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CONFIDENTIAL

PRIVATE PLACEMENT MEMORANDUM

PACIFIC PRIVATE MONEY FUND I LLC

MEMBERSHIP UNITS

AS OF JANUARY 1, 2020

1555 Grant Avenue
Novato, California 94945



Important Considerations

This Confidential Private Placement Memorandum (the “PPM”) is provided for 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 selected qualified prospective investors (the “Investor” or “Investors”) on a confidential basis solely in connection with the consideration of the purchase of membership units (the Membership Units or “Units”) issued by Pacific Private Money Fund I LLC (the “Fund” or the “Company”). In making an investment decision, prospective Investors must rely on their own examination of the Units 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 Fund’s management company, Private Money Management Group, LLC (the “Manager”, or “PMMG”).

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

The information contained herein is deemed to be confidential by the Fund, has not been publicly released and is disclosed for the sole purpose of evaluating the Units offered to prospective Investors.

The Units are suitable only for sophisticated Investors for whom an investment in the Fund does not constitute a complete investment program and who 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 ability to bear the economic risk of the investment.

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 whom 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 Units or if his or her subscription offer is rejected by the Fund.

The contents hereof are not to be construed as tax, legal or investment advice. Each prospective Investor should consult his or her own counsel, accountant, business or other advisors as to the tax, legal, economic, and other consequences of the purchase of the Units 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 as a guarantee of, 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 prospective Investor and to his or her representative(s), or both, the opportunity, prior to the consummation of a sale of Units to such prospective Investor, to ask questions of, and receive answers from, the principals 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. Inquiries should be directed to Mark Hanf at 415-883-2150 or mark@pacificprivatemoney.com.

The obligations of the Manager and the Members of the Fund are set forth in and will be governed by an operating agreement of the Fund (the "Operating Agreement"), and a subscription agreement relating to the Units (collectively, the "Member Subscription Booklet" or "Subscription Booklet"). 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 Booklet and other documents referred to herein and therein. However, the discussions set forth in this PPM do not purport to be complete. A copy of the Subscription Booklet has been or will be provided to prospective Investors, and each prospective Investor and its advisors should read these materials, including any and all revisions thereto, prior to making a decision to in the Fund.

The Fund 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 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 1, 2017.

Certain statements contained in this PPM, including, without limitation, statements containing the words "believes," "anticipates," "plans," "intends," "expects," 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 the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

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

NEITHER THE SECURITIES AND EXCHANGE COMMISSION, THE SECRETARY OF THE STATE OF CALIFORNIA, 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.

NASAA UNIFORM LEGEND: IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

GENERAL: THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE OR JURISDICTION BY THE REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OF+

FERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

All capitalized terms not otherwise defined shall have the meaning set forth in "Definition of Terms" section.

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INTRODUCTION

We are pleased to provide you with information about the Pacific Private Money Fund, dedicated to providing above-market yields and consistent returns, with risk diversified over a wide range of secured real estate loans.

After a 24-year career working in a closely-held real estate development company founded by my father, I was introduced in 2007 to the business model of private money loan origination. I quickly realized that my prior years' experience buying, selling, analyzing, financing, accounting for and managing commercial and residential real estate made me perfectly suited to private money loan origination. In 2008, I started Pacific Private Money and the ensuing years, my team and I have built one of the most successful private lending companies in Northern California. To date, over 300 individuals have invested in one or more of our mortgage pool funds or one of our over 1,200 individual mortgage loans.

As a baby-boomer myself, I know just how important it is to grow my retirement savings effectively. And the fact of the matter is that most people are not on track to retire successfully. They are not earning sufficient annual yields on their savings in order that they may retire in the lifestyle they want and desire. In this past decade of near zero interest savings rates, and the decade-long volatility of the stock market, thousands have turned to alternative investments such as real estate secured notes in order to boost the yields on their savings and retirement plans.

The success of our Fund is due to the increasing popularity of yields produced by real estate-secured notes. Note investing has become so popular in recent years that it has become difficult for the average investor to find quality note investment opportunities on their own. Prior to launching our Fund, most every loan in our office was sold within 24 hours, often leaving a dozen or more clients upset at having "missed out" on the opportunity. Our Fund allows clients like you to take advantage of our quality note portfolio, investing anytime you have the desire, and to begin earning the attractive yields almost immediately.

The Pacific Private Money Fund allows qualified investors to benefit from the highly-attractive returns available through real estate-secured note investing, without the struggle and frustration of competing for individual note investment opportunities. Our Fund eliminates the need for you to perform due diligence on individual loans and borrowers, and spreads risk of loss over a wide portfolio of real estate-secured notes.

Those who participate will benefit from the fact that the Fund will receive the first opportunity to the high-quality deal flow that Pacific presently enjoys. I'm excited to be able to offer this opportunity to you, so that you too may benefit from the years of focused effort to create the brand, goodwill and success that has become Pacific Private Money.

Sincerely,

Mark Hanf, Founder and Broker
Pacific Private Money Inc.

Section 1

MANAGEMENT



MANAGEMENT

The Manager of the Fund is **Private Money Management Group, LLC**, a Delaware limited liability company owned and managed by Mark Hanf.

Mark Hanf is also founder, broker and president of Pacific Private Money Inc., dba Pacific Private Money Loans, one of the most respected private money loan brokers in Northern California. Founded in 2008, the company has originated over 1,200 loans, totaling over \$325 million in loan originations. Mark is a regular speaker at real estate events throughout the Bay Area, and can be heard weekly speaking about the real estate market as co-host of the one-hour radio show “The Best of Investing” currently airing on the Wall Street Business Network, 1220AM KDOW. He is also an Amazon best-selling author of a book for real estate investors called “The Insider’s Guide to Attracting Private Money”.

Mark began his career in real estate in 1982. For nearly 25 years, Mark was responsible for buying, selling, financing, and managing residential and commercial real estate for a closely held real estate company in the Bay Area. He earned a degree in Business Administration with a focus in finance and accounting from Menlo School of Business Administration in 1982. During his career as a real estate principal, he became an expert at using leverage to execute real estate strategies, successfully closing over 100 purchase and refinance loans, ranging from \$100,000 to \$7,500,000.

Mark has built a team highly skilled at property valuations, mortgage lending, and the many complex new lender compliance laws. His team’s decades of mortgage lending experience make them especially skilled at evaluating loan scenarios and originating sensible private money loans for the company’s growing list of private individual investors.

Mark is an active member of the California Mortgage Association, comprised of roughly 300 California-based private money lenders and brokers. Their quarterly two-day conferences are considered essential for regulatory compliance, best practices, and other educational topics necessary to operate successfully in this new market environment. Mark is also a member of the American Association of Private Lenders and was the feature interview in their summer 2012 issue of Private Lender Magazine.

An avid student of personal development, Mark has been coached and inspired by highly successful entrepreneurial thought leaders such as Robin Sharma, Darren Hardy, and Dan Sullivan, to name just a few. As a speaker, Mark often talks about the importance of personal development in business success.

Having lived and worked his entire life in the Bay Area, Mark is a second-generation real estate investor with long-standing professional relationships and community affiliations.

Licensing Information

Pacific Private Money Inc. operates under the following licenses:

- Real Estate Broker, California Bureau of Real Estate License No. 1897444
- California Finance Lender, California Department of Business Oversight No. 6054605
- Mortgage Loan Originator, Nationwide Mortgage Licensing System (NMLS) No. 945582

The Manager's principal (Mark Hanf) operates under the following licenses:

- Real Estate Broker, California Bureau of Real Estate License No. 1811186
- Mortgage Loan Originator, Nationwide Mortgage Licensing System (NMLS) No. 331091

Partners

Fund Administration



Fairway America (www.FairwayAmerica.com), are experienced fund managers as well as a fund advisory, consulting, administration, and servicing firm. Fairway has the relevant infrastructure, resources, and experience to effectively assist Fund Managers in the professional administration of their Funds.

Accounting & Audit



Spiegel Accountancy Corp. is a professional accounting firm based in the San Francisco bay area with a national practice specializing in the mortgage banking and small business sectors. Their specialties include audit and mortgage pool accounting.

Securities Counsel



AterWynne counsels emerging growth companies and investment funds on issues related to formation, financing, growth, portfolio investments and liquidity. They provide strategic counsel on positioning, business model and revenue generation issues.

General Counsel



Geraci specializes in banking, finance, securities and lender compliance law in California. They are a founding member of the American Association of Private Lenders.

Section 2

STRUCTURE OF FUND



STRUCTURE OF FUND

The Fund is organized as a Delaware limited liability company. The Fund is offering securities that are exempt from registration under Regulation D of the Act. The Fund is open to both United States and foreign investors. Each U.S. Investor in the Fund must be an “Accredited Investor” as such term is defined in Regulation D promulgated by the SEC under the Act. In addition, each U.S. Investor will be required to represent and warrant to the Fund and Manager that it meets the requirements of the foregoing definition as such are detailed in the Subscription Agreement(s) attached hereto.

Some of the ways U.S. Investors can qualify are:

- Having a net worth of at least \$1,000,000, excluding the value of a primary residence; or
- Having an adjusted gross income of at least \$200,000 for the last two years (or \$300,000 with a spouse); or
- For entity Investors, having assets of at least \$5 Million, or all of the owners of the entity must otherwise be Accredited Investors.

Each person or entity meeting the Fund’s requirements and accepted into the Fund is referred to herein as an “Investor.”

Manager Philosophy of Fund Architecture

The Manager has endeavored to create this Fund in a way that does the best job possible of balancing:

- the Manager’s need for flexibility, autonomy, and control with respect to Fund policies and investment decisions; and
- the Investor’s natural desire for safety, oversight, and transparency. We have given extensive consideration to all of the following:
 - the fee structure;
 - the Fund’s administrative procedures including the service providers the Fund has hired to provide professional Fund Administration;
 - loan servicing;
 - accounting and audit services; and
 - the proper alignment of interests between the Manager and the Investors.

Inasmuch as we are inviting you to invest in our Fund and thereby entrust in us the decision making on individual Assets, we believe it is important to Investors that we be willing to communicate our underwriting policies and standards to those Investors on an ongoing basis (see FAQ). We must reserve the right to edit, update, improve, or otherwise alter these underwriting policies throughout the life of the Fund in our best judgment. However, we are committing up to maintain and publicize these underwriting policies and standards to the Investors during the life of the Fund.

We hope as you read the remainder of this document that you conclude we have achieved the balance of flexibility and oversight, of autonomy and transparency, of control and safety, and delivered the alignment of interests you need to allow you to determine whether our strategy makes sense to you.

Section 3

INVESTMENT OBJECTIVES, FUND STRATEGY, AND OVERVIEW OF PROPOSED FUND ASSETS



INVESTMENT OBJECTIVES, FUND STRATEGY, AND OVERVIEW OF PROPOSED FUND ASSETS

Principal Investment Objectives

The Fund's objectives with respect to originating and acquiring Fund Assets are:

- To effectively deploy the proceeds of this Offering in well qualified Fund Assets;
- Preserve and protect each Member's capital;
- Provide the Members with a Preferred Return of 7% and additional distributions which, combined with the Preferred Return, will endeavor to produce overall annualized returns to Members in the range of 8-9%; and
- Ultimately to provide Members with a return of their capital contributions.

No assurance can be given that these objectives will be attained or that the Fund's capital will not decrease.

Strategy to Achieve Fund Investment Objectives

The strategy of the Fund is to produce attractive risk adjusted returns to Members by originating and acquiring real estate loans secured by non-owner occupied residential, multifamily, small commercial properties, and short term bridge loans on owner occupied residences where regulations allow such loans. The Fund lends predominately in the state of California, and occasionally in neighboring states in situations and locations where the Manager feels confident and comfortable in its capacity to underwrite effectively. The Fund lends a conservative percentage of the value of each property (the loan to value or "LTV") as determined by the Manager to borrowers with a demonstrable capacity to repay the loan, either through cash flow generated by the property, or with personal or business assets and/or cash flow, or a combination of both.

The Fund invests in a multitude of relatively small real estate based Assets in order to:

1. preserve and protect Investor capital,
2. provide a reliable income stream to Members and;
3. diversify the overall risk to the Fund.

Overview of Fund Assets

All Fund Assets shall be Mortgage Loans, or assignments thereof, secured by real estate. The Fund, either directly or through subsidiary entities called special purpose vehicles (each a "SPV"), will originate or acquire Mortgage Loans secured by non-owner occupied residential, multifamily, small commercial properties, and occasionally short term bridge loans on owner occupied residences where regulations allow such loans. Mortgage Loans may be owned by the Fund in either whole or in fractional, or in Participation interests with other investors. The Fund focuses on Mortgage Loans secured by properties that meet its established criteria for property characteristics, geographic location, transaction size, and risk adjusted returns.

Strategy for Asset Origination

One of the most valuable and important characteristics of a successful private money loan originator is its deal flow. A consistent flow of high-quality loan applications is critical to the success of a loan originator. The Manager has a proven ability to attract consistent quality loan applications as the result of a consistent and aggressive networking and marketing strategy. Since 2008, Pacific Private Money originated over 1,200 privately-funded loans. The company uses a combination of email marketing, strategic sponsorships, speaking engagements, radio shows, event networking, social media marketing, and other means to foster awareness and attract leads. The company's reputation for reliable performance and price integrity serves to engage local real estate professionals, whose referrals provide a significant portion of the company's loan leads.

Pacific Private Money has also developed a growing list of repeat borrower clients with proven track records of performance. The Manager's principal, having over 20 years' experience working with contractors and developers, speaks easily with the real estate investment community which he serves, and attracts those tired of the "bean counter" mentality of banks and many mortgage brokers. Moreover, and maybe most important, the Manager believes that this experience allows him to sniff out weak borrowers that can lead to problem loans.

FREQUENTLY ASKED QUESTIONS

This summary highlights some of the information from this PPM. The summary is not a complete overview of the Offering and does not contain all of the information that Investors should consider before investing in the Units. Investors should read the entire PPM thoroughly and carefully, including the section “Risk Factors.”

How does the investment work?

Investors purchasing Membership Units will become Members of the Fund. Subject to performance of the Fund, and after paying certain Fund Expenses and the Management Fee to the Manager, Members will receive a Preferred Return of 7%, paid monthly. Members will also divide with the Manager on a monthly basis any Excess Distributable Cash (“EDC”) with 50% of this amount going to Members and 50% going to the Manager. The Preferred Return shall be Non-Cumulative, meaning that any shortfall in a given month shall not carry forward. However, the Manager’s portion of the EDC shall be subject to a Clawback for up to six (6) consecutive months after any shortfall of the Preferred Return (see “Manager EDC Clawback” in Definition of Terms). Based on comprehensive financial modeling performed by the Manager, the projected overall return to Members is estimated to be between 8% and 9% **however, these returns are not guaranteed**. Members will be issued K-1’s annually.

How much can I invest? What is the minimum?

\$50,000 per unique Investor is the minimum investment, which amount may be adjusted in the sole discretion of the Manager. There is no set ceiling on the amount of investment for each unique Investor.

Who manages the Fund?

The Manager of the Fund is Pacific Private Money Management Group, LLC., a Delaware limited liability company (“PMMG”). PMMG is owned and managed by Mark Hanf. PMMG and Pacific Private Money Inc.’s executive offices are located at 1555 Grant Avenue, Novato, California 94945.

Does the Manager (and/or its principals) have any skin in the game?

The Manager intends to invest a portion of its EDC into Units of the Fund on an ongoing basis as long as the Fund is not in liquidation. Inasmuch as the Manager will need to monitor its ongoing cash flow, fund its operations, and keep adequate reserves, investing a portion of its EDC in the Fund is not a requirement in the Fund’s Operating Agreement. However, the Manager intends to attempt to accumulate a meaningful investment in Units of the Fund over time. Potential Investors are encouraged to contact Mark Hanf for further discussion on this topic.

What sort of Fund oversight and governance is there to help protect Investors? What can Investors expect in the way of transparency and communication?

Many well-developed best practices for corporate governance have been established and promoted by leading organizations in the fund industry. The Manager believes in adhering to industry best practices as much as possible in terms of fund governance, oversight, transparency, and communication with Investors. While the Manager has the flexibility to modify its practices over time to meet the needs of the Fund, we have endeavored to incorporate the following best practices into the way in which we manage the Fund:

- The Fund will be audited by outside CPAs on an annual basis. The audit shall be available to Investors through the Investor Portal on the website.
- The Manager will cause the Fund to have CPA prepared year-end financial statements and tax returns each year which will be available to Investors through the Investor Portal.
- The Fund retains the services of a third party Fund Administrator to provide professional Fund administration services including certain Investor relations functions.
- The Fund utilizes Pacific Private Money Inc. to provide basic loan servicing and tracking functions. The Manager shall retain full responsibility at all times for heavy collections (including workouts, foreclosures, bankruptcies, etc.) and asset management.
- The Manager maintains a written Underwriting Manual which it uses to guide its investment decisions. This Underwriting Manual is continually reviewed, discussed, revised, and improved in the sole judgment and discretion of the Manager. The Manager shall at all times during the life of the Fund provide access to Investors of an updated copy of the then current Underwriting Manual in use by posting it on the Investor Portal on Premiere's website.
- The Manager may be removed by a vote of the Members, subject to reasonable compensation if it is without cause, at any time during the life of the Fund. The Members shall have the ability to elect a replacement Manager.
- The overall fee structure of the Fund has been deliberately architected in a way that attempts to align the Manager's interests with the Members' interests as much as possible.
- The Manager will provide Members with frequent (typically monthly) qualitative and quantitative information about the Fund along with investment statements and any distributions and/or interest.
- Meetings will be held once per year to provide a forum for Members to ask questions and be heard. Members also have the ability (with a simple majority) to require the Manager to convene a meeting at any time.
- Members have secure access to an online Investor Portal containing financial information, the Underwriting Manual, copies of any recent Investor correspondence, and other information pertinent to Investors of the Fund. The information may change from time to time but it will be the goal of the Manager to make the Investor Portal as robust and informative as possible.

What happens to the Fund if the Manager (or its Key Man) is not around for any reason to manage the affairs of the Fund?

The Manager recognizes that one of the main concerns of Investors in a 506 Reg D Private Placement such as the Fund is what would happen in the event the Manager (or its “Key Man”) is not available to manage the Fund for whatever reason. Therefore, we have proactively attempted to address and mitigate this concern as much as we possibly can, including the following:

- The Manager shall not be permitted to resign except with a one (1) year notice to the Members. Members may elect a replacement Manager with majority vote.
- The Manager has developed a written plan for an orderly liquidation (the “Orderly Liquidation Plan” or “OLP”) upon the occurrence of any event necessitating a decision to wind down the Fund’s operations. The OLP shall be made available to Investors upon request.
- There is a provision in the Operating Agreement instituting an immediate moratorium on any new Fund Assets in the event of a death or permanent disability of Mark Hanf (the “Key Man”).
- The Members shall have the right to identify and approve a new Key Man during this one (1) year period.
- If no new Key Man can be determined and authorized by the Members, the Fund shall proceed with an orderly liquidation of assets according to its OLP.
- PMMG has purchased a life insurance policy in the amount of \$1,000,000 on the life of Mark Hanf. The proceeds of such a policy provide PMMG with sufficient liquidity to be able to operate without duress while a new Key Man is identified and approved by the Members or to allow the Fund to execute its OLP.

How does the Fund make money?

The Fund receives as income:

1. 50% of all loan origination fees collected (with the other 50% going to the Manager to help pay its loan agents and referral sources),
2. 100% of all extension fees collected from any extensions of matured loans,
3. All interest income actually received on Mortgage Loans owned by the Fund (both regular note rate and default interest),
4. Any rent collected on real estate Assets owned by the Fund,
5. Any interest collected on deposited monies held by the Fund,
6. Any Member Redemption fees collected, and
7. The net sale proceeds in excess of basis on the disposition of any Fund Asset.

How does the Manager get paid?

The Manager receives as income:

1. A Management Fee of 2% (annualized and paid monthly at .1667%) of total AUM.
2. 50% of all loan origination fees collected (with the other 50% going to the Fund).
3. 100% of all late fees actually collected from Borrowers.
4. 50% of any Excess Distributable Cash ("EDC") after having paid the Members the Preferred Return.

