real estate and certain U.S. corporations that hold predominantly U.S. real estate investments. Generally, gain attributable to dispositions of U.S. real property interests by the Fund will be subject to the withholding rules described above for effectively connected income. The 30% branch profits tax may also apply to corporate non-U.S. Members, although the rate may be reduced under applicable tax treaties. In addition, a purchaser may be required to withhold 10% of the purchase price upon a sale of an interest in the Fund if, among other requirements, the Fund's gross assets consist of at least 50% U.S. real property interests.

Under the Foreign Account Tax Compliance Act (the "FATCA"), the Fund will be required to deduct a 30% withholding tax from payments of certain U.S. source income, including capital gains, paid to Members that are foreign financial institutions or non-financial foreign entities unless the applicable foreign Member provides a properly executed Internal Revenue Service Form W-8BEN-E to the Fund. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. Persons considering the purchase of Notes should consult their own tax

advisors to determine whether FATCA is relevant to their purchase, ownership, and disposition of the Notes.

The Manager may, in its sole discretion, establish parallel, feeder, or alternative entities such as partnerships, corporate subsidiaries, or other investment vehicles to address the tax, regulatory, or other concerns of certain Investors. However, there can be no assurance that the Non-U.S. Members will not be treated as engaged in a U.S. trade or business or be required to file U.S. tax returns or pay such U.S. taxes with respect to any investment. Accordingly, Non-U.S. Members are urged to consult with their own tax advisors regarding the possible consequences of an investment in the Fund.

NON-U.S. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING ALL ASPECTS OF AN INVESTMENT IN THE FUND.

Treatment of Withholding Taxes

The Fund will withhold and pay to the IRS any withholding taxes required to be withheld with respect to any Investor and will treat such withholding as a payment to such Investor. Such payment will be treated as a Distribution to the extent that the Investor is then entitled to receive a cash Distribution. To the extent that such payment exceeds the amount of any cash Distribution to which such Investor is then entitled, such Investor is required to indemnify the Fund as provided in the LLC Agreement.

Each Investor is urged to consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and foreign tax treatment of an investment in the Fund.

State and Local Taxes, and Foreign Tax Considerations

The foregoing discussion does not address the state, local and foreign tax considerations of an investment in the Fund. Prospective Investors are urged to consult their own tax advisors regarding those matters and all other tax aspects of an investment in the Fund. It should be noted that the Investors may be subject to state or local income, franchise, or withholding taxes in those jurisdictions where the Fund owns real estate assets or is otherwise regarded as doing business and may be required to file tax returns in such jurisdictions. It also should be noted that it is possible that the Fund itself may be subject to state or local tax in certain jurisdictions.

Reporting

The federal information tax returns filed by the Fund will be subject to audit by the IRS and the audit of the Fund's returns could result in an audit of the Investors' own federal income tax returns. In connection with such audits, adjustments to Fund items could result in the assertion of tax deficiencies (as well as interest and penalties thereon) against the Investors. Any administrative or judicial proceedings involving the federal income tax treatment of Fund items will generally be conducted on a unified basis, with binding effect on all Investors. The Manager will serve as the Fund's "Tax Matters Partner" for purposes of coordinating any such proceedings and providing any required notices about such proceedings to the Investors.

Reportable Transactions Regulation

Treasury regulations impose special reporting rules for "reportable transactions." A reportable transaction includes, among other things, a transaction in which an advisor limits the disclosure of the tax treatment or tax structure of the transaction and receives a fee in excess of certain thresholds. The Manager intends to take the position that an investment in the Fund did not constitute a reportable transaction. If it were determined that an investment in the Fund does constitute a reportable transaction, each Investor would be required to complete and file IRS Form 8886 with such Investor's tax return for the tax year that includes the date that such Partner acquired an interest in the Fund. The Manager reserves the right to disclose certain information about the Investors and the Fund to the IRS on Form 8886, including the Investors' capital commitments, tax identification numbers (if any), and dates of admission to the Fund, to facilitate compliance with the reportable transaction rules if necessary. In addition, the Fund may engage in certain transactions which themselves constitute reportable transactions and with respect to which both the Fund and certain Investors may be required to file Form 8886. Certain states have similar reporting requirements and may impose penalties for failure to report. Prospective Investors should consult their tax advisors for advice concerning compliance with the reportable transaction regulations.

THE FOREGOING RISKS ARE NOT ALL THE RISKS TO WHICH THE COMPANY IS SUBJECT. THESE ARE ONLY THE RISKS WHICH MANAGEMENT BELIEVE TO BE THE MOST RELEVANT AND LIKELY TO IMPACT THE COMPANY'S OPERATION AND/OR THE INVESTOR'S INVESTMENT IN THE SECURITIES. ACCORDINGLY, THE NOTES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK. ANY PERSON CONSIDERING AN INVESTMENT IN THE NOTES SHOULD BE AWARE OF ALL THE RISKS SET FORTH ABOVE, AND SHOULD CONSULT WITH THEIR LEGAL, TAX, AND OTHER FINANCIAL ADVISOR PRIOR TO MAKING AN INVESTMENT IN THE SECURITIES OFFERED HEREBY. ANY INVESTOR SHOULD BE ABLE TO AFFORD TO LOSE A PORTION OR ALL OF THEIR INVESTMENT AND HAVE NO NEED FOR A CURRENT RETURN ON THEIR INVESTMENT HEREOF.

TAX ASPECTS OF THE OFFERING

EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN TAX ADVISOR, ATTORNEY, FINANCIAL ADVISOR, BUSINESS ADVISOR, AND ACCOUNTING ADVISOR AS TO LEGAL, BUSINESS, TAX, ACCOUNTING AND RELATED MATTERS, IN ORDER TO FULLY UNDERSTAND THE FEDERAL, STATE, LOCAL, AND FOREIGN INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND, AND ANY AND ALL TAX RAMIFICATIONS, AND ITS SUITABILITY FOR THE INVESTOR FROM A TAX AND PLANNING STANDPOINT.

This Memorandum and any subscription materials provided by the Fund do not constitute tax advice and are not intended to substitute for tax planning.

The various tax issues, for both US and non-US investors, are beyond the scope of this Memorandum and any subscription materials provided by the Fund.

Nothing contained in this Memorandum, or any subscription or other materials, should be construed as legal, financial, business, tax or accounting advice.

Nothing in this Memorandum or any subscription or other materials should be relied upon for the maintenance of books and records for any tax, accounting, legal, or other procedure.

Neither the Fund nor any Manager thereof has any indemnification obligation to any Investor as a result of any tax due as a result of an investment in the Fund.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN TAX ADVISOR, ATTORNEY, FINANCIAL ADVISOR, BUSINESS ADVISOR, AND ACCOUNTING ADVISOR AS TO LEGAL, BUSINESS, TAX, ACCOUNTING AND RELATED MATTERS, IN ORDER TO PROPERLY RECORD AND ACCOUNT FOR THE FEDERAL, STATE, LOCAL, AND FOREIGN INCOME TAX CONSEQUENCE (AND OTHER TAX CONSEQUENCES) OF AN INVESTMENT IN THE FUND, AND ANY AND ALL TAX REPORTING, FILINGS AND PROCEDURES REQUIRED AS A RESULT OF THE TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND.