PRIVATE PLACEMENT MEMORANDUM

AVONDALE

PRIVATE LENDING

PRIVATE OFFERING

FOR ACCREDITED INVESTORS ONLY

Maximum Offering Amount:

$100,000,000

$100,000 Minimum Investment

April 1, 2025

THIS MEMORANDUM IS CONFIDENTIAL AND SHALL NOT BE REPRODUCED OR RECIRCULATED.

The Offering

Avondale Private Lending LLC, a Texas limited liability company, (the "the Fund", or "we") is offering ("Offering") for sale up to One Hundred Million Dollars ($100,000,0000) in limited liability membership interests in the Company (the "Membership Interests") on a "best efforts" basis to qualified investors who meet the Investor Suitability Standards set forth herein. The Fund will be managed by Avondale Investment Management, LLC, a Texas limited liability company (hereinafter the "Manager" or "AIM").

The Membership Interests are being solely offered to "Accredited Investors" as defined in Rule 501(a) of Regulation D promulgated under the United States Securities Act of 1933 (as amended, the "Securities Act"). The Membership Interests are being offered in reliance on the safe harbor exemption provided by Rule 506(c) of Regulation D of the Securities Act (and the rules and regulations promulgated thereunder).

A prospective investor ("Investor") who executes a subscription agreement ("Subscription Agreement") to invest in the Fund will become a member of the Fund ("Member") once the Manager determines the Investor's eligibility to invest in the Membership Interests and the Investor's investment proceeds have been deposited in the Fund's bank operating account.

The Membership Interests offered by this Memorandum are speculative and involve a high degree of risk. (See "PRINCIPAL RISK FACTORS" below).

THE MEMBERSHIP INTERESTS OFFERED HEREUNDER ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD INVEST IN THESE MEMBERSHIP INTERESTS.

Certain Terms of the Offering

	Price to Investors[1]	Estimated Selling Commissions[2]	Estimated Fund Proceeds[3]
Amount to be Raised Per Membership Interest	$1.00 per Interest	$0	$1.00 per Interest
Minimum Investment Amount for Membership Interest[4]	$100,000	$0	$100,000
Maximum Offering Amount for Membership Interests[5]	$100,000,000	$0	$100,000,000

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

2. Membership Interests will be offered and sold directly by the Fund, the Manager and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. While most Membership Interests are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Membership Interests through the services of independent broker/dealers who are member firms of the Financial Industry Regulatory Authority ("FINRA") and who will be entitled to receive customary and standard commissions based on the gross proceeds received for the sale of Membership Interests. These commissions will be paid by the Manager. Although neither the Fund

nor the Manager expects to make a large number of sales of Membership Interests through broker/dealers, each reserves the right in its respective sole discretion to make any or all offers and sales through broker/dealers. The amount and nature of commissions payable to broker/dealers is expected to vary in specific instances and will be agreed on a case-by-case basis by the Manager in its sole and absolute discretion. The Manager (and not the Fund) will be responsible for all such commissions payable to broker/dealers.

3. Net proceeds to the Fund are calculated before deducting organization and Offering expenses. The expenses relating to this Offering include, without limitation, accounting, promotional, organizational, and other operational expenses. The remaining Offering proceeds will be available for investment in assets pursuant to the business plan of the Fund. The Manager will receive its compensation from a variety of sources, including, without limitation, a management fee assessed to the Fund. (See "Manager's Compensation" below.) The Manager may, in its sole and absolute discretion, elect to be responsible for some or all of the foregoing expenses related to the Offering, whether through direct payment of such expenses or reimbursement to the Fund of such expenses incurred.

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

5. Assumes sale of the Maximum Offering Amount. It is possible that the Fund will sell less than the Maximum Offering Amount. The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Maximum Offering Amount.

DISCLOSURES

THE MEMBERSHIP INTERESTS OFFERED HEREUNDER ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD INVEST IN THESE MEMBERSHIP INTERESTS.

THE MEMBERSHIP INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, THE SECURITIES LAWS OF THE STATE OF TEXAS, OR UNDER THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION IN RELIANCE UPON THE EXEMPTIONS FROM REGISTRATION PROVIDED BY THE SECURITIES ACT AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER, AND THE EXEMPTIONS FROM REGISTRATION PROVIDED BY OTHER APPLICABLE SECURITIES LAWS.

THE MEMBERSHIP INTERESTS MAY BE PURCHASED SOLELY BY "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(A) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT, SUBJECT TO PRIOR SALE, WITHDRAWAL, CANCELLATION OR MODIFICATION OF THE OFFERING WITHOUT NOTICE, AND ACCEPTANCE OF THE SUBSCRIPTION AGREEMENTS AND CERTAIN FURTHER CONDITIONS. THE COMPANY RESERVES THE RIGHT IN ITS SOLE DISCRETION WITHOUT RECOURSE TO WITHDRAW, CANCEL OR MODIFY SUCH OFFERING AND TO REJECT SUBSCRIPTIONS IN WHOLE OR IN PART FOR THE PURCHASE OF ANY OF THE MEMBERSHIP INTERESTS OFFERED. IN ADDITION, THE RIGHT IS RESERVED TO CANCEL ANY SALE IF SUCH SALE, IN THE OPINION OF THE COMPANY, WOULD VIOLATE FEDERAL OR STATE OR OTHER SECURITIES LAWS.

THE AVAILABILITY OF EXEMPTIONS FROM APPLICABLE SECURITIES LAWS FOR THE OFFERING OF MEMBERSHIP INTERESTS DEPENDS IN PART UPON THE QUALIFICATIONS AND INVESTMENT INTENT OF EACH INVESTOR. EACH INVESTOR WILL BE REQUIRED TO REPRESENT, AMONG OTHER THINGS, THAT SUCH INVESTOR IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A) OF REGULATION D UNDER THE SECURITIES ACT, AND THAT SUCH INVESTOR IS ACQUIRING AN INTEREST FOR ITS OWN ACCOUNT FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO ANY RESALE OR DISTRIBUTION OF SUCH INTEREST. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE MANAGER MAY WAIVE OR MODIFY ANY OF THE FOREGOING ELIGIBILITY REQUIREMENTS IN ITS SOLE DISCRETION.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF MEMBERSHIP INTERESTS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THIS MEMORANDUM IS NOT A PROSPECTUS OR AN ADVERTISEMENT.

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

OFFEREES AND SUBSCRIBERS ARE URGED TO READ THIS MEMORANDUM CAREFULLY. ALL OFFEREES AND SUBSCRIBERS WILL BE OFFERED AN OPPORTUNITY TO TALK WITH

MANAGEMENT OF THE COMPANY TO VERIFY ANY OF THE INFORMATION INCLUDED HEREIN AND TO OBTAIN ADDITIONAL INFORMATION REGARDING THE COMPANY. THIS MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS. ADDITIONAL MATERIALS WILL BE MADE AVAILABLE TO PROSPECTIVE INVESTORS FOR INSPECTION DURING NORMAL BUSINESS HOURS UPON REASONABLE REQUEST TO THE COMPANY.

AS NOTED, MEMBERSHIP INTERESTS OFFERED BY THE COMPANY ARE SPECULATIVE SECURITIES, AND THE OFFERING INVOLVES SUBSTANTIAL RISKS AND CERTAIN ACTUAL AND POTENTIAL MATERIAL CONFLICTS OF INTEREST AND SHOULD BE CONSIDERED ONLY BY THOSE PERSONS WHO CAN AFFORD THE RISK OF LOSS OF THEIR ENTIRE INVESTMENT. (*SEE* "PRINCIPAL RISK FACTORS" AND "CONFLICT OF INTEREST" BELOW.)

THIS MEMORANDUM (TOGETHER WITH ANY AMENDMENTS OR SUPPLEMENTS AND ANY OTHER INFORMATION THAT MAY BE FURNISHED TO PROSPECTIVE INVESTORS BY THE COMPANY) INCLUDES OR MAY INCLUDE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS MEMORANDUM, WORDS SUCH AS "BELIEVE," "ANTICIPATE," "INTEND," "PLAN," "SEEK," "WILL BE," "EXPECTS," "ESTIMATES," "PROJECTS" AND SIMILAR EXPRESSIONS IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS REGARDING FUTURE EVENTS AND/OR THE FUTURE FINANCIAL PERFORMANCE OF THE COMPANY ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL EVENTS OR THE ACTUAL FUTURE RESULTS OF THE COMPANY TO DIFFER MATERIALLY FROM SUCH FORWARD-LOOKING STATEMENTS. CERTAIN OF THESE RISKS INCLUDE CHANGES IN THE MARKETS IN WHICH THE COMPANY OPERATES, TECHNOLOGICAL ADVANCES, CHANGES IN APPLICABLE REGULATIONS AND NEW ENTRIES INTO THE MARKET. IN LIGHT OF THE SIGNIFICANT RISKS AND UNCERTAINTIES INHERENT IN THE FORWARD-LOOKING STATEMENTS INCLUDED HEREIN, THE INCLUSION OF SUCH STATEMENTS SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVE AND PLANS OF THE COMPANY WILL BE ACHIEVED.

ANY HISTORICAL PERFORMANCE DATA CONTAINED IN THIS MEMORANDUM (TOGETHER WITH ANY AMENDMENTS OR SUPPLEMENTS AND ANY OTHER INFORMATION THAT MAY BE FURNISHED TO PROSPECTIVE INVESTORS BY THE COMPANY) REPRESENTS PAST PERFORMANCE AND DOES NOT GUARANTEE FUTURE RESULTS; CURRENT AND FUTURE PERFORMANCE MAY BE DIFFERENT THAN THE PERFORMANCE DATA PRESENTED. ADDITIONALLY, THE COMPANY IS NOT REQUIRED BY LAW TO FOLLOW ANY STANDARD METHODOLOGY WHEN CALCULATING AND REPRESENTING PERFORMANCE DATA, SO THE PERFORMANCE OF THE COMPANY MAY NOT BE DIRECTLY COMPARABLE TO THE PERFORMANCE OF OTHER PRIVATE OR REGISTERED FUNDS OR COMPANIES.

THE DELIVERY OF THIS MEMORANDUM, ATTACHMENTS OR MATERIALS AVAILABLE ON REQUEST AT ANY TIME DOES NOT IMPLY THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SINCE THE DATE HEREOF. THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN THIS MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE OFFEREE DOES NOT UNDERTAKE TO PURCHASE ANY OF THE SECURITIES OFFERED HEREBY.

ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART OR THE DISCLOSURE OF ANY OF ITS CONTENTS WITHOUT THE PRIOR WRITTEN PERMISSION OF THE COMPANY IS PROHIBITED. THIS MEMORANDUM IS FURNISHED FOR THE SOLE USE OF THE OFFEREE AND FOR THE SOLE PURPOSE OF PROVIDING INFORMATION REGARDING THE SECURITIES PROPOSED TO BE SOLD BY THE COMPANY. NO OTHER USE OF THIS INFORMATION IS

AUTHORIZED. NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION NOT CONTAINED IN THE MEMORANDUM AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED HEREIN MUST NOT BE RELIED UPON. NOTHING IN THIS MEMORANDUM SHOULD BE CONSTRUED AS LEGAL, INVESTMENT, OR TAX ADVICE.

TAX ADVICE. THIS MEMORANDUM DOES NOT ADDRESS ALL OF THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THE INVESTORS. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT WITH AND RELY ON THE INVESTOR'S OWN TAX COUNSEL AS TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY AND AS TO APPLICABLE STATE, LOCAL AND FOREIGN TAXES, PRIOR TO SUBSCRIBING FOR THE MEMBERSHIP INTERESTS. THE COMPANY HAS DONE NO INDEPENDENT AUDIT OF THE TAX CONSEQUENCES OF AN INVESTMENT IN THE OFFERING.

NOTICE PURSUANT TO IRS CIRCULAR 230. THE DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN BY THE COMPANY, ITS COUNSEL OR THE PLACEMENT AGENT TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING TAX PENALTIES THAT MIGHT BE IMPOSED UNDER U.S. TAX LAWS. THIS DISCUSSION IS PROVIDED TO SUPPORT AN OFFERING OF MEMBERSHIP INTERESTS IN THE COMPANY, AND ACCORDINGLY IS WRITTEN IN SUPPORT OF THE MARKETING OF THE MEMBERSHIP INTERESTS IN THE COMPANY. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR CONCERNING THE POTENTIAL TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY.

FORWARD LOOKING STATEMENTS. INVESTORS SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS BECAUSE THEY ARE INHERENTLY UNCERTAIN. INVESTORS SHOULD NOT RELY ON FORWARD-LOOKING STATEMENTS IN THIS MEMORANDUM. THIS MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. WE USE WORDS SUCH AS "ANTICIPATED," "PROJECTED," "FORECASTED," "ESTIMATED," "PROSPECTIVE," "BELIEVES," "EXPECTS," "PLANS," "FUTURE," "INTENDS," "SHOULD," "CAN," "COULD," "MIGHT," "POTENTIAL," "CONTINUE," "MAY," "WILL," AND SIMILAR EXPRESSIONS TO IDENTIFY THESE FORWARD-LOOKING STATEMENTS. INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH MAY APPLY ONLY AS OF THE DATE OF THIS MEMORANDUM.

Additional Information. Prior to the consummation of the Offering, the Fund will provide to each prospective Investor and such investor's representatives and advisers, if any, the opportunity to ask questions and receive answers concerning the terms and conditions of this Offering and to obtain any additional information that is necessary to verify the accuracy of the information furnished to such prospective Investor. Prospective Investors are urged to request any additional information they may consider necessary in making an informed investment decision. Any such questions should be directed to the Manager. No other persons have been authorized to give information or to make any representations concerning this offering, and if given or made, such other information or representations must not be relied upon as having been authorized by the Fund.

This Memorandum does not constitute an offer or solicitation in any state or other jurisdiction to any person or entity to which it is unlawful to make such offer or solicitation in such state jurisdiction. Copies of the Operating Agreement and the Subscription Agreement for purchase of Membership Interests shall accompany this Memorandum.

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I. INTRODUCTION

Thank you for expressing interest in Avondale Private Lending LLC. This Fund was established to invest in private loans secured by interests in real property ("Loans"). By investing in short-term, collateral-based loans we seek to provide investors with income from borrower interest payments while preserving investors' principal investments. Our objective is to:

- Provide Members with an annualized Preferred Return of 8% and additional distributions to produce annualized returns in the target range of 9% to 10%.

Notwithstanding the foregoing, the Fund nor Manager guarantee that such target returns will be achieved. (See "Principal Risk Factors" below.)

Investment Strategy

To accomplish the objective, the Fund has a primary investment strategy of making, purchasing, originating, funding, acquiring and/or otherwise selling Loans secured by interests in real property. This includes, without limitation to, renovation, new construction and bridge loans located across the United States, with a primary focus on first lien position Loans in the state of Texas. Loans will generate cash flow to the Fund from origination fees, interest-only payments, a final balloon payment at the end of the term.

The Fund has a secondary investment strategy of acquiring, managing, renovating, developing, leasing, repairing and/or selling real property ("Direct Investments"). These Direct Investments include real estate property located throughout the United States, with a primary focus in the state of Texas. The Fund expects to implement this strategy only in unique situations where a Direct Investment would be more beneficial to the Fund than a Loan, as determined by the Manager at its sole and absolute discretion.

Term

The Fund is an open-ended "evergreen" fund, which means that there is no set end date. Therefore, the Offering will continue until the earlier of: (1) it is terminated by the Fund and/or by Super Majority of the Members (as set forth in the Operating Agreement), (2) the Fund decides to sell all of its assets, or (3) has raised One Hundred Million Dollars ($100,000,000) in Membership Interests (the "Maximum Offering Amount").

Minimum Investment and Commitment

The minimum investment in the Fund is One Hundred Thousand Dollars ($100,000) (the "Minimum Investment Amount"). In order to invest in Membership Interests, investors should read the Offering Documents (detailed below) enclosed with this Memorandum and return a fully executed Subscription Agreement (together with payment in the amount of the capital contribution payable to the Fund), which shall be accepted or rejected by the Manager in its sole and absolute discretion.

The Fund requires that investors commit to an investment period of at least Twelve (12) months (the "Lockup Period").

Offering Documents

In connection with the Offering, prospective Investors are receiving the following documents (the "Offering Documents"):

- **Private Placement Memorandum**;
- **Fifth Amended and Restated Operating Agreement** (the "Operating Agreement");
- **Subscription Agreement**
- **Accredited Investor Verification Letter**.

Each prospective Investor should carefully read the Offering Documents and ask any questions that they may have concerning the terms and conditions of this Offering and the Membership Interests before investing. Prospective Investors should also obtain independent, third party advice from advisors regarding the tax, legal, and other related aspects of the Offering, as well as the overall suitability of an investment in the Membership Interests to your financial situation.

Accredited Investor Status

Because the Fund is conducting this Offering pursuant to Rule 506(c) of the Securities Act, there are specific provisions with which we must comply regarding the type of investor that may participate in the Offering. More specifically, all Investors must be Accredited Investors, as defined in Rule 501(a) of Regulation D promulgated under the Securities Act. We have an obligation to take reasonable steps to verify that each investor is an Accredited Investor, meaning they must meet *one* of the following criteria:

(1) Any natural person who had an individual income in excess of Two Hundred Thousand Dollars ($200,000) in each of the Two most recent years, or joint income with that person's spouse or spousal equivalent in excess of Three Hundred Thousand Dollars ($300,000) in each of those years, and who has a reasonable expectation of reaching the same income level in the current year;

(2) Any natural person whose individual net worth or joint net worth, with that person's spouse or spousal equivalent, at the time of their purchase, exceeds One Million Dollars ($1,000,000) (excluding the value of such person's primary residence);

(3) A natural person holding one or more professional certifications or designations administered by the Financial Regulatory Authority, Inc., and in good standing: the Licensed General Securities Representative (Series 7), Licensed Investment Adviser Representative (Series 65), and Licensed Private Securities Offering Representative (Series 82);

(4) A natural person holding, and in good standing, of one or more professional certifications or designations or other credentials from an accredited educational institution that the Commission has designated as qualifying an individual for accredited investor status;

(5) A natural persons who is considered a "knowledgeable employee" of a private fund as defined by Rule 3c-5(a)(4) under the Investment Company Act of 1940, including trustees and advisory board members, or person serving in a similar capacity of a fund relying on an exemption under Investment Company Act of 1940 Section 3(c)(1) or 3(c)(7), or an affiliated person of the fund that oversees the fund's investments, and

employees of the private fund (other than employees performing solely clerical, secretarial, or administrative functions);

(6) Any family office, as defined in rule 202(a)(11)(G)-1under the Investment Advisers Act of 1940: with assets under management in excess of $5,000,000, that is not formed for the specific purpose of acquiring the securities offered, and whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risk of the prospective investment;

(7) Any family client, as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in paragraph (a)(12) of this section and whose prospective investment in the issuer is directed by such family office pursuant to paragraph (a)(12)(iii);

(8) Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities and Exchange Act of 1934 ("Exchange Act"); any investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; any investment adviser relying on the exemption from registering with the Commission under section 203(l) or (m) of the Investment Advisers Act of 1940; any insurance company as defined in Section 2(13) of the Exchange Act; any investment company registered under the Investment Fund Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Fund ("SBIC") licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act; any plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of Five Million Dollars ($5,000,000); any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of Five Million Dollars ($5,000,000) or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors;

(9) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(10) Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("Code"), corporation, Massachusetts or similar business trust, partnership, or limited liability company, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of Five Million Dollars ($5,000,000);

(11) Any director or executive officer, or Fund of the issuer of the securities being sold, or any director, executive officer, or Fund of a Fund of that issuer;

(12) Any trust, with total assets in excess of Five Million Dollars ($5,000,000), not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Section 506(B)(b)(2)(ii) of the Code;

(13) Any entity not listed above which was not formed for the specific purpose of acquiring the securities offered, owning investments in excess of Five Million Dollars ($5,000,000); or

(14) Any entity in which all the equity owners are accredited investors, as defined above.

Accredited Investor Verification

The Fund will require that the prospective Investor verify the Investor's status as an Accredited Investor through any reasonable means and steps deemed necessary or suitable by the Fund. Generally speaking, the Fund will verify each prospective Investor's status as an Accredited Investor in one of Two ways:

- By obtaining a third-party certification from a certified public accountant, a licensed attorney, a registered broker-dealer, or an investment advisor registered with the Securities and Exchange Commission. This certification may be provided on the Fund's Accredited Investor Verification Letter form, or a form with materially the same content.

- By obtaining documentation from the prospective Investor verifying that one of the above criteria is met. The required documentation may include IRS Forms W-2, 1099, 1040, or Schedule K-1, asset and account statements, and information documenting the investor's liabilities.

The exact required documentation for each qualification scenario will be determined by the Manager. Every Investor is required to cooperate in the Fund's verification steps and methods before being permitted to invest in the Offering. A non-exhaustive list of verification steps that the Fund may use for, or require from, an Investor is noted in the Subscription Agreement. The Fund may use differing or varied verification steps or methods for each Investor as the facts and circumstances surrounding any particular Investor's financial situation would likely be different from any other Investor.

Questions

Prospective Investors should direct questions regarding the completion of the Offering Documents to John Spears at john@avondale-im.com.

II. SUMMARY OF PRINCIPAL TERMS

The following information is presented as a summary and is qualified in its entirety by the information appearing elsewhere in this Memorandum and by the principal agreements relating to the Fund. The Operating Agreement and the Subscription Agreement for investing in the Fund accompany this Memorandum. Prospective Investors are urged to read the Operating Agreement and Subscription Agreement in their entirety before investing in the Fund.

The Fund:	Avondale Private Lending LLC is a limited liability company, duly organized and in good standing in the state of Texas. The Fund's principal business office is located at 6805 Hillcrest Avenue, Suite 208, Dallas, Texas 75205.
The Manager:	The Manager of the Fund is Avondale Investment Management LLC. The Manager is located in Dallas, Texas, organized as a limited liability company under the laws of the State of Texas. The Manager was founded in 2012 and is owned and operated by its CEO, John W. Spears. As further described in the Operating Agreement, the Manager may be changed by the vote of Investors holding Two-thirds of the Membership Interests. The Manager will be responsible for all Fund operations including, but not limited to, raising capital for the Fund, hiring the Fund's legal and accounting advisors, maintaining the books and records of the Fund, maintaining the Fund's bank account, filing reports with the Texas Secretary of State and IRS, screening deals, property management, and other general Fund operations. Investors will not have any right to participate in the management of the Fund and will only have limited voting rights as set forth in the Operating Agreement.
Offering of Membership Interests:	The Fund is offering to Investors an opportunity to purchase Membership Interests in the maximum aggregate amount of One Hundred Million Dollars ($100,000,000). The Minimum Investment Amount per Investor is One Hundred Thousand Dollars ($100,000). Notwithstanding the foregoing, the Manager reserves the right to accept subscriptions in a lesser amount or require a higher amount. (See "Terms of the Offering" below.) This Offering is being conducted as a private offering pursuant to the requirements of Securities and Exchange Commission Regulation D, Rule 506(c). All Investors must be "Accredited Investors," as defined in Rule 501(a) of Regulation D and must provide such information as may be requested by the Manager in order to verify that each such Investor meets the definition.

Preferred Return:	Members will generally be entitled to receive an annualized return (the "Preferred Return") on their capital account balance, payable on a monthly basis (and prorated as applicable for the amount of time that a Member was a member of the Fund during such fiscal year). This Preferred Return will be payable prior to any other distributions to Members or profit participation by the Manager (however, all expenses and fees other than profit participation will be paid to the Manager prior to the Preferred Return). The Preferred Return for any Member shall be equal to an annualized rate of Eight Percent (8%), calculated and payable on a monthly basis. (See "Terms of the Offering – Preferred Return" below.)
Profit Participation / Distribution of Distributable Cash:	In addition to the Preferred Return, Members will also be eligible to receive annual distributions of the Fund's Distributable Cash (as defined in "Terms of the Offering" below), as follows: • Fifty Percent (50%) of the Distributable Cash of the Fund shall be distributed to the Members on a pro-rata basis, and the remaining • Fifty Percent (50%) of the Distributable Cash shall be distributed to the Manager. Distributable Cash shall be distributed after distribution of the Preferred Return. See "Terms of the Offering – Membership Interests – Preferred Return; Distributable Cash" below.
Cash Flow Distribution or "Waterfall":	As Fund income is received, the distribution of cash ("Waterfall") will occur as follows: 1. Interest and principal payments on any Credit Facility; 2. Fund Expenses; 3. Manager's Asset Management Fee (an annualized rate of One and a Half Percent (1.5%) of total Assets Under Management, as defined in "*Manager's Compensation*" below), and any other fees due to the Manager; 4. Preferred Return to Members, payable monthly; 5. Any available Distributable Cash, as determined by the Manager, to be shared between the Members and Manager as follows: Fifty Percent (50%) to the Members on a pro-rata basis and Fifty Percent (50%) to the Manager, the end of each fiscal year.

Investment Strategy:	The Fund has been organized for the primary strategy of making, purchasing, originating, funding, acquiring and/or otherwise selling Loans secured by interests in real property, including without limitation, renovation, new construction and bridge loans located across the United States, with a primary focus on first lien Loans in the state of Texas. The Fund has been organized for the secondary strategy of acquiring, managing, remodeling, developing, leasing, repairing and/or selling Direct Investments located throughout the United States, with a primary focus in the state of Texas. (See "Lending Standards and Policies"; "Property Acquisition Guidelines and Policies" below.) Loans will be secured by first lien and junior lien deeds of trust. These collateral-based Loans seek to provide the Fund with cash flow from borrower interest payments while preserving Investors' principal investments. To accomplish the objective, the Fund will make business purpose or commercial Loans to borrowers, including without limitation, professional real estate investors, residential developers, and renovation companies (each a "Borrower") across the United States, with a primary focus in Texas. Loans will generate cash flow to the Fund from origination fees, interest-only payments, a final balloon payment at the end of the term and in some cases extension fees.
Lending Standards:	As a collateral-based lender, the Fund will primarily consider the value of the real property collateral and its related cash flow as a primary factor in its loan decisions. As a secondary consideration, the Fund will evaluate non-collateral, borrower related factors. (See "Lending Standards and Policies" below). The Loans will be (i) evidenced by a Loan Agreement, and (ii) a Promissory Note secured by (iii) a Deed of Trust on the property (iv) a Non-homestead Affidavit (v) a Personal Guaranty (collectively, the "Loan Documents"). Forms of the Loan Documents will be made available to Investors upon request.
Loan Servicer:	It is presently anticipated that all Loans will be serviced (i.e., Loan payments collected and other services relating to the Loan) by the Manager. Notwithstanding the foregoing, the Manager may choose to retain the services of an Affiliate, a third-party loan servicer to service the Loans, rather than the Manager servicing such loans, at any time for any other reason (or no reason) at its sole and absolute discretion, at such time as conditions warrant. The servicer, whether a third party, the Manager or its Affiliate shall be herein referred to as the "Servicer." The Servicer will be compensated by the borrowers and/or the Fund for such loan servicing activities, as is agreed upon by the Manager and Servicer. To the extent applicable, the Manager

	will oversee the activities and performance of the Servicer. (See "The Manager's Compensation" below.)
Leveraging the Fund/Borrowing/ Note Hypothecation/ Leverage Ratio:	The Fund plans to fund a portion of its business by obtaining debt financing from one or more lenders, including without limitation, third party lenders, individuals and financial institutions (a "Credit Facility" or "Facility"). The Fund may pledge company assets, as collateral for any such borrowing, which may include Loans, collateral assignments of the Fund's rights to receive Loan repayments and the Fund's rights granted under any Deed of Trust securing a Loan. The Operating Agreement grants the Manager with discretion in its ability to use debt financing (a.k.a. "leverage") in the operation of the Fund. Any Credit Facility shall be nonrecourse to the Members. The Manager and/or the Fund may agree to provide its Guaranty for a given Facility, but it is not required to do so. Any Credit Facility will likely have covenants that affect the Fund and the Manager. The purpose of leverage is to provide flexibility, additional liquidity, and potentially increase overall Member investment returns. The Fund expects to maintain a debt to equity ratio in the range between .33:1 and 1:1. In other words, the Fund expects that the amount of debt assets will range be between 33% and 100% of equity assets. Specifically, at any time, the amount the Fund's debt outstanding may not exceed One times the Fund's outstanding common equity, a 1:1 leverage ratio. If the outstanding debt of the Fund exceeds this ratio at any time, the Fund will use its best efforts to pay down its debt to the required level as quickly as practical without otherwise harming the Fund's financial condition or ongoing business.
Property Acquisition Standards:	The Fund may acquire, manage, remodel, develop, lease, repair and/or sell Direct Investments located throughout the United States, with a primary focus in Texas. Direct Investments (properties) may be acquired from (without limitation) individuals, entities, institutional investors, financial institutions, governmental agencies and other sellers of real property. Unless the Manager decides in its sole and absolute discretion that it is in the best interests of the Fund to do otherwise, the Fund intends to generally acquire and purchase Direct Investments. (See "Property Acquisition Guidelines" below.)
Management Fee & Expenses:	The Manager and its Affiliates will receive a variety of fees for managing the Fund including (without limitation) an Asset Management Fee as further described below. (See "Manager's Compensation" below).

Recovery of Deferred Compensation:	If the Manager defers or assigns to the Fund any of its respective compensation, the Manager may elect, in its sole and absolute discretion, to recover the same at a later time within the same calendar year only. Notwithstanding the foregoing, the Manager has no obligation to waive, defer, or assign to the Fund any portion of such compensation at any time.
Prior Experience:	The Manager has prior experience in the real estate industry. (See "The Manager" below.)
Capitalization:	The Fund will be funded with a maximum of One Hundred Million Dollars ($100,000,000) in Membership Interests. The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Minimum Investment Amount and/or the Maximum Offering Amount.
Investor Classes:	There will be One (1) Investor class. The class shall be comprised of Investors who have committed Capital to be invested by the Fund at the discretion of the Manager.
Suitability Standards:	Membership Interests will be offered exclusively to certain individuals, Keogh plans, individual retirement accounts (IRAs) and other qualified investors who meet certain minimum standards of income and/or net worth. Each Investor must execute a Subscription Agreement and an Investor Questionnaire making certain representations and warranties to the Fund, including, but not limited to, such purchaser's qualifications as an "Accredited Investor" as defined by the Securities and Exchange Commission in Rule 501(a) of Regulation D that may be allowed to purchase Membership Interests in this Offering. (See "Investor Suitability" below.)
3rd Party Accounting:	The Manager shall retain a third-party accounting firm to provide an annual audit of financial statements, distribution review, tax form preparation, and any other necessary accounting work. The results of the audit and the year-end audited financial statements will be provided to each Member of the Fund.
Legal:	The Fund utilizes multiple law firms to provide legal counsel; however, the law firms retained do not represent the Investors, and no other counsel has been appointed to represent the prospective Investors.
Allocations:	Gains and losses shall be allocated to the Investors in proportion to their Membership Interests in the Fund.

Return of Capital:	The Manager reserves the right to return part or all of the Member's capital investment to the Member at any time during the investment and/or to expel any Member for cause. (See "Operating Agreement".)
Reinvestment:	Members have the option of receiving cash or having their share of cash credited to their capital accounts and reinvested in the Fund, at the then current price of Membership Interests, for any Preferred Return and income distributions of the Fund's earnings, as further described below. (See "Terms of the Offering – Membership Interests – Election to Reinvest" below.) However, the Manager reserves the right to commence making cash distributions at any time to any Member(s) in order for the Fund to remain exempt from the ERISA plan asset regulations. (See "ERISA Considerations" and "Summary of Operating Agreement" below.)
Restriction on Transfer of Membership Interests:	Any Investor who desires to sell all or any portion of its Membership Interests to a third party (the "Third Party") will be required to comply with the following procedure, subject to restrictions on transfer as discussed in the Operating Agreement and applicable federal and state securities laws: The Investor shall promptly deliver a copy of the Third Party offer to the Fund, and the Fund shall have Five (5) days to notify the Investor of the Fund's intent to purchase the Membership Interests upon the terms and conditions of the Third Party offer. If the Fund does not purchase all of the Investor's Membership Interests, then the selling Investor shall notify all other current Investors in writing. Each Investor will have Fifteen (15) days to notify the selling Investor of the other Investor's intent to purchase the Membership Interests upon the terms and conditions of the Third Party offer. If none of the other Investors give notification within Fifteen (15) days of an intention to purchase the Membership Interests, then the selling Investor shall be permitted to sell the Membership Interests to the Third Party upon the terms and conditions of the Third Party offer. The selling Investor and the purchasing Investor or Third Party shall pay or reimburse the Fund for, all costs incurred by the Fund in connection with the sale of Membership Interests.
Loan Loss Reserve	A loss reserve will be maintained by the Fund, at the sole and absolute discretion of the Manager. The loan loss reserve will be evaluated and established on a case-by-case basis. This loss reserve is intended to temporarily protect Investors from potential unrecoverable losses from the Fund's business and operating activities. Although the loss reserve will help reduce the impact of loan defaults temporarily, ultimate repayment/resale of Fund assets and/or loans will be jeopardized to the extent that any loans are in

	default are not eventually repaid or resold, whether by the applicable borrower or by the Fund, to protect available collateral. Depending on reserve overages and the weighted risk levels of the portfolio, reserve amounts may be reduced, eliminated or increased accordingly in the sole and absolute discretion of the Manager. The loss reserve will initially be funded from cash flow and/or profits of the Fund, and have a target balance of 1.0% of assets under management, or as is determined by the Manager in its sole discretion. If any amounts set aside as a loss reserve are not needed nor used by the Fund, such amounts may be distributed to Members at a later date.
Withdrawal:	The Fund requires that investors commit to an investment period of at least Twelve (12) months (the "Lockup Period"). In other words, Members who invest in the Fund may not withdraw their capital until they have been members of the Fund for at least Twelve (12) months, and only with the approval of the Manager. Members who have been members of the Fund for a period longer than Twelve (12) months may request withdrawal from the Fund in writing and give the Fund at least Thirty (30) days' notice prior to expecting to be withdrawn from the Fund. The withdrawal date shall be effective upon the date of receipt of the Member's withdrawal request. The Fund will use its best efforts to return capital subject to, among other things, the Fund's then cash flow, financial condition, and prospective transactions in assets. The Fund and the Manager are not under any circumstances obligated to liquidate any assets, properties or loans in any efforts to accommodate or facilitate any Member(s)' request for withdrawal or redemption from the Fund. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, waive or modify such withdrawal requirements. Members who wish to withdraw before they have been Members for Twelve (12) months ("Early Withdrawal") can only withdraw if the Manager permits Early Withdrawal, in its sole and absolute discretion. Acceptability of a Member's hardship will be determined by the Manager, in its sole and absolute discretion. The Manager may at any time suspend the withdrawal of funds from the Fund, upon the occurrence of any of the following circumstances: (i) whenever, as a result of events, conditions or circumstances beyond the control or responsibility of the Manager or the Fund, disposal of the assets of the Fund is not reasonably practicable without being detrimental to the interests of the Fund or its Members, determined in the sole and absolute discretion of the Manager; (ii) it is not reasonably practicable to determine the net asset value of the Fund on an accurate and timely basis; or (iii) if the Manager has determined to dissolve the Fund. Notice of any

	suspension will be given within Ten (10) business days from the time the decision was made to suspend distributions to any Member who has submitted a withdrawal request and to whom full payment of the redemption proceeds has not yet been remitted. If a redemption request is not rescinded by a Member following notification of a suspension, the redemption will be affected as of the last day of the calendar month in which the suspension is lifted, on the basis of the net asset value of the Fund at that time and in the order determined by the Manager in its sole and absolute discretion. All prospective Investors should understand that the average term of loans is expected to range from Twelve (12) months to Twenty Four (24) months. Accordingly, the cash flow and access to cash availability of the Fund is likely to be limited on an ongoing basis (i.e. most of the Fund's available resources will be committed as invested in loans for significant periods of time). Further, prospective Investors should understand the loans are illiquid and the ability to sell loans or its assets (even if the Fund was inclined to do so) may be limited, and therefore, any investment made in or through this Offering should be considered highly illiquid.
Financial and Portfolio Reporting:	The Fund will account for its financial transactions using the accrual method of accounting in accordance with the United States Generally Accepted Accounting Principles (GAAP). The Fund will distribute monthly reports to all Investors via email within Thirty (30) days of the end of each month. Such information will include interim, unaudited financial statements, and a detailed description of any Fund activities, including an update on the Property and leasing information. The results of the annual, third-party audit and year-end, audited financial statements are provided to each Member of the Fund. All information distributed to Investors will be confidential.
Indemnification:	The Fund will indemnify, defend and hold harmless, to the fullest extent permitted by law, the Manager and its officers, directors, members, managers, partners and employees (in each case, an "Indemnified Person") for any loss, damage or expense incurred by such Indemnified Person by reason of its activities on behalf of the Fund, except that such indemnity will not apply to losses arising from such Indemnified Person's own fraud, willful misconduct, gross negligence, bad faith or violation of applicable securities laws.
Tax Considerations:	The Fund is intended to be treated as a partnership for U.S. federal income tax purposes. As a partnership, the Fund will not be subject to U.S. federal income tax, and each Investor will be required to include in computing its U.S. federal income tax liability its allocable share of all income, gain, loss, deduction and credit, whether or not distributed. The taxation of partners and partnerships is extremely

	complex. Each prospective Investor is urged to consult its own tax advisor as to the tax consequences of an investment in the Fund. (See "Certain Tax and Regulatory Matters" below.)
No Liquidity:	There is no public market for the Membership Interests and none is expected to develop. There are substantial restrictions on transferability of Membership Interests. (See "Principal Risk Factors" below.)
Meetings	The Fund will not hold any regularly scheduled meetings with Members.

III. HOW TO INVEST IN THE FUND

The Manager will be available to consult with any Investor who is a recipient of this Memorandum. Any additional information may be provided to Investors only if the Manager possesses the information or can obtain it without unreasonable effort or expense. Investors who wish to invest in the Fund are instructed to complete or obtain, as appropriate, the following documents and return them to Avondale Private Lending LLC at the address below:

(1) the **Subscription Agreement** attached to this Memorandum;

(2) a copy of the signature page to the **Operating Agreement** duly executed on behalf of the prospective Investor.

(3) the documents requested by the Manager to verify the prospective Investor's status as an Accredited Investor, including, as applicable, an **Accredited Investor Verification Letter**, executed by a: (a) certified public accountant; (b) licensed attorney; or (c) a broker-dealer or investment advisor registered with the Securities and Exchange Commission, having sufficient knowledge to enable him or her to certify such Investor's status as accredited;

(4) the purchase price of the Membership Interests via **wire or certified funds**.

The Manager provides to every Investor, during the course of this Offering and prior to sale, the opportunity to ask questions of, and receive answers from, the Fund concerning the terms and conditions of this Offering and to obtain any appropriate additional information necessary to verify the accuracy of the information in this Memorandum or for any other purpose relevant to a prospective investment in the Fund's Membership Interests. The Fund is not currently required to file reports with the Securities and Exchange Commission or to deliver an annual report to Investors under the Securities Exchange Act of 1934, as amended. The Manager will provide without charge, upon a prospective Investor's written request, a copy of the documents referred to in this Memorandum.

Any requests, communications or inquiries relating to this Memorandum should be directed to:

Avondale Private Lending LLC
6805 Hillcrest Avenue, Suite 208
Dallas, Texas 75205
Attn: John Spears
Email: john@avondale-im.com

Investors who choose not to pursue this investment are asked to immediately return this Memorandum, together with any other materials relating to the Fund that the Investor may have received from the Fund or its respective representatives, to the Fund at the address above.

THIS MEMORANDUM IS CONFIDENTIAL AND NOT TO BE REPRODUCED OR RECIRCULATED.

IV. TERMS OF THE OFFERING

This Offering is made to qualified Investors to purchase Membership Interests in the Fund. The Minimum Investment Amount per Investor is One Hundred Thousand Dollars ($100,000). (See "Investor Suitability" above.) The Manager reserves the sole right, but has no obligation, to adjust the purchase price of Membership Interests at any time and for any reason (or no reason) and thereby require either a higher or lesser amount.

The Offering is an open-ended "evergreen" fund, which means that there is no set end date. Therefore, the Offering will continue until the earlier of: (1) it is terminated by the Fund and/or by Super Majority of the Members (as set forth in the Operating Agreement), (2) the Fund decides to sell all of its assets, or (3) has raised the Maximum Offering Amount. At such time, the Offering will be deemed closed. The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Minimum Investment Amount or the Maximum Offering Amount.

Notwithstanding the foregoing in "Terms of the Offering", the Fund reserves the right, in its sole and absolute discretion to, at any time, and for any reason or no reason, accept subscriptions in a lesser amount or to require a higher amount or to reject any subscription(s) in whole or in part.