Are there any conflicts of interest between the Fund and Manager?

As hard as we may try to adhere to governance best practices, it is impossible to eliminate every conceivable potential conflict of interest between the Manager and the Fund. Please see the "CONFLICTS OF INTEREST" section for more details.

What do I need to do to purchase units and become a Member?

Investors who wish to purchase Units must complete and sign the Subscription Agreement, a signature page to the Operating Agreement and other such documentation as is deemed appropriate by the Manager, and send them together with a check or wire for the purchase price of the Units to the Manager. Upon receipt of appropriate executed documents, the Fund will immediately deposit Investor funds into its holding account (the "Subscription Account"), the date of which shall be the "Deposit Date." Investors may execute the Unit Subscription documents at any time throughout a calendar month. However, an investment in the Units would only become effective as an equity investment upon the Company's transfer of an Investor's funds into its operating account (the "Operating Account") and as of the first day of the calendar month (the "Effective Date") immediately following the Deposit Date. Investor funds held in the Subscription Account shall pay no interest to the Investor.

The Fund may utilize a new Investor's funds for its operations between the Deposit Date and the Effective Date by transferring all or a portion of such funds as determined by the Manager (the date of which shall be the "Transfer Date") from the Subscription Account to the Operating Account. Any such amounts transferred shall be treated as a loan to the Fund for which the Investor shall receive interest at 7% (annualized) during the period between the Transfer Date and the Effective Date, and for which the Investor will receive a 1099 Statement for passive interest income. The Fund will pay the accrued interest (running from the Transfer Date of any funds to the Effective Date) on any funds transferred from the Subscription Account to the Operating Account in the form of a check to the Investor to be prepared and mailed on the Effective Date. An Investor's obligation to purchase Units with their full deposited amount shall be irrevocable during the time between the Deposit Date and the first day of the subsequent calendar month.

As soon after the Effective Date as is practicable (typically on or around the 15th of the month), the Fund shall issue Units to the Investor at the prevailing Unit Price for any and all amounts transferred into the Operating Account since the Deposit Date (i.e., funds that were treated as loaned to the Fund between the Transfer Date and the Effective Date). On the Effective Date, the Fund shall also be obligated to transfer some or all of any remaining Investor funds from the Subscription Account into the Operating Account and issue Units at the prevailing Unit Price, and/or to notify the Investor of any

amounts it intends to let remain in the Subscription Account. Upon notice to the Investor of any such amounts it does not intend to transfer to the Operating Account and issue Units, the Investor shall have ten (10) days to decide to either leave the money with the Company in its Subscription Account, or to have the Company reimburse the remaining funds in the Subscription Account to the Investor. If an Investor chooses the reimbursement option, the Investor shall have no further right or obligation to use these remaining funds to purchase Units. If an Investor chooses to leave the remaining funds in the Subscription Account, the Investor's obligation to utilize such funds to purchase Units (and the Company's right to transfer the funds to its Operating Account) shall once again be irrevocable, and the funds shall again be treated during each successive month as detailed in this section.

How is the price of a Membership Unit (the "Unit Price") determined?

The initial Unit Price shall be \$1,000. The Unit Price will fluctuate once the first amounts have been raised pursuant to this Offering. The Fund will set the Unit Price on a monthly basis, based on the collective Stated Value of the individual Fund Assets. The Stated Value of each Fund Asset shall be determined on the last day of each calendar month by the Manager in its sole discretion. The Manager, however, shall establish and follow a methodology for determining the Stated Value of each Asset and may modify, alter or improve the methodology from time to time in its sole discretion. The Stated Value of the Fund Assets shall be used to assist in the determination of the Unit Price of the Membership Units as well as the AUM. For more information on the Stated Value, the Unit Price, and the AUM, please see the section "Risks Specific to Members."

Can I sell or transfer my Units (if I am a Member)?

The Units are restricted as to sale and transfer. Some of the factors that prevent Investors from transferring the Units include:

- No public market exists for the Units, and one is not expected to develop;
- Restrictions imposed by federal and state securities laws;
- The application of the Investor suitability standards to the proposed transferees of the Units;
- Restrictions regarding the potential of the Fund to become, through its limited liability company ("LLC") structure, a "publicly traded partnership" under The Code (generally an LLC or partnership whose interests are publicly traded or frequently transferred); and
- The necessity of obtaining the Manager's consent which may be withheld.

How often are distributions made to Members and in what amounts?

Subject to the Fund's performance and sufficient cash flow, the Manager intends to pay the Preferred Return, as well as the allocable portion of any Excess Distributable Cash (as the Manager deems to be in the best interests of the Fund), to the Members on a monthly basis. Members will share Distributions in proportion to their respective Ownership Interests.

Are Units liquid at any time?

No, there are significant restrictions on the Redemption of Units. Members will be required to hold their Units for a minimum of twelve (12) months (the “Lock-up Period”) before they may request Redemption. Redemption requests for reasons of financial hardship or emergency during the Lock-up Period may be considered on a case by case basis subject to a penalty (the “Redemption Fee”) of three percent (3%) of the then current Unit Price. The Manager shall have no obligation to consider any hardship Redemption requests during the Lock-up Period. All Redemption Fees charged and collected will be considered income to the Fund. After the Lock-up Period, Redemption requests will be considered on a first come, first served basis. Members who have held their units for five (5) years will be given priority over Members who have held their units less than five (5) years. A Member shall be required to provide the Manager a 60-day notice for any Redemption request and any Redemption actually provided shall be done only on the first day of a calendar month at the then current Unit Price as determined by the Manager.

Any return of capital to the Fund from the disposition, sale, or repayment of any Fund Asset may not be reinvested by the Fund in additional Assets unless and until any outstanding Redemption requests from Members seeking to redeem Units owned for more than twelve (12) months have been honored.

Redemption requests from Members on Units owned for five (5) years will take immediate priority above any Redemption requests on Units owned for less than five (5) years. The Manager may also choose to redeem all Members *Pari Passu* even if there is a queue of requested Redemptions and may redeem Membership Units *Pari Passu* at any time at the then current Unit Price in its sole discretion without penalty to the Manager or the Fund.

All of the above parameters notwithstanding, the Manager will endeavor to manage the Fund in such a manner as to be able to accommodate Redemption requests at any time after the Lockup Period as consistently as possible.

Can I reinvest my distributions?

Members have the option to receive any Distributions either paid to them via check or ACH or to use these funds to automatically purchase additional Units at the prevailing Unit Price. Members shall make such an election at the time of subscription and may change this election with a 90-day notice to the Manager and not more frequently than twice per year. Any Units purchased by Members via the Reinvestment Option shall be considered, for purposes of any Redemption Requests, to “tag-along” with the original date of purchase of the Units for which the Reinvestment Units are associated.

Who can invest in the Fund?

This is a private Offering which is being made only by delivery of a copy of this PPM. Both U.S. and foreign Investors may invest in the Fund. With respect to U.S. Investors, the Offering and sales of the Units offered hereby will be made only to persons or entities meeting or exceeding certain suitability standards which have been adopted by the Fund.

These standards are imposed by the SEC and other state securities law administrators and by the Manager, since there are risks associated with the investment in the Units, including an Investor's inability to easily liquidate the investment. The Manager has the right to reject any potential Investor for not meeting the Investor suitability standards, or for any other reason in its sole discretion.

Will the Fund utilize any debt when originating or acquiring Fund Assets?

Although the Fund does not expect to do so, the Fund and/or any SPV(s) of the Fund may use debt or leverage for the purposes of acquiring assets, or for obtaining cash to use to acquire other assets, to cash out Investors, for working capital, or for any other purpose in the ordinary course of operating the Fund. The Fund may pledge one, some, or all of its Fund Assets for such borrowing. Any such borrowing may increase the risk to Members in the Fund as the repayment of any debt shall be made prior to the repayment of Member's capital account.

What is the priority of cash flow? Who gets paid in what order?

The following outlines the priority ("Waterfall") for the distribution of cash from the Fund:

1. Fund Expenses;
2. Manager annualized 2% Management Fee (paid monthly at .1667%) on total AUM as of the last calendar day of each month;
3. Preferred Return to Members, payable monthly;
4. Subject to the Clawback, any available EDC to be split 50/50 between Members and the Manager respectively at the end of each month.

The following outlines the priority for the distribution of cash from the Fund in the event of any liquidation:

1. Liquidation and/or other Fund Expenses;
2. Manager annualized 2% Management Fee (paid monthly at .1667%) on total AUM as of the last day of each calendar month;
3. Return of Member's capital on a Pari Passu basis (or by priority for Redemption requests, if any, in the sole discretion of the Manager);
4. Members on a Pari Passu basis as to the Preferred Return;
5. Subject to the Clawback, any remaining EDC to be split 50/50 between Members and the Manager respectively.

Do I have to pay a commission or load with my investment?

The Manager will not charge a commission or any load for the purchase of the Units. However, the Fund may be a party to a subscription which pays amounts to broker/dealers, financial advisors, or other licensed parties in connection with the sale of Units. The Manager shall endeavor to pay commercially reasonable commissions or loads but shall retain sole discretion as to the actual commissions it pays. Any commission or loads actually paid shall be considered a Fund Expense and thus borne by the Fund as a whole rather than specific to any particular Member.

What is the Minimum Offering?

The Fund shall begin making its investments as summarized herein immediately upon receipt of investment capital, or as soon thereafter as is practicable in the judgment of the Manager. The relative size of the initial Fund Assets may be smaller than in the future depending on the amount of capital available to the Fund. However, the Fund expects to raise capital on an ongoing basis and thus shall begin making investments immediately.

What is the Maximum Offering?

The Fund shall seek to raise a maximum total of up to \$50,000,000 in Member capital, which amount may be increased in the sole discretion of the Manager. The Manager may or may not raise the full total during the life of the Fund. Subject to any limitations in the Operating Agreement, the Manager shall be entitled to sell additional Membership Units at any time and on an ongoing basis so long as it does not exceed the Maximum Offering, which may be increased as described above. Upon reaching the Maximum Offering, if there are Redemption requests that are granted that bring the Fund's total capital below the Maximum Offering, the Manager may again raise additional Investor capital and may do so at any time during the life of the Fund up to the Maximum Offering.

How long will the Fund remain open?