Subscription Agreements; Admission to the Fund

To subscribe with the Fund and purchase any Membership Interests, an Investor must meet certain eligibility and suitability standards, some of which are set forth above (see "Accredited Investor Status" above). Additionally, an Investor who wishes to become a Member of the Fund must sign and execute a Subscription Agreement in (together with payment in the amount of the capital contribution payable to the Fund), which shall be accepted or rejected by the Manager in its sole and absolute discretion. By executing the Subscription Agreement, an Investor makes certain representations and warranties upon which the Manager will rely on in accepting the Investor's subscription funds. INVESTORS SHOULD CAREFULLY READ AND COMPLETE THE SUBSCRIPTION AGREEMENT (WITH POWER OF ATTORNEY) AND INVESTOR QUESTIONNAIRE.

Investors may execute the Subscription Agreement at any time throughout a calendar year. An investment in the Membership Interests becomes effective upon the Fund's transfer of an Investor's funds into its operating account and as of the first day following the Investor's execution of the Subscription Agreement and payment of the purchase price of the Membership Interests, as accepted by the Manager in its sole and absolute discretion.

Upon submission of a fully executed copy of this Subscription Agreement to the Fund by the Investor, the Fund will make a determination as to the Investor's eligibility for an investment in the Membership Interests and elect whether to accept or reject the subscription. If the Fund elects to accept the subscription, the Investor will be notified and will be obligated to pay to the Fund, within Five (5) business days, the full purchase price set forth on the Signature Page. Promptly upon receipt of the purchase price, the Fund will place the signature of a duly authorized officer of the Fund upon this Subscription Agreement and provide a copy to the Investor, at which time the purchase of the Membership Interests will be considered to have closed ("Closing"). If the Investor fails to make full payment within Five (5) business days of notice, the Fund's acceptance will expire and be considered void.

The Investor must pay the purchase price of the Membership Interests to the Fund by cashier's check, wire transfer of immediately available funds, or other means approved by the Fund. In the event that

the Fund agrees to accept payment by a standard check or similar method, the Fund reserves the right to hold the funds in suspense and delay the Closing for the Investor's Membership Interests, for a period of up to fifteen (15) days in order to verify the validity and sufficiency of the Investor's funds. If this subscription is rejected, for any reason, after payment has been received by the Fund, the Fund will return the Investor's payment promptly, without interest (in the case of the rejection of a portion of this Subscription Agreement, the part of the payment relating to such rejected portion will be returned), and this Subscription Agreement shall continue in full force and effect to the extent that it was accepted.

Subscription Agreements are non-cancelable and irrevocable by the Investor and subscription funds are non-refundable for any reason, except with the express written consent of the Manager or as expressly set forth herein or in the Subscription Agreement.

AN INVESTOR WHO INVESTS IN MEMBERSHIP INTERESTS SHALL BECOME A MEMBER WHEN INVESTOR'S SUBSCRIPTION FUNDS ARE TRANSFERRED INTO THE COMPANY'S MAIN OPERATING ACCOUNT.

Membership Interests

Preferred Return

Members who acquire Membership Interests will generally be entitled to receive an annualized Preferred Return on their investment. This Preferred Return is payable monthly (and prorated as applicable for the amount of time that a Member was a member of the Fund during such accounting period). The Preferred Return shall be payable prior to any profit participation by the Manager. However, all fees and costs, other than profit participation will be paid to the Manager prior to the Preferred Return.

The Preferred Return for any Member shall be equal to a non-cumulative annualized rate of Eight Percent (8%) on his, her or its capital account balance, calculated and payable on a monthly basis, as soon as practicable at the end of each month. The Preferred Return shall only be distributed to the extent cash is available and such distribution will not impact the operations of the Fund, in the Manager's sole and absolute discretion.

Prospective Investors should understand that earnings, cash flow and distributions of the Fund may necessarily fluctuate in accordance with the business and operations of the Fund. At the end of the fiscal year, the Fund will review all distributions paid during the year just ended and make ratable adjustments to the income distributions and Preferred Return distributions paid or payable to Members in order to ensure that Members receive accurate Preferred Return distributions for the annual year in accordance with the intent and provisions of the Operating Agreement and the Memorandum. For purposes of illustration only, if at the end of each fiscal year the Fund has not delivered the estimated Preferred Return to Members in any accounting period earlier in the year, the Manager may, at its sole and absolute discretion and to the extent that cash is available and will not impact the operations of the Fund, authorize a true-up distribution to enable Members to receive the full Preferred Return of Eight Percent (8%) for the year.

In addition, for purposes of illustration only, assume that a Member received the full annualized amount of the Preferred Return for the first monthly distribution of a fiscal year. In the remaining monthly period of such fiscal year, if the Fund was unable to return to the Member the full annualized amount of the Preferred Return, such amount would not cumulate and compound into the following

fiscal year as a Preferred Return distribution owing or required to be distributed to the Member in the succeeding fiscal year. Further, in this example, if the Fund had posted a substantial loss in the second monthly period, the loss may be large enough such that Members may have received too large a distribution of Preferred Return during the first monthly distribution period of the fiscal year; in such a case, there is no mechanism for the Fund to necessarily claw-back or recall excess distributions already made to Members during the earlier part of the fiscal year. All Investors should understand that due to differences in timing and amounts of distributions and actual income/losses and profits of the Fund, there may be a significant disparity between amounts distributed to Members and their distributable share of income and losses; such amounts and disparities may fluctuate and change from year to year.

If the Fund is unable to pay to Members the full Preferred Return in any accounting period, the shortfall shall neither cumulate nor compound into the following accounting period, and the Fund shall not be required to pay the shortfall in any succeeding accounting period. In the event that the Fund does not have funds available to pay the Preferred Return, the payment of the Preferred Return may be delayed until such funds are available, at the sole and absolute discretion of the Manager.

DISTRIBUTIONS OF THE PREFERRED RETURN ARE NOT A GUARANTEED DISTRIBUTION AND ARE SUBJECT TO THE CASH AVAILABILITY OF THE COMPANY. THE MANAGER AND THE COMPANY MAKE NO GUARANTEES, ASSURANCES OR COMMITMENTS TO THE DISTRIBUTION OF ANY RETURNS. THE MANAGER WILL ONLY MAKE DISTRIBUTIONS TO THE EXTENT CASH IS AVAILABLE AND, IN THE SOLE AND ABSOLUTE DISCRETION OF THE MANAGER, AND TO THE EXTENT THAT ANY DISTRIBUTIONS WILL NOT IMPACT THE CONTINUING OPERATIONS OF THE COMPANY.

Profit Participation / Distribution of Distributable Cash

Members will also be eligible to receive annual distributions of the Fund's Distributable Cash. Accordingly, any Distributable Cash in excess of the Preferred Return shall be distributable to Members on an annual basis, as follows:

- Fifty Percent (50%) of the Distributable Cash of the Fund shall be distributed to the Members on a pro-rata basis, and the remaining

- Fifty Percent (50%) of the Distributable Cash shall be distributed to the Manager.

Distributable Cash shall be distributed after distribution of the Preferred Return, to the extent cash is available and provided that such distribution will not impact the continuing operation of the Fund. All distributions will be made on an annual basis, in arrears.

"Distributable Cash" means the Fund's gross income less (1) the Fund's operating expenses (including payment of outstanding debt (if any), administrative costs, legal expenses and accounting fees); (2) any amount the Manager determines should be retained for the reasonable and current future needs of the Fund's business, including, an allocation of income for a loan loss reserve; and (3) payment of the Asset Management Fee to the Manager.

All distributions of Distributable Cash will be made on an annual basis, in arrears, and distributions to Members shall be prorated as applicable for the amount of time that a Member was a member of the Fund during such accounting period.

DISTRIBUTION OF DISTRIBUTABLE CASH IS NOT GUARANTEED. DISTRIBUTABLE CASH SHALL ONLY BE DISTRIBUTED TO THE EXTENT CASH IS AVAILABLE AND PROVIDED THAT THE DISTRIBUTABLE CASH DISTRIBUTIONS WILL NOT IMPACT THE CONTINUING OPERATIONS OF THE COMPANY, SUBJECT TO THE SOLE AND ABSOLUTE DISCRETION OF THE MANAGER.

Waterfall

As Fund income is received, cash will be distributed ("Waterfall") as follows:

1. Interest and principal payments on any Credit Facility;

2. Fund Expenses;

3. Manager's Asset Management Fee (an annualized rate of One and a Half Percent (1.5%) of total Assets Under Management, as defined in "*Manager's Compensation*" below), and any other fees due to the Manager;

4. Preferred Return to Members, payable monthly;

5. Any available Distributable Cash, as determined by the Manager, to be shared between the Members and Manager as follows: Fifty Percent (50%) to the Members on a pro-rata basis and Fifty Percent (50%) to the Manager, the end of each fiscal year.

Election to Reinvest

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

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

An election to reinvest all or a portion of the income distribution or Preferred Return is revocable at any time upon a written request to revoke such election. If no election is made, then the income distribution and Preferred Return will be a cash disbursement. Members may change their election at any time upon Thirty (30) days written notice to the Fund. Upon receipt and after the Thirty (30) day notice has occurred, the Member's election shall be changed and reflected on the following first day of the month in which the Member is entitled to receive a distribution, or the following first day of the fiscal year in which the Member is entitled to receive a Preferred Return. Notwithstanding the preceding sentences, the Manager may at any time immediately commence with income distributions and Preferred Returns in cash only (hence, suspending the reinvestment option for such Member(s))

to any Member(s) in order for the Fund to remain exempt from the ERISA plan asset regulations. (See "Certain Considerations Applicable to ERISA, Governmental and Other Plan Investors" below).

Maximum Offering

The Maximum Offering Amount of this Private Placement Memorandum is One Hundred Million Dollars ($100,000,000) in Membership Interests. The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Maximum Offering Amount or the Minimum Investment Amount.

The maximum gross proceeds will be the Maximum Offering Amount which will comprise, subject to adjustments as described elsewhere in this Private Placement Memorandum, the total equity capitalization of the Fund. This Offering may, however, be terminated at the sole option of the Manager at any time and for any reason (or no reason) before the Maximum Offering Amount is received.

Distribution Frequency

The Memorandum states that the Fund is to distribute the Preferred Return to the Members on a monthly basis and any available Distributable Cash on a yearly basis. Notwithstanding the foregoing, the Manager reserves the right to change the frequency of distributions, whether Preferred Return or Distributable Cash, with or without notice to the Members.

Restrictions on Transfer

Any Investor who desires to sell all or any portion of its Membership Interests to a Third Party will be required to comply with the following procedure, subject to restrictions on transfer as discussed in the Operating Agreement and applicable federal and state securities laws:

The Investor shall promptly deliver a copy of the Third Party offer to the Fund, and the Fund shall have Five (5) days to notify the Investor of the Fund's intent to purchase the Membership Interests upon the terms and conditions of the Third-Party offer. If the Fund does not purchase all of the Investor's Membership Interests, then the selling Investor shall notify all other current Investors in writing. Each Investor will have fifteen (15) days to notify the selling Investor of the other Investor's intent to purchase the Membership Interests upon the terms and conditions of the Third-Party offer.

If none of the other Investors give notification within fifteen (15) days of an intention to purchase the Membership Interests, then the selling Investor shall be permitted to sell the Membership Interests to the Third Party upon the terms and conditions of the Third Party offer. The selling Investor and the purchasing Investor or Third Party shall pay, or reimburse the Fund for, all costs incurred by the Fund in connection with the sale of Membership Interests.

Investor Suitability

This investment is appropriate only for Investors who have no need for immediate liquidity in their investments and who have adequate means of providing for their current financial needs, obligations and contingencies, even if such investment results in a total loss. Investment in the Membership Interests involves a high degree of risk and is suitable only for an investor whose business and investment experience, either alone or together with a purchaser representative, renders the

Investor capable of evaluating each and every risk of the proposed investment. CAREFULLY READ THE ENTIRE "RISK FACTORS" SECTION OF THIS PRIVATE PLACEMENT MEMORANDUM.

Each Investor seeking to acquire Membership Interests will be required to represent that he, she or it is purchasing for his, her or its own account for investment purposes and not with a view to resale or distribution. The Fund will sell Membership Interests to an unlimited number of "Accredited Investors." (See "Accredited Investor Status" above).

V. USE OF PROCEEDS

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

[1] Membership Interests will be offered and sold directly by the Fund, the Manager and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. While most Membership Interests are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Interests through the services of independent broker/dealers who are member firms of the Financial Industry Regulatory Authority ("FINRA") and who will be entitled to receive customary and standard commissions based on the gross proceeds received for the sale of Membership Interests. These commissions will be paid by the Manager. Although neither the Fund nor the Manager expects to make a large number of sales of Membership Interests through broker/dealers, each reserves the right in its respective sole discretion to make any or all offers and sales through broker/dealers. The amount and nature of commissions payable to broker/dealers is expected to vary in specific instances and will be agreed on a case-by-case basis by the Manager in its sole and absolute discretion. The Manager (and not the Fund) will be responsible for all such commissions payable to broker/dealers.

[2] Gross Offering proceeds to the Fund are calculated before deducting organization and offering expenses. The expenses relating to this Offering include, without limitation, legal, organizational, printing, binding and miscellaneous expenses. The remaining Offering proceeds will be available for investment in assets pursuant to the business plan of the Fund. The Manager will receive its compensation from a variety of sources, including, without limitation, a portion of the Distributable Cash. (See "Manager's Compensation" below.) The Manager may, in its sole and absolute discretion, elect to be responsible for some or all of the foregoing expenses related to the Offering, whether through direct payment of such expenses or reimbursement to the Fund of such expenses incurred.

VI. LENDING STANDARDS AND POLICIES

General Standards for Loans

The Fund will originate, acquire, make, fund, purchase, and/or otherwise sell Loans secured by interests in real property, including renovation, new construction and bridge Loans located across the United States, with a primary focus in the state of Texas. As a collateral-based lender, the Fund will primarily consider the value of the real property collateral and its related cash flow as a primary factor in its loan decisions. As a secondary consideration, the Fund will evaluate non-collateral, borrower related factors. (See "Credit Evaluation" in Section 10 below.) Such borrower may include, among others, professional real estate investors, real estate developers, and renovation companies ("Borrower"). The Fund's loans will not be guaranteed by any governmental agency or private entity, but may be guaranteed by members, shareholders, affiliates, and/or associates of the underlying borrowers. The below list of criteria is not an exhaustive and the Manager reserves the right to evaluate each Borrower on a case-by-case basis and to approve or deny Loans in its sole discretion. The Loans will generally be (i) evidenced by a Loan Agreement, (ii) a Promissory Note secured by (iii) a Deed of Trust on the Property, (iv) a Non-homestead Affidavit, (v) a Personal Guaranty, (collectively, the "Loan Documents"). Forms of the Loan Documents will be made available to Investors upon request.

As used herein, "Non-homestead Affidavit" refers to an Affidavit where a borrower declares that he or she does not reside upon, use in any manner, nor claim a residence, nor have any present intention of ever in the future residing upon, using, or claiming as residence the real property securing the Loan, and that the Loan proceeds will be used for a business purpose.

Prior to approving any Loan, each Loan will be evaluated using a comprehensive set of criteria, including:

1. **Lien position**. Loans will primarily be secured by senior deeds of trust or mortgages that are first lien positions. The Fund may also fund loans secured by second deeds of trust or mortgages provided that, the aggregate loan-to-value ratios in Section 4 below are met.

2. **Location.** Most deeds of trusts and mortgages will be secured by real property primarily located in Texas. Notwithstanding the foregoing, the Fund reserves the right to make loans in other jurisdictions.

3. **Loan Terms**. The terms of the Fund Loans will vary. Loans generally have terms of as short as Twelve (12) months and of as long as Twenty Four (24) months ("Terms"). A Loan, however, may be shorter in term or exceed the foregoing terms if the Manager believes, in its sole and absolute discretion, that the Loan is in the best interests of the Fund. Many Loans that the Fund will originate or acquire may provide for interest-only, monthly payments or deferred interest payments, followed by a balloon payment at the end of the term (along with payment of all deferred interest payments, as applicable) For risk hedging purposes, borrowers may be required to make principal and interest payments. At the end of the term, the Fund will require the borrower to pay the Loan in full, to refinance the Loan, or to sell the real property to pay back the Loan. The Fund may allow Three to Twelve (3-12) month extensions for a fee paid by Fund Borrowers. Finally, the Fund may also charge exit fees on loans based on the existing loan balance at maturity. These exit fees may range from Zero Percent (0%) to Ten Percent (10%) of the remaining loan balance at maturity.

4. **Loan-to-Value (LTV)**. A loan from the Fund will generally not exceed the Loan-to-Value percentage ratios set forth below. The Loan-to-Value ratio is calculated by taking the amount of the Fund's Loan combined with the amount of outstanding debt secured by other liens on the property, dividing that by the expected future value of the real property (the "after repaired value" or "as completed value") securing the deed of trust or mortgage and multiplying that figure by One Hundred (100) to come to a percentage. "Value" shall be determined by using comparable purchase prices, or an independent certified appraiser or non-certified appraiser doing an appraisal on the real property, or the Manager or commercial or residential real estate broker giving his, her, or its opinion of value of the real property. Notwithstanding the foregoing, the Fund may exceed the below stated Loan-to-Value ratios if the Manager determines in its sole business judgment that a higher loan amount is warranted by the circumstances of that particular loan, such as being able to secure multiple properties, called "cross-collateralization", personal guaranties, prior loan history with the borrower, market conditions, if mortgage insurance is obtained, or other compensating factors that would support the Manager in making its decision in the best interest of the Fund.

Type of Real Property Securing loan	Target and Maximum LTV Ratios
1. Non-Owner-Occupied Residential • Determined on "after repaired value". Examples of Non-Owner Occupied Residential includes (1) residential property being renovated for resale (i.e., "fix-and-flip"); (2) residential new construction; (3) rental property undergoing income stabilization for refinancing with a traditional lender; and (4) partially completed property from a distressed developer that needs work to complete.	Target: 50% to 75%; Maximum: 75%
2. Multi-Family Properties • Multi-family includes apartments, manufactured housing (aka mobile home parks), student housing, senior apartments and non-owner occupied single family homes.	Target: 50% to 75%; Maximum: 75%
3. Commercial • Commercial includes retail, office, industrial, self-storage, and specialized commercial properties (e.g. churches, synagogues, etc., if alternative use is viable).	Target: 50% to 75%; Maximum: 75%
4. Construction Loans • Determined on an "as completed value".	Target: 50% to 75%; Maximum: 75%
5. Land (Improved and/or Unimproved for Development Purposes)	Target: 25%; Maximum: 50%

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

In general, the Fund will seek to maintain a weighted Loan-to-Value ratio for the Fund of approximately Fifty Percent to Seventy Five Percent (50% to 75%); provided that the maximum Loan-

to-Value ratio for the Fund shall not exceed Seventy Five Percent (75%), unless the Manager determines in its sole discretion that it is in the best interests of the Fund to exceed such ratio in any single or multiple instances.

The foregoing Loan-to-Value ratios do not apply to purchase-money financing offered by the Fund. Examples of these types of loans may be, but are not limited to, real estate owned by the Fund whereby the Fund decides to sell the property and carry back a loan on the property to make it cash flow positive.

5. **Insurance**. Satisfactory title, hazard, builder's risk, or liabililty insurance will be required and paid by the Borrower. The policy must name the Fund as its loss payee. (See "Principal Risk Factors – Uninsured Losses" below.)

6. **Sale of Loans**. The Fund may invest in Loans for the purpose of reselling such loans in the course of business. The Fund may sell Loans, or fractional interests in such Loans, when the Manager determines (in its sole and absolute discretion) that it appears to be advantageous for the Fund to do so, based upon then current interest rates, the length of time that the Loan has been held by the Fund and the overall investment objectives of the Fund. (See "Principal Risk Factors" and "Conflict of Interest – Purchase, Sale and/or Hypothecation of Loans" below.)

7. **Acquiring Loans from Other Lenders.** In the event the Fund acquires Loans from other lenders, the Fund will receive assignments of all beneficial interest in any Loans purchased.

8. **Fractionalized Interests**. The Fund may also invest in fractionalized interests in promissory notes secured by real property with other lenders (including other entities organized by the Manager), by providing funds for or by purchasing a fractional undivided interest in a Loan that meets the requirements set forth above.

9. **Credit Evaluation.** The Manager will generally look to the underlying property securing the Loan and the loan-to-value ratios described above to determine whether to make the loan to the borrower and, to a lesser extent, consider the income level and general creditworthiness of a borrower to determine his, her or its ability to repay the loan according to its terms and secondary sources of security for repayment. The Fund may acquire loans made to borrowers who are in default under other obligations (e.g., to consolidate their debts) or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations.

10. **Loan Servicing.** It is presently anticipated that all Fund Loans will be serviced (i.e., loan payments collected and other services relating to the loan) by the Manager. At its sole and absolute discretion, the Manager may choose to use an Affiliate or third-party loan servicer rather to service the Loans itself, for any other reason (or no reason). The servicer, whether a third party or the Manager or its Affiliate, shall be herein referred to as the "Servicer." The Servicer will be compensated by the borrowers for such Loan servicing activities, as is agreed upon by the Manager and Servicer. To the extent applicable, the Manager will oversee the activities and performance of the Servicer. (See "The Manager's Compensation" below.)

Borrowers who make loan payments pay in arrears (i.e. with respect to the preceding month) and will be instructed to send their loan payments either to the Manager or to the Servicer (as applicable) for deposit in the respective party's trust account.

11. **Non-Performing Loans.** The Fund may, when commercially reasonable, purchase, take back, receive, or otherwise acquire non-performing Loans secured by real property located throughout the United States ("Nonperforming Notes" or "NPNs"). Nonperforming Notes are typically loans that are in default, behind in payments, or are secured by properties that have little to no equity remaining due to devaluation or excessive leverage. The Fund's primary intent, as it pertains to Nonperforming Notes, is to acquire the Nonperforming Notes at a discount and subsequently refinance, modify or otherwise reform the Nonperforming Note to become a performing Note. Alternatively, the Fund may also foreclose and/or acquire the properties securing the Nonperforming Notes, using the general standards and criteria set forth below. The Fund will use an opportunistic investment strategy to identify and invest in Nonperforming Notes, unless the Manager, in its sole and absolute discretion, determines it is no longer in the best interests of the Fund.

12. **Leveraging the Fund / Borrowing / Note Hypothecation / Leverage Ratio.** The Fund may borrow funds from one or more lenders, including third-party lenders, investors, and/or financial institutions (a "Credit Facility" or "Facility"). The Fund may pledge company assets, as collateral for such borrowing, which may include, without limitation, Loans, collateral assignments of the Fund's rights to receive Loan repayments and the Fund's rights granted under the Deed of Trust securing a Loan. The Operating Agreement grants the Manager with discretion in its ability to use debt financing (i.e., "Leverage") in the operation of the Fund. Such a transaction involves certain elements of risk and also entails possible adverse tax consequences. (See herein "Principal Risk Factors", "Certain Tax and Regulatory Matters" below.)

The Fund may also in its sole discretion elect and employ leverage and borrow funds from such Credit Facility to finance the Fund's investments in loans. Leverage usually involves a third-party loan in which the Fund's entire asset portfolio is provided as security to the lender for such loan(s). Leveraging involves additional risks that are detailed later in this Memorandum. (See "Principal Risk Factors – Risks Related to the Fund's Use of Debt / Leverage" below). In order to manage these risks, the Fund will use what it considers to be a conservative amount of debt to fund its portfolio. The Fund expects to maintain a debt to equity ratio in the range between .33:1 and 1:1. In other words, the Fund expects that the amount of debt assets will range be between 33% and 100% of equity assets.

Specifically, at any time, the amount the Fund's debt outstanding may not exceed One times the Fund's outstanding common equity, a 1:1 leverage ratio. If the outstanding debt of the Fund exceeds this ratio at any time, the Fund will use its best efforts to pay down its debt to the required level as quickly as practical without otherwise harming the Fund's financial condition or ongoing business.

13. **Loan Closings.** The Fund's Loans will be funded and closed through a qualified independent title insurance company.

VII. PROPERTY ACQUISITION GUIDELINES AND POLICIES

General Standards for Property Acquisition

The Fund may acquire, manage, remodel, develop, lease, repair and/or sell real property located throughout the United States, with a primary focus in Texas. Properties may be acquired from (without limitation) individuals, entities, institutional investors, financial institutions, governmental agencies and other sellers of real property. Unless the Manager decides in its sole and absolute

discretion that it is in the best interests of the Fund to do otherwise, the Fund intends to generally acquire, and purchase properties based on the following criteria:

1. **Maximum Investment.** The Fund may use the same standards as the Loan-to-Value Ratios set forth above to determine the maximum amount of leverage the Fund will incur when investing in a property. In other words, the Manager may generally seek to limit the total amount of debt, loans, or financing (i.e. leverage) to acquire a property to the same percentage of a property's market value as set forth above in the Loan-to-Value Ratios table. The Manager, at its sole and absolute discretion, may exceed the above ratios depending on the investment opportunity. Upon analysis in approximately Twenty Four (24) months, the Manager may re-evaluate the portfolio and purchase price to market value ratio maximums set by the Fund and may revise them at that time if it considers it to be in the best interests of the Fund. The Manager will inform Members of the new Loan-to-Value ratios when and if the Manager re-evaluates them.

2. **Purchase Price**. The Fund will seek to acquire properties offered for sale at a price that is below or at market value, if the Manager determines, in its sole and absolute discretion, that it is in the best interests of the Fund to do so.

3. **Fire and Casualty Insurance.** Satisfactory hazard, builder's risk, or liability insurance will be obtained for all properties and will name the Fund as its loss payee. (See "Principal Risk Factors – Uninsured Losses").

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

5. **Environmental Reports**. Environmental reports will not typically be ordered on properties purchased or otherwise acquired by the Fund unless determined otherwise by the Manager, at its sole and absolute discretion.

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

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

VIII. MANAGEMENT OF THE COMPANY

The Manager of the Fund is Avondale Investment Management, LLC ("AIM"). AIM is located in Dallas, Texas, organized as a limited liability company under the laws of the State of Texas. AIM was founded in 2012 and is owned and operated by its Principal, John Spears.

John Spears, *Managing Member of Avondale Investment Management, LLC, Manager of the Fund*

The Fund was founded by John Spears after his own private lending experiences in 2015. After funding several successful renovation projects in Dallas, he came to realize how common it was for traditional banking institutions to refuse renovation projects and how banks respond too slowly for real estate financing, even for borrowers with solid track records. Recognizing the opportunity, Mr. Spears formed the Fund in 2016. Since then John has underwritten over 700 private loan transactions totaling over $400 million and established extensive relationships with other private lenders across the country. He is a member of the American Association of Private Lenders (AAPL) and has completed the Certified Fund Manager designation from AAPL.

Prior to starting the Fund, John spent Seven years as an investment advisor, obtained Series 7 and 66 licenses, a Certified Investment Management Analyst® Certification by Investment Management Consultants Association® and a Certificate in Financial Planning from SMU. Prior to his career as an investment manager, he spent 10 years in consulting with Cenergistic LLC and Arthur Andersen LLP. He received his bachelor's degree in Finance from Texas Christian University in 1999.