The Fund is an open-ended, "evergreen" fund 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 intends generally to utilize the return of capital from the disposition of Fund Assets to originate and acquire new Fund Assets rather than return the capital to Members, subject to the limitation set forth below for Members requesting Redemption after having held Units for twelve (12) months. However, 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 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 originate and acquire new Fund Assets and shall distribute any return of capital from the disposition of Fund Assets back to the Members in accordance with the OLP until all Fund Assets have been liquidated. The Manager may choose to return capital to the Members at any time during the life of the Fund.

Will Members receive a copy of the Fund's Operating Agreement?

A copy of the Operating Agreement shall be provided to Members as part of the Unit Subscription Booklet. In the event of any conflict between the terms of this PPM and the Operating Agreement, the Operating Agreement shall be controlling.

How is the Fund formed for tax purposes?

The Fund is treated as a partnership for federal tax purposes. Investors considering a purchase of the Units should consult their own tax advisor for advice on any personal tax consequences that may be associated with investment in the Units.

Section 4

DEFINITION OF TERMS



DEFINITION OF TERMS

The following terms shall have the meaning 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 shall have the meaning as ascribed to them in the Operating Agreement or other offering documents as applicable:

- **“AUM”** means total Fund Assets under management. AUM shall be determined by the Manager based on consistently applied methodology which may be updated, modified or improved in its sole discretion.
- **“Borrowers”** mean the individuals or entities who are the recipients of the Mortgage Loan funds.
- **“Broker/Dealer”** means a licensed broker/dealer employed by the Manager for the purpose of locating Investors for this Offering.
- **“Capital”** shall mean the price paid for each Membership Unit.
- **“Code”** means the Internal Revenue Code of 1986, as amended.
- **“Collateral”** shall mean those interests directly secured by real property.
- **“Distributions”** means amounts which from time to time are distributed to holders of Units, at the Manager’s discretion, but subject to the limitations on discretion set forth in the Operating Agreement.
- **“Excess Distributable Cash”** (“EDC”) means an amount that is equal to any remaining cash in the Fund after having paid out Fund Expenses, the 2% (annualized) Management Fee, and having reserved sufficient capital for future activities of the Fund, as determined in the sole judgment of the Manager. The EDC shall be determined monthly by the Manager in its sole discretion. At each month end, payment of any Preferred Return and/or EDC shall either be made or not made depending on Fund results at the discretion of the Manager and shall be Non-Cumulative.
- **“Fund Assets”** or **“Assets”** means any and all assets of the Fund including Mortgage Loans, real property, contracts or notes receivable, cash, or any other asset or receivable of the Fund.
- **“Fund Expenses”** means Fund organizational costs, tax preparation, audits, legal fees, capital acquisition fees and costs (including payment to duly licensed third parties who are contracted by the Manager to raise Investor capital for the Fund), third party Fund Administration and/or loan servicing fees and costs, loan fees, interest and principal payments associated with any debt incurred by the Fund, costs associated with ownership of real property, e.g., property improvement and rehabilitation costs not otherwise capitalized, sales commissions, property taxes, property management, hazard insurance, utilities, and any other expense associated with operation of the Fund or management of its Assets.
- **“Investment Strategy”** means the intention of the Fund to create a diversified portfolio of small balance Mortgage Loans.
- **“Investor”** means the purchaser of Units pursuant to this Offering.

- **“IRS”** means the United States Internal Revenue Service.
- **“LTV”** means the ratio of the loan amount or principal balance of any Mortgage Loan to the real property Collateral that secures that Mortgage Loan.
- **“Lock-up Period”** means the twelve (12) month period immediately following an initial investment in Units, during which a Member may not request Redemption of those Units.
- **“Management Fee”** means that two percent (2%) of AUM as an annual fee (payable as .1667% of AUM monthly) to be paid by the Fund to the Manager. The Management Fee will be deemed earned daily and paid to the Manager on the last day of each calendar month, based upon the AUM as of the payment date as calculated by the Manager in its sole discretion. The Management Fee shall be paid by the Fund prior to making any Distributions to Members.
- **“Manager”** means Pacific Private Money Management Group, LLC, a Delaware limited liability company.
- **“Manager EDC Clawback”** or **“Clawback”** means the Manager’s portion of any EDC in a given month that shall be subject to forfeiture to the Members if the Fund had failed to pay the Members their Preferred Return in the prior month. The amount of any Manager EDC forfeiture shall not exceed the amount of the shortfall of the Preferred Return, or the full amount of the Manager’s portion of the EDC for that month, whichever is less. Any Clawback amount owed by the Manager shall apply and carry forward for up to a maximum of six (6) months immediately subsequent to the month in which the Preferred Return shortfall occurred.
- **“Member”** means any person or entity holding Units who has been approved by the Manager and is a party to the Operating Agreement.
- **“Membership Units”** means a division of ownership of the Fund.
- **“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 immediately liquid, and that, in the Manager’s judgment, are sufficiently safe while producing a yield, if any, on the Fund’s cash.
- **“Mortgage Loans”** means the loans (either in whole, or in fractional, or participation interests) originated or acquired by the Fund from or through the Manager and which are secured by real estate.
- **“Non-Cumulative”** means that any shortfall of a Preferred Return in a given month shall not carry forward. However, the Manager’s portion of the EDC shall be subject to the Clawback for up to six (6) consecutive months after any shortfall of the Preferred Return.
- **“Offering”** shall mean the issuance of Units in the Fund pursuant to the terms of the PPM, the Operating Agreement, the Subscription Booklets, and other related documents.
- **“Operating Agreement”** means the Operating Agreement of the Fund, to be executed by the Manager as well as each Member of the Fund.
- **“Orderly Liquidation Plan”** or **“OLP”** shall mean the Company’s written plan to achieve an orderly liquidation of its Assets without proceeding under duress in doing so while giving a higher priority to maximizing the intermediate to long term recovery of its investments than to turning the Assets into cash in the shortest possible time frame. The Manager shall maintain a

written OLP throughout the life of the Fund and shall make it available to Members upon request. The Manager may update, modify, alter or improve the OLP at any time in its sole discretion.

■ **“Ownership Interest”** means, for each Member, that percentage which is obtained by dividing the Membership Units held by the Member by the total of all Membership Units held by all the Members. For the purposes of voting matters, the Manager shall determine each Member’s Ownership Interest as of the Record Date.

■ **“Pari Passu”** means proportionally, at an equal pace with, and without preference over other Members of the same status.

■ **“Participation”** shall mean an investment by the Fund in which it owns some undivided percentage interest in a Mortgage Loan.

■ **“Preferred Return”** means a 7% annual (0.5833% per month) return on the Members Capital Accounts. The Preferred Return is Non-Cumulative.

■ **“Redemption Fee”** means a fee in an amount equal to three percent (3%) of the then current Unit Price for the initial twelve (12) month period that will be charged for any Units redeemed within the Lock-up Period. The Manager may or may not approve a request for a premature Redemption in its sole discretion.

■ **“Reinvest,” “Reinvestment,” or “Reinvestment Option”** each refer to a Member’s election to receive additional Units at the then current Unit Price in lieu of a cash Distribution.

■ **“SEC”** means the United States Securities and Exchange Commission.

■ **“Stated Value”** shall mean the figure used by the Fund as the value for each Asset it owns to assist in determining the Unit Price of the Membership Units of the Fund as well as the AUM. The Stated Value of each individual Fund Asset shall be determined on the last day of each calendar month by the Manager in its sole discretion. The Manager, however, shall establish and follow a methodology for determining the Stated Value and may modify, alter or improve the methodology from time to time in its sole discretion.

■ **“Subscription Booklet”** (or “Member Subscription Booklet”) shall mean that package of documents provided to Investors for the purposes of evaluating the Offering and purchasing Units in the Fund. The Subscription Booklet shall include this PPM, the Operating Agreement, the Unit Subscription Agreement, and the Accredited Investor Questionnaire.

■ **“UPB”** shall mean the unpaid principal balance of any given Mortgage Loan.

Section 5

DESCRIPTION OF FUND ASSETS



DESCRIPTION OF FUND ASSETS

The Manager will analyze and review a number of project investment opportunities on an ongoing basis. **THERE IS NO GUARANTEE THAT THE FUND WILL INVEST IN ANY PARTICULAR PROJECT OR OPPORTUNITY. FOR ANY NUMBER OF REASONS, THE FUND MAY OPT AGAINST PURSUING ANY PARTICULAR OPPORTUNITY.**

The Fund's Specialty – Small Balance Real Estate Mortgage Loans

Based on the Company's extensive experience in this arena, the Fund specializes in originating and acquiring small balance Mortgage Loans, located in primary and secondary metropolitan markets in California and occasionally neighboring states that feature solid economic characteristics (industry, employment, government, housing statistics, real estate demand, and other identifiable factors).

Portfolio Description

The Fund typically originates and acquire Fund Assets that meet the following general guidelines:

- Mortgage Loans, either in whole or Participation interests, or as a hypothecation (a loan secured by another existing loan which is secured by real estate and assigned to the Fund), secured by non-owner occupied residential, multifamily, and small commercial properties located in primary markets in the state of California. The Fund may also lend in similar markets in immediately neighboring states from time to time if attractive, well-qualified loan opportunities are available.
- The Fund originates and acquire Mortgage Loans secured primarily in 1st lien position, and occasionally in a junior lien position. The percentage of junior lien position loans will typically not exceed 20% of AUM.
- It is expected but not guaranteed that approximately 50-70% of the loans originated or acquired will be secured by non-owner occupied residential properties, with a focus on "fix and flips" in which the Fund will typically lend up to 70-75% of acquisition price, appraised value, or value as determined by the Manager. The Fund will typically not provide funds for the improvements, which would come from the borrower, but it may elect to do so in some circumstances in the Manager's sole discretion. The remaining approximately 30-50% of Mortgage Loans will be secured by multifamily and small commercial properties typically at 65-70% LTV or below in first (and occasionally junior) lien position. The Fund will also originate and acquire short term bridge loans on owner-occupied residences where regulations allow such loans. The percentages of each type of transaction as well as the LTVs will fluctuate throughout the life of the Fund in the sole discretion of the Manager.
- Borrowers will typically be expected to demonstrate a clear ability to pay and/or a clear and viable exit strategy for the loan, in the judgment of the Manager. However, from time to time, particularly on lower LTV loans, the Manager may rely more heavily on the value of the underlying collateral.