Duties and Authority of the Manager

The duties and authority of the Manager are set forth in the Operating Agreement. As stated therein, the Manager will be the sole manager of the Fund and shall control the management, business, and affairs of the Fund including, without limitation: (a) opening and maintaining bank accounts; (b) raising capital for the Fund, overseeing the purchase and development of the properties, and managing the properties; (c) selecting lawyers, accountants, and other advisors for the Fund; (d) obtaining insurance; (e) paying debts and obligations of the Fund; (f) determining distributions of cash and other property; (g) filing state and federal taxes; (h) selling properties, and (i) selecting Loans to, fund, originate, acquire, and/or sell on behalf of the Fund.

IX. MANAGER'S COMPENSATION

The following discussion summarizes some important areas of compensation to be received by the Manager and its Affiliates, and in certain instances, the Servicer. If the Manager or Servicer defers or assigns to the Fund any of their respective compensation, the Manager and/or Servicer will be entitled to recover same at a later time within the same calendar year or at any time thereafter. Notwithstanding the foregoing, the Manager and/or Servicer have no obligation to waive, defer, or assign to the Fund any portion of such compensation at any time.

Form of Compensation	Estimated Amount or Method of Compensation
ASSET MANAGEMENT FEE	The Manager shall earn an annual asset management fee ("Asset Management Fee") of One and a Half Percent (1.5%) of the total Assets Under Management, calculated and payable quarterly.

	As used herein, "Assets Under Management" means the total Fund assets, including notes (at book value), real estate owned (at the lower of cost or fair market value), accounts receivable, advances made to protect loan security, unamortized organizational expenses, cash and any other Fund assets valued at fair market value. The Asset Management Fee will typically be paid on the first day of each calendar quarter with respect to the Assets Under Management as of last day of the previous quarter. New assets received between quarterly periods will not be charged a prorated fee for the days under management.
PARTICIPATION ON DISTRIBUTION OF DISTRIBUTABLE CASH	After distribution of the Preferred Return, the Manager shall participate in the distribution of Distributable Cash as follows: the Manager shall be entitled to receive Fifty Percent (50%) of Distributable Cash.
LOAN ORIGINATION FEES AND LENDER DISCOUNT POINTS	Loan origination fees and lender discount points are generally collected from Borrowers by the Manager (on behalf of the Fund). Such fees and points average (in the aggregate) between One and Three Percent (1-3%) but could be as low as Zero Percent (0%) or as high as Five Percent (5%) depending on market conditions. A loan origination fee of an annualized rate of Half of One Percent (0.5%) of the principal amount of each loan shall be payable to the Manager, Affiliate, or third party. The remaining Loan origination fees that are collected from the Borrowers shall be payable to the Fund. Loan origination fees consist of loan processing fees, underwriting fees, document preparation fees, escrow fees, disbursement fees, warehousing fees, administration fees and other similar charges.
PURCHASE OF EXISTING LOANS	When the Fund purchases an existing loan (or pool of loans) from a third party, a fee comparable to a loan origination fee will be payable to the Fund.
LOAN EXTENSION AND MODIFICATION FEES	One Hundred Percent (100%) of the Loan extension and modification fees that are collected from the Borrowers will be payable to the Fund. Such fees are typically between One and Three Percent (1-3%) of the original loan amount but could be higher or lower depending on market rates and conditions.
LOAN PROCESSING, LOAN DOCUMENTATION AND OTHER SIMILAR FEES	Any loan processing, documentation and other similar fees, including credit check fees, may be collected from

	borrowers will be payable to the Fund at the prevailing industry rates.
OTHER LOAN FEES	One Hundred Percent (100%) of all other fees paid by borrowers on account of loans will be payable to the Fund. These fees will include, without limitation, all forbearance fees, collection fees, default interest, and all other similarly related fees incurred by borrowers (including, but not limited to, other fees authorized by loan documents for work performed regarding the subject loan). Notwithstanding the foregoing, some of the aforementioned fees may be payable or assignable to the Servicer.
LOAN SERVICING FEE	The loan servicing duties related to the Loans may be performed by the Manager or the Manager may choose to outsource these duties by retaining a third party loan servicer or Affiliate. The Servicer, whether it is the Manager or a third party, shall be entitled to a fee for servicing the loans "Loan Servicing Fee". The Loan Servicing Fee may be collected after funding an initial advance on a loan or from the payments received by the Fund from Borrowers on a monthly basis, or at such time as is determined by the Manager, in its sole and absolute discretion. While the aggregate fee payable by the Fund is listed above, this fee may vary from loan to loan. In addition, if the Manager decides to retain the services of a third-party loan servicing company, the Loan Servicing Fee may vary from the one listed herein and shall be considered an expense to the Fund. Further, the Manager may direct the Fund to service the Loans itself.
PROPERTY MANAGEMENT FEE	It is presently anticipated that any properties the Fund acquires will be managed by the Manager, who shall be entitled to receive a monthly property management fee for each property. The monthly property management fee shall generally be computed as a specified numerical percentage (which percentage shall be set by the Manager on a case-by-case basis for each subject property) multiplied by monthly gross rents for the property. Generally, the Manager expects to receive a property management fee of Five Percent (5%). Notwithstanding the foregoing, the Manager reserves the right to retain the services of a third party or an Affiliate to manage Fund properties.

REAL ESTATE COMMISSIONS	The Manager or its Affiliates may earn real estate commissions to list and sell real estate that the Fund has acquired. The Manager or its Affiliates may generally earn up to Six Percent (6%) for such a sale.
REIMBURSEMENT OF OPERATING AND ADMINISTRATION EXPENSES	The Fund shall pay its own general administrative expenses, including but not limited to the following: Outstanding amounts due on loans or lines of credits as a result of borrowing funds, accounting fees, administration fees, audit costs (as applicable), tax services, loan servicing fees, any expenses arising from Direct Investments (taxes, insurance, property management, real estate commissions, etc.), and other ordinary and reasonable business expenses. The Fund may choose to capitalize and amortize certain of these expenses over a number of quarters or years in accordance with IRS regulations and US GAAP. The Manager shall bear the following expenses: Salaries of all employees of the Manager; travel expenses; industry memberships, events and conferences; office supplies; telecommunications and internet; and expenses related to the Manager's office location. Notwithstanding the foregoing, the Manager is not required to advance any funds to pay costs and expenses of the Fund. However, in the event the Manager advances such funds, the Manager shall be entitled to be reimbursed from the Fund.

X. FIDUCIARY RESPONSIBILITY OF THE MANAGER

Under applicable law, the Manager is generally accountable to the Fund as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to Fund affairs and sound business judgment. This is a rapidly developing and changing area of the law, and Members should consult with their own legal counsel in this regard. The fiduciary duty of the Manager is in addition to the other duties and obligations of, and limitations on, the Manager set forth in the Operating Agreement. Investors should consult with their own independent counsel in this regard.

The Fund has not been separately represented by independent legal counsel in its formation or in the dealings with the Manager, and Members must rely on the good faith and integrity of the Manager to act in accordance with the terms and conditions of this Offering.

The Operating Agreement provides that the Manager will not have any liability to the Fund for losses resulting from errors in judgment or other acts or omissions unless the Manager is guilty of fraud, bad faith or willful misconduct. The Operating Agreement also provides that the Fund will indemnify the Manager against liability and related expenses (including, without limitation, legal fees and costs) incurred in dealing with the Fund, Members, or third parties as long as no fraud, bad faith, or willful misconduct on the part of the Manager is involved. Therefore, Members may have a more limited right of action than they would have absent these provisions in the Operating Agreement. A successful indemnification of the Manager or any litigation that may arise in connection with the Manager's indemnification could deplete the assets of the Fund. Members who believe that a breach of the Manager's fiduciary duty has occurred should consult with their own legal counsel in the event of fraud, willful misconduct or bad faith.

It is the position of the U.S. Securities and Exchange Commission that indemnification for liabilities arising from, or out of, a violation of federal securities law is void as contrary to public policy. However, indemnification will be available for settlements and related expenses of lawsuits alleging securities law violations if a court approves the settlement and indemnification, and also for expenses incurred in successfully defending such lawsuits if a court approves such indemnification.

Conflicts of Interest

The Manager may engage in and possess interests in other business ventures of any and every type and description, including ones in competition with the Fund, with no obligation to offer the Fund or any Investor the right to participate therein. Likewise, the Manager may enter into other, unrelated contracts or transactions with the Fund in accordance with the Operating Agreement. (See "Conflict of Interest" below).

XI. PRINCIPAL RISK FACTORS

The purchase of Membership Interests in the Fund involves a number of significant risks. The list of Risk Factors listed below is not comprehensive. Each prospective Investor should ask questions and consult with its own advisors regarding the risks inherent in the Fund's proposed business. Each investor is strongly cautioned and advised to seek or make an independent evaluation of the risks associated with an investment in the Fund. In addition to the other information in this Memorandum, the following factors should be considered carefully in evaluating the Fund and its business before investing:

Investment Related Risks

No Assurance of Profit or Distributions. The profitability of the Fund and the Fund's ability to make distributions to Investors is dependent on the ability of Borrowers to timely repay the Loans. Should the Borrowers' activities not realize sufficient cash flow to allow the Borrowers to make payments to the Fund on the Loans, the Fund may be unable to pay the entire amount of the targeted distribution. There is no assurance that the Fund will be profitable or that any distribution will be made to the Investors. Any return on investment to the Investors will depend upon successful operations, leasing, and disposition of the Fund and the performance of each Borrower. If the Borrowers do not have sufficient capital to repay the Loans, you could lose all or some portion of your investment in the Fund. The Fund may not have sufficient cash available to make tax distributions to the Investors. The expenses of the Fund may exceed its income, and the Investors could lose the entire amount of their contributed capital.

Illiquidity Membership Interests. The Membership Interests are highly illiquid, have no public market and are not transferable except as permitted by the Operating Agreement, and in accordance with applicable Federal and State securities laws and regulations. Transfers by Members are not permitted, except in limited instances when necessary to comply with laws or regulations applicable to such Investor.

Long-Term Investment. An investment in the Fund is a long-term commitment, and there is no assurance of any distribution to the Members prior to or upon liquidation of the Fund.

Failure to Make Capital Contributions. If any Investor fails to fund its subscription or make required capital contributions when due, the Fund's ability to conduct its operations may be impaired.

Dilution. The Membership Interests offered in the Offering consist of limited liability company interests of the Fund. Members may experience dilution of their respective Membership Interests in the Fund as more Investors are admitted as Members of the Fund. Further, under the Operating Agreement, the Manager has the right to cause the Fund to sell additional Membership Interests. Any such sale of additional Membership Interests would further dilute the percentage interests of the existing Members.

Speculative Nature of Investment. Investment in these securities is speculative and, by investing, each Investor assumes the risk of losing the entire investment. The Fund has limited operations as of the date of this Private Placement Memorandum and will be solely dependent upon the Fund and the Fund's loan portfolio, both of which are subject to the risks described herein. Accordingly, only Investors who are able to bear the loss of their entire investment and who otherwise meet the Investor suitability standards should consider purchasing these securities.

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

Investors and Fund Not Independently Represented. The Fund has not been represented by independent legal counsel for its organization and dealings with the Manager. In addition, the attorneys who have performed services for the Fund have also represented the Manager but have not represented the interests of the Members of the Fund. (See "Conflicts of Interest" below.)

Risks Related to the Fund's Business Model

Lending Risks. The Fund will use substantially all of the capital contributed by the Investors to fund the Loans (and related transaction expenses) to the Borrowers. The Membership Interests of the Investors could be adversely effected if, for example, the Borrowers are adversely affected by a downturn in the U.S. economy that negatively impacts the performance of their operations. Certain industries, such as the homebuilding and renovation industry, are directly correlated to the health of the U.S. economy. If the United States suffers a prolonged recession, then the revenues from the Borrowers' operations may decline, and the value of, or cash flow from, the Borrowers' business could be materially diminished and the Investors' interest may be negatively affected.

Dodd-Frank Wall Street Reform and Consumer Protection Act (amending the Federal Truth in Lending, Real Estate Settlement Procedures and Equal Credit Opportunity Acts). Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") created the Consumer Financial Protection Bureau (the "CFPB") and transferred regulatory and rulemaking authority for the federal laws regulating consumer mortgage lending to the CFPB. Title XIV of Dodd-Frank, the Mortgage Reform and Anti-Predatory Lending Act, provides for substantial amendments to the statutes and regulations which govern consumer purpose loans secured by One to Four residential properties.

Many of the final rules implementing the Dodd-Frank amendments took effect in January 2014. In part, the new rules require creditors to document and verify a consumer's ability to repay the mortgage loan; require appraisals for all higher-cost and high-cost loan transactions; restrict prepayment penalties on higher-cost loans and prohibit them on high cost loans; require creditors to establish escrow accounts for all higher-cost and high-cost loan transactions; and, require creditors to obtain written certification that a consumer has received homeownership counseling prior to closing a high cost mortgage loan. Failure to comply with the new rules implemented in Regulation Z may subject the Fund to, among other things, rescission of the loan and a loss of all finance charges and fees paid by the consumer.

Changes in Future Property Value or Marketability and Catastrophic Events. During the lending process, the Fund will rely on third party opinions of a property's value and marketability at that point in time; however, subsequent events may drastically alter the value or marketability of the property and negatively affect the Fund's ability to recover its capital in a timely manner. Such events may include, but are not limited to, local demand for real estate, prevailing interest rates, inflation, unemployment, general economic conditions, the performance of other similar properties in the area, changes to zoning or other permitted use laws, the discovery or introduction of environmental impairments, natural disasters, and other similar factors.