- LTV of each Mortgage Loan will typically not exceed 70-75%. In most circumstances, the Manager will determine the value of the property for lending purposes itself via such methods as broker price opinions, online comparable sales, prior experience with similar properties, or other internal means in the sole discretion of the Manager. If the Manager deems it necessary, the Manager will cause an independent third party appraisal to be performed to determine the value of any property securing a
- Mortgage Loan, particularly on refinance loans and likely less frequently on purchase money loans
- Typical investment size will be in the range of \$150,000 to \$1,000,000. The Fund may make loans larger or smaller than this range in the discretion of the Manager.
- Loan maturities will typically be in the range of 6 to 36 months and may occasionally be longer.
- Typical interest rates for loans will be in the range of 8% to 12%.
- Typical origination fees on Mortgage Loans will be in the range of 1% to 4%, which will be split with 50% of the origination fee going to the Fund, and 50% going to the Manager.
- If the Fund agrees to extend any matured loan, which shall be in the discretion of the Manager, an extension fee will be charged. Any extension fees actually collected will be paid to the Fund.

Section 6

UNDERWRITING GUIDELINES AND DUE DILIGENCE STRATEGY



UNDERWRITING GUIDELINES AND DUE DILIGENCE STRATEGY

The Manager maintains a written Underwriting Manual which it uses to guide its investment decisions. This Underwriting Manual is reviewed, discussed, revised, and improved on an ongoing basis in the sole judgment and discretion of the Manager. The Manager shall at all times during the life of the Fund provide the Investors with reasonable access to the then current Underwriting Manual. The following discussion is a brief summary of some of the key components of PMMG's Underwriting Manual.

Our underwriting guidelines have been developed and refined through a combination of factors, including the experience gained through underwriting and funding over 1200 privately-funded loans since 2008. Our underwriting guidelines are also based on experience earned from over 25 years of transactional real estate investing as a principal. Having experience on both sides of the financing transaction makes the Manager uniquely qualified to evaluate not only the borrower and collateral but also the investment strategy underlying the loan request and its plan for repayment.

Our previous development and investment experience has assisted us in attracting what we think are some of the highest quality loan applicants. We place an emphasis on creating relationships with successful local real estate investors and value the repeat business it brings. In underwriting prospective investments in Mortgage Loans, we generally look at the following in guiding our analysis:

The Collateral: What is the true value of the Collateral and what is the strength of its marketability given the nature and nuances of its location, neighborhood, condition, and demographics?

The Borrower: We look at several variables in assessing the strength of any given borrower. Primary attributes include experience, liquidity, balance sheet strength, capacity for repayment, and credit. We place a high value on experience and seek to work with repeat borrowers whenever possible who have a proven ability to perform.

The Strategy: Most of our borrowers use privately funded loans either as a strategy to acquire, improve, and resell, or as temporary financing to be taken out at some future time by less expensive bank financing. Whichever the case, we analyze the underlying assumptions and assess our opinion of the viability of the particular strategy to determine what we think is the probability and reliability of the exit strategy that will repay the loan.

While we typically look at all three of the above in the underwriting process, often the most weight is given to the Collateral, especially in situations where the loan-to-value is especially conservative (i.e., under 50%). On those applications that seek higher loan-to-value, we will evaluate all three areas and base our funding decision on the combination of these underwriting variables to attempt to create a sound funding opportunity. There is no magic formula, however, we typically insist on seeing a number of strong variables among the mixture. For example, a strong credit history with high scores can mitigate weakness in other variables. Alternatively, a strong track record of recent successful investments can offset a weak credit score, particularly a weak score related to foreclosure activity – a common trademark of many experienced real estate investors today. The importance is that we don't rely too heavily on one item but rather look at the relationship between the mix of borrower and collateral variables in assessing creditworthiness.

Appraisals and Property Valuations

While there are many compelling reasons to require independent third party appraisal valuations on property, we are aware of the difficulties and controversies that have surrounded this industry of late. Not only do we avoid relying solely on an appraisal, there are often circumstances where a third party appraisal report is neither warranted nor possible in the particular situation. In this market where strong offers often require a quick close, the delay caused by an appraisal requirement can cost the opportunity to fund the deal. This kind of timing situation is typically found in certain purchase transactions. Our ability to capitalize on a compelling funding opportunity will oftentimes require quick action and will preclude the ability to wait for a third party appraisal. Alternatively, we typically will require independent third party appraisals on refinances and other cash-out loan requests.

Therefore, there will be circumstances where we will rely on the experience and the expertise of the Manager, its Principals and employees, as well as research derived from databases, opinions of other real estate professionals, drive-by inspections of the comparable properties, and/or first-hand site inspections in determining the final estimate of Collateral value. There will be other circumstances where we will require the services of an independent third party appraiser. For these reasons, the Manager reserves the right in its sole discretion to choose the method of determining Collateral value in any given transaction.

Section 7

RISK FACTORS



RISK FACTORS

The following outlines in significant detail some of the many potential risks involved when you invest in a Fund such as this. It is understandable that one might get the impression while reading this section that the risks of investment are not worth the potential reward. No investment is without risk, and this Fund is no exception. While it is necessary for us to disclose to you the nature of things that can go wrong, we ask that you bear in mind our experience and track record, and that we have a vested interest in mitigating these risks to our business and your investment.

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. Accordingly, Investors should discuss investing in the Fund with their own advisors.

Risks Relating to an Investment in the Fund – General

Best Reasonable Efforts Offering

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.

No Guarantee of Profitability

The Manager anticipates that revenues will be sufficient to create net profits for the Fund. However, there can be no assurance that revenues will be sufficient for such purpose. Although the Manager believes in each investment's economic viability, there can be no guarantee that the investments will be profitable to the extent anticipated.

No Guaranteed Return of Investor's Capital Contributions

The investments offered hereby are speculative and involve 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 Exhibits 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 Company

Although the Fund does not expect to do so, the Fund and/or any SPV(s) of the Fund may use debt or leverage for the purposes of acquiring assets, or for obtaining cash to use to acquire other assets, to cash out Investors, for working capital, or for any other purpose in the ordinary course of operating the Fund. The Fund may pledge one, some, or all of its Fund Assets for such borrowing. Any such borrowing may increase the risk to Members in the Fund as the repayment of any debt shall be made prior to the repayment of Member's capital account.

Governmental Regulation

The industry in which the Fund will become an active participant may be highly-regulated at both State and Federal levels. The Fund will continue to 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.

Ministerial Errors and Omissions

Any clerical mistakes or errors in the PPM should be considered ministerial in nature and not a factual misrepresentation or a material omission of fact.

U.S. Securities Laws and Foreign Investors

The offer and sale of the Units will not be registered under the Securities Act pursuant to an exemption from the registration requirements of the Securities Act of 1933, 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 Units for investment purposes and not with a view towards resale or distribution. The acquisition of Units 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 Units 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 Member to transfer such Units. Units may not be offered, sold, transferred, or delivered, directly or indirectly, unless (i) such Units 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 liquid public market for the Units, and none is expected to develop.

Further, Units may not be offered, sold, transferred, assigned, or delivered, directly or indirectly, to any "Unacceptable Investor." "Unacceptable Investor" means any person who is 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;
- (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 Units 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, Investors that own more than 5% of the Fund's outstanding Units may be obligated to make certain information filings with the Commission pursuant to the Exchange Act. Each prospective Investor is advised to consult with its own legal advisor regarding the securities law consequences of ownership of Units if the Units become subject to the Exchange Act.

Compliance with Anti-Money Laundering Requirements

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

Risks Specifically Related to the Fund's Mortgage Loans

General Real Estate Risks

The Fund will be subject to the risks that generally relate to investing in real estate related Assets because it will principally make debt investments in real estate assets. 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 acquired depends 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 or the Fund's ability to operate any given property so that it produces sufficient cash flows necessary either to pay the interest and principal due to the Fund on its Mortgage Loans or pay the Fund as an equity investor.

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 could adversely impact the return on and cash flow 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 when the Fund elects to sell such investments.

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

The Fund will invest in Mortgage Loans with Borrowers who will 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 Mortgage 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.

Risk of Default on Mortgage Loans / Non-Performing Mortgage Loans

The Fund's investment strategy is the origination of Mortgage Loans which are subject to the risk of default. At the time of their origination or thereafter, Mortgage Loans may be nonperforming for a wide variety of reasons. Such nonperforming Mortgage 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 and a substantial write-down of the principal of such Loan and/or purchasing senior loans. It is possible that the Manager may find it necessary or desirable to foreclose on collateral securing one or more Mortgage 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 Mortgage 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 tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. Even if foreclosure can be avoided and a restructuring were successfully accomplished, a risk exists that, upon maturity of such Mortgage Loan, replacement "takeout" financing will not be available.

In certain circumstances, the Fund may lose priority of its liens to mechanic or materialmen 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 Mortgage 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 Mortgage 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 Mortgage 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 Collateral may be affected in many respects by shortages and increased costs of energy. Transportation difficulties may affect the accessibility and desirability of the Collateral to tenants and

customers and, together with the increasing cost and possible unavailability of fuels for heating, cooling, and other purposes, may adversely affect the value of properties. The Fund may, in addition, require transaction analysis reports for environmental screening or other environmental reports on the Collateral. The presence of hazardous substances on such properties 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. A Borrower's ability to pay a Mortgage Loan balance in a large lump sum may depend on its ability to obtain suitable refinancing or otherwise raise a substantial cash amount. The Collateral value could also be negatively impacted if a defaulting Borrower were to damage the property, negligently or intentionally, while still in possession.

The Mortgage Loans may become uncollectible or subject to a reduced return due to a voluntary or involuntary bankruptcy, insolvency, or similar proceeding affecting any of the Fund's Borrowers or guarantors. If the Fund invests in a large portion of Mortgage Loans with intermediate and long-term maturities, the Fund will be limited in its ability to vary the portfolio promptly in response to changing economic, financial, and investment conditions.

Risks of Investing in Subordinated Loans

Some of the Fund's investments may consist of subordinated Mortgage Loans. 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 these subordinated investments than to a Borrower's first mortgage or other senior obligations. In addition, these securities may not be protected by financial or other covenants and may have limited liquidity. Adverse changes in the Borrower's financial condition and/or in general economic conditions may impair the ability of the Borrower to make payments on the subordinated securities and cause them to default more quickly with respect to such securities than with respect to the Borrower's senior obligations. In most cases, the 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 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 nonjudicial 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 primarily in California, but occasionally in neighboring 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 Mortgage 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.

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

Risks of Real Estate Ownership

When the Fund acquires real estate (“REO”) 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 REO than costs incurred in acquiring, improving, and maintaining it;
- Keeping the REO leased by tenants;
- Potential damage to the REO by any tenants;
- Lack of availability or lapse in insurance coverage for REO;
- Controlling operating expenses;
- Coping with general and local market conditions;
- Possible exposure to environmental contamination remediation and clean-up costs, which in some cases could exceed the value of the REO;
- 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.

Risks of Participation or Fractional Interests in Mortgage Loans

When the Fund does not own an individual investment in its entirety, but rather owns some percentage interest in a transaction (a “Participation”), there are additional risks to that particular investment including, but not limited to, the following:

- Other owner(s) of a Participation in such an Asset may have different ideas, motivations, or desired outcomes than the Fund which may give rise to disputes in how to manage such an Asset.

- There may be additional legal costs for Participation in event of default due to having multiple participants in the ownership of the Asset.

Other General Risks of an Investment in the Fund

Recently Formed Entity

The Fund is a recently-formed entity (2013) with limited operating history on which prospective Investors may base an evaluation of likely performance. There can be no assurance that any of the Fund's investments will meet the Fund's target return.

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. New proceeds of this Offering are not committed to Specific Assets.

Reliance on Management

The Manager will make all Fund management decisions, including Fund Asset selection. The Fund will be relying in large part on origination expertise of the principal of PMMG's manager, Mark Hanf. The Manager may resign at any time with a one (1) year notice to the Members and without liability to the Fund or Manager.

The principal of PMMG's manager, Mark Hanf, is considered an integral part of the Fund's investments and operations (a "Key Man"). If Mr. Hanf were to leave the Manager, die, or become permanently disabled, the Manager's ability to continue the management of the Fund could be materially and adversely affected. The Fund's Operating Agreement shall contain a provision that, upon the death or permanent disability of Mr. Hanf, the Fund shall place an immediate moratorium on new investments for up to one (1) year. The Members shall have the right to approve a new Key Man by majority vote during the moratorium period. If no new Key Man is approved by the Members within the maximum 1 year moratorium period, the Fund shall permanently cease to make new investments and shall proceed with the OLP.

Risk If Manager Withdraws or is Terminated

The Fund presently only has one Manager. If the Manager, subject to its one (1) year notice requirement, withdraws from the Fund, is terminated by the Members, for cause or otherwise, 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 its Orderly Liquidation Plan, which may or may not be able to be successfully executed.

Risk 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 Members to return distributed capital and earnings to the Fund. The Manager, its members, employees, and affiliates 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.

Risks Associated with a Changing Economic Environment

As a result of the credit crisis and the occurrence of several high profile bankruptcies, recent government bailouts, bank failures, other negative corporate events, and certain other recent 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.

Risks of Uninsured Losses

The Fund will require that all Assets are insured against hazard. 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 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.

Competition for Fund Assets

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

Initially, most, if not all of the Fund Assets acquired by the Fund will be secured by Collateral located in the state of California. If this region suffers economic adversity, the value of the Collateral may suffer.

Risk of Loss of Funds in Money Market Account

The Fund may place cash which is not otherwise invested in Fund Assets in Money Market Accounts. Each Money Market Account will consist of investments that are immediately liquid, and that, in the Manager's judgment, are sufficiently safe while producing a yield on the Fund's cash. The Manager intends to choose such investments which appear to have a very low probability of loss.

Absence of Registration Under Applicable Securities Laws

This Offering is being made under certain federal and state securities laws exemptions. As such, the Units have not been registered under the Securities Act of 1933, 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. The Fund may fail to comply with the requirements of the exemptions from registration on which it is relying. If so, the Members could rescind their purchase of Units under applicable state and federal securities laws. If enough Members successfully sought rescission, the Fund and the Manager would face severe financial demands, which would adversely affect the Fund.

Absence of Regulatory Oversight

While the Fund may, in some respects, be considered to be similar to an investment company, it is not registered and does not intend to register as such under the Investment Company Act 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). Furthermore, the Manager is exempt from registration with the Commodity Futures Trading Commission as a commodity pool operator.

Risk That the Fund May Become Subject to the Provisions of the Investment Company Act of 1940

The Fund intends to operate so as to not be regulated as an investment company under the Investment Company Act (as defined herein) based upon certain exemptions thereunder. 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 Units and the Fund will be primarily engaged in purchasing 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, 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 May Become Subject to the Provisions of the Investment Advisers Act of 1940

The Manager has not registered as an investment adviser under the Investment Advisers Act of 1940 or any state equivalent (the “Advisers Act”) and intends to operate so as to not be required to register as an investment (based upon certain exemptions thereunder). Specifically, the Manager expects to be exempted from registration under the Advisers Act reliance on the fact that it is a Manager to a real estate fund that is a qualifying private fund exempt from registration under the Investment Company Act. Accordingly, the Manager does not expect to be subject to the restrictive provisions of the Advisers Act. However, if the Manager is required to register as an investment adviser, its ability to conduct its business and the business of the Fund as described herein may be compromised. Any such requirement to register could have a material adverse effect on the Fund.

The Fund’s Reliance on Exclusions From the Investment Company Act May Impact Certain Investment Decisions

The Investment Company Act excludes 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 qualifying percentages of the Fund's assets consist of (1) mortgages 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.

Recent and Anticipated Legislative and Regulatory Activity

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.

ERISA Risks

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

Any Investor that invests funds belonging to a qualified retirement plan or IRA should carefully review the tax risks provisions as well as consult with their own tax advisors. PROSPECTIVE BENEFIT PLAN INVESTORS ARE URGED TO CONSULT THEIR ERISA ADVISORS WITH RESPECT TO THE FOLLOWING 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 BELOW ARE APPLICABLE TO BENEFIT PLAN INVESTORS WHICH SHOULD BE DISCUSSED WITH QUALIFIED TAX COUNSEL BEFORE INVESTING IN THE FUND.

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

Prudent Man Standard

Persons making investment decisions for employee benefit plans (i.e., "fiduciaries") must discharge their duties with the care, skill, and prudence which a prudent man familiar with such matters would exercise in like circumstances. In evaluating whether the purchase of Membership Units is a prudent investment under this rule, fiduciaries should consider all of the risk factors set forth above. Fiduciaries should also carefully consider the possibility and consequences of unrelated business

taxable income (see herein “Tax Considerations”), as well as the percentage of plan assets which will be invested in the Fund insofar as the diversification requirements of ERISA are concerned. An investment in the Fund is nonliquid, and fiduciaries must not rely on an ability to convert an investment in the Fund into cash in order to meet liabilities to plan participants who may be entitled to distributions.

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

Prohibited Transactions

The Manager shall not accept subscriptions for Membership Units from ERISA plan Investors, unless immediately after any such Membership Units are sold, the aggregate of ERISA plan Investors will hold less than twenty five percent (25%) of the total outstanding Membership Units in the Fund (measured by capital accounts). Should ERISA plan Investors ever hold twenty five percent (25%) or more of the total outstanding equity interests in the Fund, the Manager will return ERISA plan Investors’ capital to such an extent that ERISA plan Investors subsequent to the distribution only own twenty-five percent (25%) or less of the total outstanding equity interests in the Fund.

Annual Valuation

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

Investment by Benefit Plans

In considering the acquisition of Units to be held as a portion of the assets of a Benefit 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 Units 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 Units 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, taking into account the facts and circumstances of the investment.

Indemnification

The Fund will be required to indemnify the Manager and certain affiliated persons and entities of the Manager for liabilities incurred in connection with the affairs of the Fund. Such liabilities may be material and have an adverse effect on the returns to the Members. The indemnification obligation of the Fund will be payable from the assets of the Fund, and Investors may be required to return certain amounts distributed to them to fund the indemnity obligations of the Fund.

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 and at the end of each calendar month. 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 (“BPOs”), Comparative Market Analyses (“CMAs”), 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 and as such, the Unit Price may not fairly represent the then current true value of the Units.

Although the Manager will use methodologies that it believes are based on reasonable approaches to establishing value, it may modify, alter, or improve its methodologies in its sole discretion at any time during the life of the Fund. The Manager shall make all determinations as to Stated Value of the Fund Assets in its sole discretion.

Risk that the Price Charged for Units does not Reflect their Value

The price at which the Fund will offer Units pursuant to the Offering, and the price at which a Member will purchase additional Units under the Reinvestment Option, will fluctuate based on the collective Stated Value (see immediately above) of all of the individual Fund Assets at the end of each calendar month. At the end of each month, the price of a Unit will be calculated by dividing the total Stated Value of all of the Assets by the total number of outstanding Units. Because the Stated Value of any given Fund Asset may not accurately reflect its actual value, the Unit Price may not accurately reflect the actual value each Unit at any given point. Hence, the price of a Unit could be adjusted by a premium or discount at any given point in time if the Assets were sold in a secondary market. Members should realize that the only measure of fair market value for a Unit is the price that would be determined under a ready market for the Units. Because no ready market for the Units exists or is anticipated, a perfectly accurate determination of the fair market value of the Units cannot be established.

Units are not Liquid/Restrictions on Withdrawal of Member Capital

Members will be required to hold their Units for a minimum of twelve (12) months (the “Lock-up Period”) before they may request Redemption. Redemption requests for reasons of financial hardship or emergency during the Lock-up Period may be considered on a case by case basis subject to a penalty (the “Redemption Fee”) of three percent (3%) of the then current Unit Price. The Manager shall have no obligation to consider any hardship Redemption requests during the Lock-up Period and shall be entitled to charge a higher or lower Redemption Fee. All Redemption Fees charged and collected will be considered income to the Fund.