Resale Risks. Inventory risks are substantial for the homebuilding and renovation industry. There are risks inherent in controlling, owning and developing land and if housing demand declines, Borrowers may own land or lots at a cost they will not be able to recover fully, or on which they cannot renovate and sell homes profitably. Also, there can be significant fluctuations in the value of housing inventories related to changes in market conditions. As a result, Borrower deposits for building lots controlled under option or similar contracts may be put at risk, and Borrowers may have to sell renovated homes for lower than anticipated profit margins. The occurrence of any of the foregoing could have a negative impact of the ability of each Borrower to repay its Loan.

Competitive Risks. The residential renovation market and construction market is highly competitive. Each Borrower competes in a market with numerous national, regional and local homebuilding and renovation companies. Competition may result in shortages in materials, contractors and subcontractors, and available residential real estate, which may in turn negatively impact the ability of each Borrower to repay its Loan. Furthermore, the Fund's profitability will depend largely upon the future availability of secured loans and investment properties fitting the Fund's investment criteria. The Fund expects that it will face significant competition for attractive investments opportunities from other well-capitalized investors such as institutional lenders, pension funds, and private investors, many of whom have greater financial resources and experience than the Fund and the Fund Manager. This competition is expected to increase as the attractiveness of the asset increases relative to other forms of investment, and the costs to acquire attractive investments may increase as a result. If the Fund is unable to acquire assets at a pace necessary to fully deploy its capital, the performance of the Fund could be significantly degraded.

Demand Risks. Demand for newly built or renovated homes is sensitive to changes in economic conditions such as the level of employment, consumer confidence, consumer income, the availability of financing and interest rate levels. The prior economic downturn severely affected both the numbers of homes sold and the prices at which they could be sold. We cannot predict whether the recovery in the housing market will continue. If the recovery were to slow or stop, or economic conditions were to worsen, the resulting decline in demand for renovated homes may negatively impact the ability of each Borrower to repay its Loan.

Supply Risks. Increased costs or shortages of skilled labor and/or lumber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays for each Borrower. Such increased costs or shortages may negatively impact the ability of each Borrower to sell renovated homes at the anticipated profit margin and the ability to repay its Loan.

Project Execution Risk. Because most of the Fund's assets will involve a renovation, new construction, or development plan, the Fund will be dependent upon the performance of third party developers and contractors to complete such plans in accordance with the pre-approved budgets, specifications, and schedules. Completion of the plans may also be subject to certain governmental inspections or approvals, the timing of which cannot be controlled by any party to the transaction. In the event that improvements to a property cannot be made on time and within budget, the Fund and its borrowers may be exposed to risks such as loss of income, increased carrying costs, the termination of pre-construction contracts for sale or occupancy, the loss of market opportunities, and legal costs.

Lack of Geographic Diversity. Although the Fund may extend its business activities throughout the United States, its business activities and credit exposure of the Fund will be concentrating on specific regions within the state of Texas. As such, the Fund may suffer adverse consequences from the lack of geographic diversification of its assets. Circumstances that affect these regions are likely to have

a significant impact on the Fund. Declines in these regions' real estate markets which are more severe or longer in duration than anticipated in the Fund's investment analysis and underwriting will hurt its business. If real estate values continue to decline, the Fund may experience greater exposure in its investments and the collateral for its loans will provide less security. As a result, the ability of the Fund to recover its investments by selling the underlying real estate may be diminished and the Fund would be more likely to suffer losses.

Loan Defaults and Foreclosure Risks. The Fund will participate in loans and take the risk that Borrowers will default on those loans and other risks that typically face, many of which are detailed in this Offering. The Fund loans may be made to Borrowers who do not qualify for loans from more traditional sources of financing, such as banks and savings and loans associations. Further, many Borrowers may be unable to pay the "balloon" loan, as noted below, and are compelled to refinance the balloon amount into a new loan. Fluctuations in the interest rates, unavailability of mortgage funds, and a decrease in the value of real property securing the loan could adversely affect the borrower's ability to refinance their loans at maturity.

The Fund will generally look to the underlying property securing the loan to determine whether to make the loan to the borrower and, to a lesser extent, the credit rating a borrower has. Nonetheless, borrowers will need to demonstrate adequate ability to meet its financial obligations under the terms of any loan which the Fund originates or purchases.

To determine the fair market value of the property securing the loan, the Fund will primarily rely on an appraisal, Manager's opinion of value of the property, or other similar opinion. Appraisals are a judgment of an individual appraiser's interpretation of a property's value. Due to the differences in individual opinions, values may vary from one appraiser to another. Furthermore, the appraisal is merely the value of the real property at the time the loan is originated. Market fluctuations and other conditions could cause the value of real property to decline over time.

If the borrower defaults on the loan, the Fund may be forced to purchase the property at a foreclosure sale. If the Fund cannot quickly sell the real property and the property does not produce significant income, the Fund's profitability will be adversely affected.

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

Moreover, the Loans typically permit the Fund to accelerate the debt upon default by a Borrower. The courts of all states will enforce acceleration clauses in the event of a material payment default, subject in some cases to a right of the court to revoke the acceleration and reinstate the Loan if a payment default is cured. The equity courts of a state, however, may refuse to allow the foreclosure or to permit the acceleration of the indebtedness in instances in which they decide that the exercise of those remedies would be inequitable or unjust or the circumstances would render an acceleration unconscionable. Further, the ability to collect upon Loans may be limited by the application of state and federal laws. In the event of acceleration and foreclosure is permitted, there is no guarantee that the proceeds of the foreclosure sale will be sufficient to satisfy the indebtedness under the Loans.

Lender Liability Risks. In recent years, a number of judicial decisions in the U.S. have upheld the rights 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 (1) intentionally takes an action that results in the undercapitalization of a Borrower to the detriment of other creditors of such Borrower; (2) engages in other inequitable conduct to the detriment of such other creditors; (3) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (4) 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.

Bankruptcy Laws. In the event of a default, the recovery of capital by the Fund through a foreclosure action may be delayed or impaired by Federal bankruptcy laws. Under such laws, Borrowers may have the ability to delay a foreclosure sale for a period of several months to several years by filing a petition for bankruptcy that may automatically stay an action to enforce the terms of the Loan. During this time, the Borrower may not be required to pay interest on the loan (though interest would continue to accrue, possibly to the point where the accrued amount due from the Borrower exceeds the property value). Additionally, bankruptcy courts have broad powers to compel the Fund to accept an amount less than the outstanding loan balance and to permit the Borrower to repay the Loan over a term that may be substantially longer than the original term of the loan. The Fund will pursue all legal avenues to recover its capital from defaulted Borrowers; however, delays introduced by bankruptcy proceedings may severely impair the Fund's profitability and cash flow.

Participation in Other Loans. The Fund may be participating in loans with other lenders. When participating in loans with other lenders, the Fund or its Manager may not have control over the determination of when and how to enforce a default, depending on the terms of any participation agreement with the other lenders, other lenders may have varied amounts of input into such decision-making process, including the ultimate decision-making power on if and when to enforce a default. If the Fund participates with a lender affiliated with the Manager or its principals, it is possible that the Fund would not be the lead lender, although the principal of the Manager who is affiliated with the other lender may be the decision-making party. There is no certainty who will be a lead lender in a situation where the Fund participates in ownership of a Loan with another entity.

Unidentified Investments. The Fund will invest in the Loans on an ongoing basis subsequent to the date of this Memorandum, so Investors will not be able to review or analyze the Fund's Loans, the Borrowers, or the Properties prior to investing. Future Loans acquired by the Fund may have substantially different characteristics than the Loans owned by the Fund at the time of an individual investment.

Balloon Payments. Most Loans made by the Fund will be "interest-only" loans that require the Borrower to only pay interest during the Term with a "balloon" payment of the entire principal balance due at maturity. Accordingly, no principal payments will be required during the Term and the Loan will not amortize to a lower outstanding balance over time. The Fund will use its best efforts during the underwriting process to ensure that a viable exit strategy exists for the Borrower, either by selling the property or by obtaining a new loan from another lender; however, there can be no

guarantees that either of these strategies will ultimately be successful. Fluctuations in property values, interest rates, and the availability of mortgage credit may adversely affect the ability of Borrowers to pay off their Loans at maturity.

Possible Repeal of Usury Exemption. Depending on the state, loans arranged by or through a mortgage lending licensee are generally exempt from the otherwise applicable state's usury limitation. Should this exemption be repealed, the Fund may no longer be able to originate loans in excess of the usury limit, potentially reducing its return on investment or forcing it to limit its lending or investing activities. In addition, some states have maximum interest rates that may be charged on a loan by a lender. If the Fund were to exceed the maximum interest rate allowed by law in any of those states, it could become subject to penalties and fess, thus potentially reducing the Fund's return on its investment on a loan or forcing the Fund to limit its lending or investing activities.

Uninsured Losses. The Manager will arrange for title, hazard, builder's risk, and liabillity insurance on the real properties securing the Fund's investments. However, there are certain types of losses, including catastrophic, war, floods, mudslides and other acts of God, which are either uninsurable or economically uninsurable. Should any such disaster occur, or if the insurance policies lapse through oversight, the Fund could suffer a loss of principal and interest on the loan secured by the uninsured property.

Risks Related to the Fund's Use of Debt / Leverage. The Fund may borrow funds from one or more lenders, including third-party lenders, investors, and/or financial institutions (a "Credit Facility" or "Facility"), and pledge company assets, as collateral for such borrowing, which may include collateral assignments of the Fund's rights to receive Loan repayments and the Fund's rights granted under the Deed of Trust securing a Loan. The Agreement grants the Manager with discretion in its ability to use debt financing (i.e., "Leverage") in the operation of the Fund. Such borrowed money may bear interest at a variable rate, whereas the Fund may be making fixed rate loans. Therefore, if prevailing interest rates rise, the Fund's cost of money could exceed the income earned from that money, thus reducing the Fund's profitability or causing losses. Furthermore, leveraging the Fund may also result in the receipt of some taxable income by investors (such as ERISA plans) that are otherwise tax-exempt. (See "Certain Considerations Applicable to ERISA, Governmental and Other Plan Investors" below.)

Risks of Real Estate Ownership. There is no assurance that the Fund's owned properties will be profitable or that cash from operations will be available for distribution to Members. Because real estate, like many other types of long-term investments, historically has experienced significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of property interests. The marketability and value of the Fund's properties will depend upon many factors beyond the control of the Manager and the Fund, including, without limitation:

- changes in general or local economic conditions;
- changes in supply or demand for competing properties in an area (e.g., as a result of over-building);
- changes in interest rates;
- the promulgation and enforcement of governmental regulations relating to land use and zoning restrictions, environmental protection, and occupational safety;

- condemnation and other taking of property by the government;
- unavailability of mortgage funds that may increase borrowing costs and/or render the sale of a property difficult;
- unexpected environmental conditions;
- the financial condition of tenants, ground lessees, ground lessors, buyers and sellers of properties;
- changes in real estate taxes and any other operating expenses;
- energy and supply shortages and resulting increases in operating costs or the costs of materials and construction;
- various uninsured, underinsured or uninsurable risks (such as losses from terrorist acts), including risks for which insurance is unavailable at reasonable rates or with reasonable deductibles; and
- imposition of rent controls.

Risks of Development, Renovation and Undeveloped Property. Properties acquired by foreclosing on a Fund loan may require varying degrees of development. In addition, some properties may be under construction or under contract to be developed or redeveloped. Properties that involve development or redevelopment will be subject to the general real estate risks described above and will also be subject to additional risks, such as unanticipated delays or excess costs due to factors beyond the control of the Manager and the Fund. These factors may include (without limitation):

- strikes;
- adverse weather;
- pandemic, earthquakes and other "force majeure" events;
- changes in building plans and specifications;
- zoning, entitlement and regulatory concerns, including changes in laws, regulations, elected officials and government staff;
- material and labor shortages;
- increases in the costs of labor and materials;
- changes in construction plans and specifications;
- rising energy costs; and

- delays caused by the foregoing (which could result in unanticipated inflation, the expiration of permits, unforeseen changes in laws, regulations, elected officials and government staff, and losses due to market timing of any sale that is delayed).

- Delays in completing any development or renovation project will cause corresponding delays in the receipt of operating income and, consequently, the distribution of any cash flow by the Fund with respect to such property.

Risks Associated with Buying Contaminated Properties. The Fund may make or buy loans secured by properties where it later discovers that such properties have environmental conditions that need remediation. The Manager would plan to sell the property as is or use contractors, consultants and service providers to help the Manager in evaluating the costs associated with remedying such contaminated properties, and who will be covered under their own insurance policies. While such properties may be resold after remediation, if the costs of remediation are substantially greater than the anticipated sale price of the property, the Fund may incur a substantial loss that could adversely affect distributions to Members.

Pandemic Risks. In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, surfaced in Wuhan, China. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. The short-term and long-term impact of COVID-19 on the operations of the Fund and its performance is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Fund's lending activities.

Compliance with the Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations. Under the Americans with Disabilities Act of 1990 (the "ADA"), all public properties are required to meet certain federal requirements related to access and use by disabled persons. Properties acquired by the Fund or in which the Fund makes a property investment may not be in compliance with the ADA. If a property is not in compliance with the ADA, then the Fund may be required to make modifications to such property to bring it into compliance, or face the possibility of imposition, or an award, of damages to private litigants. In addition, changes in governmental rules and regulations or enforcement policies affecting the use or operation of the properties, including changes to building, fire and life-safety codes, may occur which could have adverse consequences to the Fund.

Lack of Diversification in the Fund's Investments in Loans and Properties. The Fund expects to invest in a limited number of investments (loans and property acquisitions), resulting in the risk that the aggregate returns realized by the Fund may be substantially adversely affected by the unfavorable performance of a small number of such investments, which could cause payments to Members to be delayed, reduced or paused. The Fund may be more concentrated and less diversified than other funds and may have a greater concentration in a single investment sectors than other funds.