After the Lock-up Period, Redemption requests will be considered on a first come, first served basis. Members who have held their units for five (5) years will be given priority over Members who have held their units less than five (5) years. A Member shall be required to provide the Manager a 60 day notice for any Redemption request and any Redemption actually provided shall be done only on the first day of a calendar month at the then current Unit Price as determined by the Manager.

Any return of capital to the Fund from the disposition, sale or repayment of any Fund Asset may not be reinvested by the Fund in additional Assets unless and until any outstanding Redemption requests from Members seeking to redeem Units owned for more than twelve (12) months have been honored.

Redemption requests from Members on Units owned for five (5) years will take immediate priority above any Redemption requests on Units owned for less than five (5) years. The Manager may also choose to redeem all Members *Pari Passu* even if there is a queue of requested Redemptions, , and may redeem Membership Units *Pari Passu* at any time at the then current Unit Price in its sole discretion without penalty to the Manager or the Fund.

Restrictions on Transfer of Units

The Units are restricted as to transfer under the state and federal tax and securities laws. In order to preserve the Fund’s status as a limited liability company and prevent taxable status as a corporation, Members will not be free to sell or transfer Units without consent from the Manager.

There is no market for the Units, public or private, and there is no likelihood that one will ever develop. Members must be prepared to hold their Units as a long-term investment. To comply with applicable tax and securities laws, the Manager may refuse advice to consent to a transfer or assignment of Units.

Rights of Members are Restricted

No Member can exercise control over the Fund’s affairs, which is entirely in the hands of the Manager. Voting by the Members is provided in a limited number of specific situations. However, Members have the right to:

- Remove the Manager by a vote of the holders of eighty percent (80%) of the Ownership Interests and, upon a vote of sixty percent (60%) of the Ownership Interests, elect a successor Manager;
- If the Manager otherwise wishes to withdraw with appropriate notice to the Members, elect a successor Manager by a vote of a majority of Ownership Interests; and
- Dissolve and terminate the Fund by a vote of the holders of eighty percent (80%) of the Ownership Interests.

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 this PPM. All Investors are encouraged to review the tax risk section with competent tax counsel.

Investors should understand the role of the Fund and the Internal Revenue Service ("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 the Member level 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:

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

Risk that Distributable Cash May Not Equal Tax Burden to a Member

So long as the Fund is a limited liability company, it will be taxed as a partnership, as described in greater detail below. Members in the Fund will therefore be allocated their share of the Fund's income, deduction, gain, and loss each year. Normally, an investment in the Fund will cause the taxable income of Members who are subject to state and federal income tax to increase. Consequently, an increase in a Member's taxable income will subject that Member to an increased

income tax liability. Members must obtain cash to satisfy that liability. That cash can come from a wide variety of sources. Members need to be aware that the Excess Distributable Cash paid to a Member may not be sufficient to satisfy the income tax liability attributed to the Member's allocable share of the Fund income and gain. Hence, the Member 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.

Loss on Dissolution and Termination

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 Members, but only after the satisfaction of claims of creditors, in accordance with the OLP. Accordingly, the ability of a Member 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.

Loss of Limited Liability in Certain Cases

In general, holders of units 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 Delaware 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 Operating Agreement and applicable state-imposed formalities.

Section 8

CONFLICTS OF INTEREST



CONFLICTS OF INTEREST

We are advised by our attorneys that we must disclose to you potential conflicts of interest that exist due to the multiple roles we at Pacific Private Money play in connection with the Fund. As you read the following, please bear in mind our experience, values and commitment to the success of the Fund.

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 and the Manager, including those relating to compensation, resulted from arm's length negotiations. These conflicts of interest include, but are not limited to, the following:

Receipt of Management Fee by the Manager

The Manager will be paid the Management Fee. Such Management Fee is intended to compensate the Manager for its services, which includes collections and asset management, and was not negotiated at an arm's length basis. However, since absent the existence of a Management Fee, Members might receive a higher rate of return, the interests of the Manager and the Investors are adverse in this respect.

Receipt of Other Asset Level Fees by the Manager

The Manager will split with the Fund the origination fee associated with individual Fund Assets actually collected, with the Fund receiving 50% of each origination fee collected, and the Manager receiving the other 50%. The Manager shall also receive 100% of all late fees actually collected from Borrowers.

The retention of these fees by the Manager is due to the costs and overhead required of the Manager in order to effectively originate and acquire Fund Assets in the first place. The Manager believes that these fees are commercially reasonable and acceptable in the marketplace in order for the Fund to be competitive in its business efforts. In addition, the Manager believes that, by it splitting these fees with the Fund in the above mentioned proportions, the alignment between the Fund's interests and the Manager's interests is created. However since, absent the retention by the Manager of its portion of these fees, Investors might receive a higher rate of return, the interests of the Manager and the Investors may be adverse in this respect.

Manager Additional Compensation (EDC Participation)

Since the Manager shall receive substantial additional compensation once Members have received their Preferred Return, 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.

Competition by the Fund with Other Affiliated Companies

The Manager and its members 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. Neither the Fund nor any holder of a Unit issued by the Fund is entitled to an interest therein. The Manager's members may invest in real estate for their own accounts, and expect to continue to invest in real estate for their own accounts. The Fund's investment objectives and underwriting criteria may differ substantially from those of additional real estate investment programs sponsored by the Manager.

The above notwithstanding, the Operating Agreement requires the Manager to give the Fund the ability to take advantage of any potential investment (each an "Opportunity") that is competitive with 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 competitive include, but are not limited to, whether the Opportunity meets the Fund's underwriting criteria, whether it is consistent with the Investment Strategy of the Fund, and whether the Fund has sufficient financial resources at the time to accommodate the Opportunity.

The Manager, and its manager and/or 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 such as 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.

Other Investments

Personnel of the Manager and its respective affiliates involved in managing and executing responsibilities of the Manager may have investments in other funds or accounts and real estate interests sponsored by or affiliated with the Manager as well as investments in nonaffiliates. The performance of and financial returns on such other investments may be at odds with those of the Fund.

Diverse Membership

The Investors may include taxable and tax-exempt persons and entities and may include persons or entities organized in various jurisdictions. 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 Member individually.

Broker/Dealer Representatives may receive Equity in the Manager or other Compensation

In connection with this Offering, the Manager may employ one or more licensed Broker/Dealer and/or Registered Investment Advisor ("RIA") to locate interested Investors. Therefore, it may be in a Broker / Dealer's and/or RIA's best interest to sell the Units to Investors, and that Broker/Dealer

and/or RIA may potentially not have the Investor's best interests in mind. Additionally, if the Broker/Dealer and/or RIA were given an equity interest in the Manager, a portion of the Management Fee paid by the Fund would be paid to the Broker/Dealer and/or RIA.

Lack of Separate Representation

The Manager and Fund are not represented by separate counsel. The attorneys and other experts who have prepared the documents for this Offering also perform other services for the Manager. This representation will continue.

Additional Information

In 2012 Manager Mark Hanf was audited by the California Bureau of Real Estate (BRE), which revealed procedural mistakes by Pacific Private Money, Inc. during the audit period (2010, 2011) that resulted in a 90-day suspension that was stayed for 2 years on terms and conditions that as the licensed broker and officer of the corporation Mr. Hanf acted to immediately correct. As a result of that audit, Mr. Hanf paid a fine to the BRE and agreed to conduct all business and company activities for two (2) years in a way that would ensure that there was no further cause for disciplinary action. A subsequent audit by the BRE in 2016 concluded that all business and company activities since the 2012 audit have been properly conducted; there was no cause for further action; and the matter was closed.

Section 9

TAX ASPECTS OF THE OFFERING



TAX ASPECTS OF THE OFFERING

Set forth below is a discussion, in summary form, of certain material federal income tax consequences relating to an investment in the Membership Units of the Fund. This summary does not attempt to present all aspects of the federal income tax laws or any state, local, or foreign laws that may affect an investment in the Fund, nor is it intended to be applicable to all Investors, some of which, such as Investors subject to the alternative minimum tax, financial institutions, dealers, and other Investors that do not hold their Interests as capital assets, insurance companies, and foreign persons or entities, may be subject to special rules. No ruling has been or will be requested from the Internal Revenue Service (the “IRS”) and no assurance can be given that the IRS will agree with the tax consequences described in this summary. Each prospective Investor should consult with its own tax adviser in order to fully understand the federal, state, local, and foreign income tax consequences of an investment in the Fund. This summary does not constitute tax advice, and is not intended to substitute for tax planning.

As used herein, the term “U.S. Member” means a beneficial owner of a Membership Unit in the Fund which is a “U.S. Person.” A “U.S. Person” is for federal income tax purposes: (i) an individual who is a citizen of the United States or a resident of the United States; (ii) a corporation (or other entity taxable as a corporation) that is created or organized in or under the laws of the United States or any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to federal income taxation regardless of its source; or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under the applicable regulations to be treated as a U.S. Person. A “Non-U.S. Member” is a beneficial owner of an Interest that is not a U.S. Member.

A partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holding an Interest should consult its own tax advisor because the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. This discussion does not constitute tax advice and is not intended to substitute for tax planning.

AS REQUIRED BY U.S. TREASURY REGULATIONS GOVERNING TAX PRACTICE, YOU ARE HEREBY ADVISED THAT ANY WRITTEN TAX ADVICE CONTAINED HEREIN WAS NOT WRITTEN OR INTENDED TO BE USED (AND CANNOT BE USED) BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE OF THE UNITED STATES; THE ADVICE WAS PREPARED TO SUPPORT THE PROMOTION OR MARKETING OF TRANSACTIONS OR MATTERS ADDRESSED BY THE WRITTEN ADVICE; AND PROSPECTIVE INVESTORS REVIEWING THIS DISCUSSION SHOULD CONSULT THEIR OWN TAX ADVISERS CONCERNING THE U.S. FEDERAL, STATE, AND LOCAL INCOME TAX CONSEQUENCES IN THEIR PARTICULAR SITUATIONS OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF INTERESTS, AS WELL AS ANY CONSEQUENCES UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

Fund Status

It is intended that the Fund will be classified and reported as a partnership for federal income tax purposes, and that the Fund will not be treated as a “publicly traded partnership.” An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a “publicly traded partnership,” unless the partnership meets certain passive income tests under Section 7704 of the Internal Revenue Code of 1986, as amended (the “Code”). The Manager intends to operate the Fund so it will not be treated as a publicly traded partnership. In addition, the Fund intends to obtain and rely on appropriate representations and undertakings from each Member so that the Fund is not treated as a publicly traded partnership.

The following discussion assumes that the Fund will be treated as a partnership for federal income tax purposes.

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 prospective investors. In addition, the Manager may also, in its sole discretion, reorganize the Fund into a master-feeder structure. Any person reviewing this discussion should seek advice based on such person’s particular circumstances from an independent tax advisor.

Taxation of U.S. Members

As a partnership, the Fund will not be subject to federal income tax. Instead, for federal income tax purposes, each U.S. Member will be required to take into account its distributive share of all items of the Fund’s income, gain, loss, deduction, and credit for the Fund’s taxable year ending within or with the U.S. Member’s taxable year. Each item generally will have the same character and source (either U.S. or foreign) as though the U.S. Member had realized the item directly.

A U.S. Member will be required to include in income for federal income tax purposes its share of the Fund’s income or gain regardless of whether the Fund makes any distribution to such U.S. Member. Therefore, each U.S. Member should be aware that the tax liability associated with an Interest may exceed (perhaps to a substantial extent) the cash distributed to that U.S. Member during a taxable year, and a U.S. Member may have to utilize cash from other sources to satisfy a tax liability attributable to an Interest.

The Operating Agreement does not provide for the specific manner in which a U.S. Member’s distributive share of any item of Fund income, gain, loss, deduction or credit will be allocated for tax purposes. Instead, the Manager will allocate such items among the U.S. Members in a manner that the Manager deems to reflect equitably amounts credited or debited to or withdrawn from each U.S. Member’s capital account, whether in the current year or in prior years. Under Section 704 of the Code, a U.S. Member’s distributive share of any item of Fund income, gain, loss, deduction, or credit of the Fund will be governed by the Operating Agreement unless the allocation provided by the Operating Agreement does not have substantial economic effect.

If a U.S. Member withdraws all or part of its investment in the Fund during a fiscal year, the Manager, in its exclusive discretion, may elect to allocate taxable income or tax loss first to such U.S. Member’s capital account in that fiscal year, to the extent that such U.S. Member’s investment

in the Fund differs from such U.S. Member's adjusted tax basis in such Interest immediately prior to such withdrawal, or tax loss first to a fully withdrawing U.S. Member to the extent such U.S. Member's adjusted tax basis in such Interest exceeds such U.S. Member's capital account balance.

The Operating Agreement allows the Manager to allocate to a withdrawing U.S. Member income, expense, gain, loss, or deduction equal to the difference between that U.S. Member's capital account balance at the time of the withdrawal and the adjusted tax basis for its Interest at that time. To the extent such special allocations are made, the withdrawing U.S. Member may be allocated income, expense, gain, or loss from the Fund's activities in the year in which the withdrawal is effective, rather than recognizing that amount as part of its capital gain or loss in the year in which the payment for the withdrawal is received. This could result in some acceleration of taxable income if the withdrawal is close to the end of a taxable year, and could also result in the withdrawing U.S. Member being taxed at ordinary income rates on some or all of the amounts that would otherwise be taxed at favorable long-term capital gain rates. Furthermore, the IRS may challenge such an allocation as being without "substantial economic effect" and not in accordance with U.S. Members' Interests. If such a challenge were successful, the remaining U.S. Members could be considered to have underreported income and gains for the year for which the allocation was made and the Fund and those U.S. Members could be subject to additional taxes as well as interest and penalties.

Although the allocation provisions of the Operating Agreement will not satisfy all the safe harbor requirements provided for by applicable Treasury Regulations, the Manager believes that such provisions should govern the allocation of Fund items to the U.S. Members because such provisions are consistent with the U.S. Members' respective interests in the Fund (taking into account all facts and circumstances). Notwithstanding the foregoing, no assurance can be given that the allocations will be upheld if challenged by the IRS. A successful challenge by the IRS could result in a U.S. Member recognizing a larger amount of gain or income or smaller amount of loss or deduction than it would have recognized under the allocation provisions in the Operating Agreement.

Nature of Income Derived by the Fund

The Fund expects to recognize both long-term and short-term capital gain, and ordinary income in connection with its securities transactions. It is 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.

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. Tax rates also change from time to time and may change significantly during the period of operation of the Fund. Tax rates change from time to time and as of this writing, tax rates for 2013 are uncertain.

For taxable years beginning after December 31, 2012, under recently enacted legislation, 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.

Basis

Each U.S. Member will (subject to certain limits as discussed below) be entitled to deduct its allocable share of the Fund’s losses to the extent of its tax basis in its Interest at the end of the tax year of the Fund in which such losses are recognized. A U.S. Member’s tax basis in its Interest is, in general, equal to the amount of cash such U.S. Member has contributed to the Fund, increased by the U.S. Member’s proportionate share of income and liabilities of the Fund, and decreased by the U.S. Member’s proportionate share of cash distributions, losses, and reductions in such liabilities.

If cash (including in certain circumstances “marketable securities”) distributed to a U.S. Member in any year, including for this purpose any reduction in that U.S. Member’s share of the liabilities of the Fund, exceeds that U.S. Member’s share of the taxable income of the Fund for that year, the excess will constitute a return of capital and will be applied to reduce the tax basis of that U.S. Member’s Interest. Any distribution in excess of such basis will result in taxable gain to the U.S. Member. In

general, distributions (other than liquidating distributions) of property other than cash and, in certain circumstances, “marketable securities” will reduce the basis (but not below zero) of a U.S. Member’s Interest by the amount of the Fund’s basis in such property immediately before its distribution but will not result in the realization of taxable income to the U.S. Member.

Limits on Deductions for Losses and Expenses

In the case of U.S. Members that are individuals, estates, trusts, or certain types of corporations, the ability to utilize any tax losses generated by the Fund may be limited under the “at risk” limitation in Section 465 of the Code, the passive activity loss limitation in Section 469 of the Code, and/or other provisions of the Code. Furthermore, such U.S. Member may be subject to limitations on the ability to utilize certain specific items of deduction attributable to the investment activities of the Fund (as opposed to its activities that represent a trade or business for federal income tax purposes) under Section 163(d) of the Code, the 2% floor on miscellaneous itemized deductions (including investment expenses) in Section 67 of the Code, and/or other provisions of the Code.

It is not possible to predict the extent to which any of the foregoing provisions of the Code will be applicable or the extent to which tax losses will be allocated to the U.S. Member, since that will depend upon the exact nature of the Fund’s future operations and the individual tax positions of such U.S. Member. Prospective Investors should consult with their own tax advisors regarding the application of these rules (and any other rules limiting their ability to deduct losses or expenses associated with their Interests) to them.

In general, neither the Fund nor any U.S. Member may currently deduct organizational or syndication expenses. An election may be made by a partnership to amortize the organizational expenses over a 180-month period and the Fund intends to make such election. Syndication fees (which include placement fees or commissions paid by the Manager) must be capitalized and cannot be amortized or otherwise deducted.

Possible Audit of Information Return

A limited liability company 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 Members and, even if no such adjustment were ultimately sustained, the Members would, directly or indirectly, bear the expense of contesting such adjustments. It is not known whether a court would sustain any Fund position if contested by the IRS.

Sale or Exchange of U.S. Member Interests

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.

The Code provides for optional adjustments to the basis of partnership property under Code Section 734 in connection with distributions of partnership property to a partner and under Code Section 743 in connection with transfers of partnership interests, including by reason of death, provided that a partnership election has been made pursuant to Section 754 of the Code. Under the Operating Agreement, the Manager in its sole discretion may make the election under Code Section 754 if the Manager determines that such election is appropriate under the circumstances. As a result of the complexity and added expense of the tax accounting required to implement such an election, the Manager currently does not intend to make such election. However, these optional basis adjustments are mandatory upon distributions of partnership property and transfers of partnership interests under certain circumstances. The Fund may incur additional expenses for the reasons discussed above as a result of making any mandatory basis adjustments.

Alternative Minimum Tax Consequences

Prospective U.S. Members that are subject to the alternative minimum tax (the "AMT") should consider the tax consequences of an investment in the Fund in view of their AMT position, taking into account the special rules that apply in computing the AMT, including the adjustments to depreciation deductions, the special limitations as to the use of net operating losses and, in the case of individual taxpayers, the complete disallowance of miscellaneous itemized deductions and deductions for state and local taxes.

Tax-Exempt Members

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 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. 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 prospective 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

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. Any such Non-U.S. Members that are non-U.S. corporations may also be subject to a 30% branch profits tax on their share of certain 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, the Fund will be required to withhold 35% of any gain attributable to dispositions of U.S. real property interests. The 30% branch profits tax may also apply to corporate non-U.S. Members. 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.

Recently enacted legislation will impose certain increased certification requirements and information reporting for Non-U.S. Members. In the event of noncompliance with the revised certification requirements, a 30% withholding tax could be imposed on payments of interests, dividends, and sales proceeds. Under certain circumstances, a Non-U.S. Member may be eligible to seek from the IRS a refund or credit of such withholding taxes. Such provisions will generally apply to payments made after December 31, 2012. It cannot be predicted in what form this legislation will be further implemented. Prospective Investors should consult their own tax advisors regarding this new legislation.

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 prospective 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. MEMBERS 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 Member and will treat such withholding as a payment to such Member. Such payment will be treated as a distribution to the extent that the Member is then entitled to receive a cash distribution. To the extent that such payment exceeds the amount of any cash distribution to

which such Member is then entitled, such Member is required, as set forth in the Operating Agreement, to make prompt payment to the Fund.

Each prospective 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, 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 Members 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 Manager will furnish each Member with an annual statement setting forth information relating to the operations of the Fund (including information regarding such Member's distributive share of partnership income and gains, losses, deductions, and credits for the taxable year) as is reasonably required to enable the Member to properly report to the IRS with respect to such Member's participation in the Fund.

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 Members' 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 Members. 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 Members. 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 Members.

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 Member would be required to complete and file IRS Form 8886 with such Member's tax return for the tax year that includes the date that such Member acquired an interest in the Fund. The Manager reserves the right to disclose certain information about the Members and the Fund to the IRS on Form 8886, including the Members' 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 Members 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.

POTENTIAL MEMBERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND.

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