A large portion of the loans may be made to Borrowers located in the same or similar geographic markets. Such concentration is inherently risky and could cause the Fund's loan portfolio to be more susceptible to particular economic, political, regulatory, technological or industry conditions or occurrences compared to a portfolio that is more diversified or has a broader geographic focus.

Risks Related to the Management

Reliance on the Manager. The Manager will be tasked with making virtually all decisions with respect to the management of the Fund, including the determination of which loans to make and which assets to acquire. Accordingly, the Fund's success is dependent upon the performance and judgment of the Manager. The Members will not have a voice in the management decisions of the Fund and can exercise only a limited amount of control over the Manager. In the event of the withdrawal, dissolution, or bankruptcy of the Manager, a similarly qualified substitute manager may be difficult to find, and the business and operations of the Fund may be adversely affected.

Manager's Discretion as to the Use of Proceeds. The success of the Fund will be substantially dependent upon the discretion and judgment of the Fund Manager with respect to the application and allocations of the Fund's capital and the proceeds of this Offering. Investors in this Offering will be entrusting their funds to the Manager, upon whose judgment and discretion the Investors must depend.

Dependence on Key Personnel. The Fund is largely dependent on the efforts of John Spears. His temporary or permanent withdrawal, whether because of death, illness, or other type of event, could severely disadvantage the Fund.

Potential Conflicts of Interest with Manager. Although the Manager is required to devote such time as may be necessary for the proper performance of its duties, the Manager is entitled to, and does, engage in other business activities and is not prohibited from engaging in activities that are or may be competitive with the activities of the Fund. Therefore, the Manager may experience conflicts of interest with respect to the allocation of management time, services and functions among the Fund and other activities. (See "Conflict of Interest" below).

Indemnification. The Manager, and its respective members, partners, directors, officers, employees, agents and affiliates will be entitled to indemnification from the Fund except in certain circumstances. The assets of the Fund will be available to satisfy these indemnification obligations and such obligations will survive the dissolution of the Fund.

Risks Related to Regulatory Matters

No Registration as Investment Company. The Fund intends to avoid becoming subject to the Investment Act of 1940, as amended (the "**1940 Act**"); however, the Fund cannot assure prospective Investors that under certain conditions, changing circumstances or changes in the law, the Fund may not become subject to the 1940 Act in the future as a result of the determination that the Fund is an "investment company" within the meaning of the 1940 Act that does not qualify for an exemption as set forth below. Becoming subject to the 1940 Act could have a material adverse effect on the Fund. Additionally, the Fund could be terminated and liquidated due to the cost of registration under the 1940 Act. In general, the 1940 Act provides that if there are 100 or more investors in a securities offering, then the 1940 Act could apply unless there is an exemption; however, the 1940 Act generally is intended to regulate entities that raise monies where the entity itself "holds itself out as being

engaged primarily, or purposes to engage primarily, in the business of investing, reinvesting or trading in securities" (Section 3(a)(1)(A) of the 1940 Act).

The second key definition of an "investment company" under the 1940 Act considers the nature of an entity's assets. Section 3(a)(1)(C) of the 1940 Act defines "investment company" as any issuer that: "...is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis." Section 3(b)(1) of the 1940 Act provides that a company is not an "investment company" within the meaning of the 1940 Act if it is: "[An] issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities..."

Section 3(c) of the 1940 Act provides for the following relevant exemptions: "Notwithstanding subsection (a), none of the following persons is an investment company within the meaning of this title: (1) Any issuer whose outstanding securities (other than short- term paper) are beneficially owned ***by not more than One Hundred persons*** [emphasis added] and which is not making and does not presently propose to make a public offering of its securities. Such issuer shall be deemed to be an investment company for purposes of the limitations set forth in subparagraphs (A)(i) and (B)(i) of section 12(d)(1) governing the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end investment company to any such issuer. For purposes of this paragraph: (A) Beneficial ownership by a company shall be deemed to be beneficial ownership by one person, except that, if the company owns 10 per centum or more of the outstanding voting securities of the issuer, and is or, but for the exception provided for in this paragraph or paragraph (7), would be an investment company, the beneficial ownership shall be deemed to be that of the holders of such company's outstanding securities (other than short-term paper). (B) Beneficial ownership by any person who acquires securities or interests in securities of an issuer described in the first sentence of this paragraph shall be deemed to be beneficial ownership by the person from whom such transfer was made, pursuant to such rules and regulations as the Commission shall prescribe as necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of this title, where the transfer was caused by legal separation, divorce, death, or other involuntary event. (5) Any person who is not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in one or more of the following businesses: (A) Purchasing or otherwise acquiring notes, drafts, acceptances, open accounts receivable, and other obligations representing part or all of the sales price of merchandise, insurance, and services; (B) making loans to manufacturers, wholesalers, and retailers of, and to prospective purchasers of, specified merchandise, insurance, and services; and (C) ***purchasing or otherwise acquiring mortgages and other liens on and interests in real estate*** [emphasis added]."

Based upon the above, the Fund has been advised that the Offering is exempt under the 1940 Act and that the 3(c)(1) and/or 3(c)(5) exemptions will apply. However, there are no assurances that this will ultimately be the case.

No Approval. The Membership Interests have not been approved or disapproved by the securities regulatory authority of any state or by the United States Securities and Exchange Commission, nor has any authority or commission passed upon the accuracy or adequacy of this Memorandum or any other literature furnished to prospective Investors in connection with this Offering. Any

representation to the contrary is unlawful. Additionally, the Fund is not registered as an investment company under the Investment Fund Act of 1940.

Compliance with Securities Laws. The Membership Interests are being offered for sale in reliance upon certain exemptions from the registration requirements of the Securities Act and applicable state securities laws. If, due to the actions of the Fund or any individual investors, the Membership Interests were to fail to qualify for these exemptions, investors may be entitled to seek a rescission of their investment. If a number of investors were to rescind, the Fund would face significant capital withdrawal demands that would adversely affect the Fund and any non-rescinding investors.

Changes in various laws and regulations. The financial lending industry and the homebuilding and renovation industry are each subject to numerous laws and regulations. Governmental authorities could issue new laws, regulations, controls or similar requirements that are not presently anticipated and which affect the industries on which the Fund and the Borrowers expects to rely for much of its revenue. The Fund is not able to predict the impact of any such laws, regulations, controls or requirements on its operations, and any significant new regulatory burdens stemming from such changes could have a material adverse effect on the Fund's financial condition and the value of the Membership Interests.

Forward Looking Statements. This document and other communications by the Fund to Investors from time to time ("Communications") contain, or may contain, certain forward-looking statements and information that are based on the beliefs of, and information currently available to, the Fund's management, as well as estimates and assumptions made by the Fund's management. When used in communications, words such as "anticipate," "believe," "estimate," "expect," "future," "intend," "plan" and similar expressions, as they relate to the Fund or its management, identify forward-looking statements. Such statements reflect the current views of the Fund with respect to future events and are subject to certain risks, uncertainties and assumptions, including, in addition to any risks and uncertainties specifically identified in the text surrounding such statements, those risks discussed in "risk factors" herein and uncertainties with respect to changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including the Fund's Members and legislative, regulatory, judicial and other governmental authorities and officials. Should one or more of these risks or assumptions prove incorrect, actual results or outcomes may vary significantly from those anticipated, believed, estimated, expected, intended or planned.

Risks Specific to Members

Rights of Members 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, in accordance with the Operating Agreement.

Risk of Dilution. The Operating Agreement does not place a limit on the maximum number of Membership Interests that may be offered and the Fund may, upon approval of the Members, issue additional Membership Interests, either through this Offering or other offerings. The issuance of such additional Membership Interests would result in the dilution of the ownership shares and voting rights of existing Members.

Offering Price. The price of the Membership Interests has been arbitrarily established by the Fund and does not necessarily bear a relationship to the net worth, or any other objective criteria, of the Fund.

Tax Burden for Members. So long as the Fund is a limited liability company, it will be taxed as a partnership. Members will be allocated their share of the Fund's income, deduction, gain and loss each year in accordance with their investment in the Fund. Normally, investments 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 be prepared to satisfy that liability and must be aware that the distributions from the Fund, if any, may not be sufficient to fully satisfy the income tax liability attributed to the Member's allocable share of the Fund's net income. This issue is especially acute for Members who elect to reinvest their distributions from the Fund in exchange for additional Membership Interests, as no cash distributions will be paid to the Member, although such reinvestments will be represent taxable income.

Unrelated Business Taxable Income (UBTI). The Fund believes that, due to its business model, equity members that are tax-deferred retirement plans (such as IRAs, pension plans, etc.) will be subject to UBTI taxes. Such Members must understand IRS rules and regulations regarding UBTI and must be prepared to file a tax return, and pay any required taxes, on behalf of the tax-deferred retirement plan.

Loss on Dissolution and Termination. In the event of a dissolution or termination of the Fund, the proceeds realized from the liquidation of the Fund's assets, if any, will be distributed to the Members, but only after the satisfaction of claims of creditors. 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 realized from the Fund's assets and the claims to be satisfied therefrom. There is no guarantee of a return of the Member's capital.

Loss of Limited Liability in Certain Cases. In general, holders of Membership Interests 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; however, under certain jurisdictions, members of a limited liability company could 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 the Members by complying with the Operating1 Agreement and applicable state-imposed formalities.

In view of these risks, no prospective Investor should invest in the Fund unless such investor could afford the loss of its entire investment in the Fund.

Unforeseen Changes.

While the Fund has enumerated certain material risk factors herein, it is impossible to know all risks which may arise in the future. In particular, Members may be negatively affected by changes in any of the following: (i) laws, rules and regulations; (ii) regional, national and/or global economic factors and/or real estate trends; (iii) the capacity, circumstances and relationships of partners of Affiliates, the Fund or the Manager; (iv) general changes in financial or capital markets, including (without

limitations) changes in interest rates, investment demand, valuations or prevailing equity or bond market conditions; or (v) the presence, availability or discontinuation of real estate and/or housing incentives.

The Fund continuously encounters changes in its operating environment, and the Fund may have fewer resources than many of its competitors to continue to adjust to those changes. The operating environment of the Fund is undergoing rapid changes, with frequent introductions of laws, regulations, competitors, market approaches, and economic impacts. Future success will depend, in part, upon the ability of the Fund to address the needs of its borrowers, sponsors and clients by adapting to those changes and providing products and services that will satisfy the demands of their respective businesses and projects. Many of the competitors have substantially greater resources to adapt to those changes. The Fund may not be able to effectively react to all of the changes in its operating environment or be successful in adapting its products, services and approach.

Certain additional risks are discussed below under ARTICLE XIV: CERTAIN TAX AND REGULATORY MATTERS**.**

XII. CONFLICTS OF INTEREST

The following is a list of some of the important areas in which the interests of the Manager and its Affiliates may conflict with those of the Fund. The Members must rely on the general fiduciary standards and other duties which may apply to a manager of a limited liability company to prevent unfairness by any of the aforementioned in a transaction with the Fund. (See "Fiduciary Responsibility of the Manager" above.)

Management Fees. The Manager and/or its Affiliates will have the sole and absolute discretion to determine whether or not to make, acquire or sell a particular Loan or property. None of the Manager's compensation set forth under "Manager's Compensation" was determined through arms-length negotiations. Any increase in such charges may have a direct, adverse effect upon the interest rates that borrowers will be willing to pay the Fund, thus may reduce the overall rate of return to Members. Conversely, if the Fund reduces the loan fees charged, a higher rate of return might be obtained for the Fund and the Members. This conflict of interest will exist in connection with every transaction the Fund participates in.

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

Competition with Affiliates of the Fund. There is no restriction preventing the Fund or any of its affiliates, principals or management from competing with the Fund by investing in collateral liens or sponsoring the formation of other investment groups like the Fund to invest in similar areas. If the Fund or any of its principals were to do so, then when considering each new investment opportunity, the Fund or such affiliate, principal or manager would need to decide whether to originate or hold the resulting transaction in the Fund, as an individual or in a competing entity. This situation would compel the Manager to make decisions that may at times favor persons other than the Fund. The Operating Agreement exonerates the Fund and its Affiliates, principals and management from any liability for investment opportunities given to other persons.

Loan Transactions by Managers. The Manager and/or its principals and affiliates expect to routinely contribute loans to the Fund that otherwise meet the lending and underwriting criteria

discussed herein. Such transactions would generally increase the Membership Interests or percentage ownership or interest of the Manager as a Member of the Fund, and correspondingly would dilute the ownership and percentage interests of other Members.

Loan Servicing by the Fund or Manager. The Manager has reserved the right to retain other firms in addition to, or in lieu of, the Manager acting as the loan servicer to perform the various brokerage services, loan servicing and other activities in connection with the Fund's investment portfolio that are described in this Memorandum. Such other firms may or may not be affiliated with the Fund or Manager. Loan servicing firms not affiliated with the Fund or Manager may provide comparable services on terms more favorable to the Fund. The Manager has very wide discretion in determining which entity (including, but not limited to, the Manager itself, an Affiliate of the Manager, or an unaffiliated third party) will service the loans.

Other Companies & Partnerships or Businesses. The Manager and its managers, principals, directors, officers or affiliates may engage and presently intend to, for their own account or for the account of others, in other business ventures similar to that of the Fund or otherwise, and neither the Fund nor any Member shall be entitled to any interest therein. As such, there exists a conflict of interest on the part of the Manager because there may be a financial incentive for the Manager to arrange or originate transactions for private investors and other mortgage funds. Further, the Manager is involved in the creation of other mortgage or real estate funds that may compete with the Fund.

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

Purchase, Sale and/or Hypothecation of Loans. The Fund and its managers, principals, directors, officers and/or affiliates may sell, buy or hypothecate loans (use loans as collateral for another loan) to the Fund, provided that such loans meet the then-existing underwriting criteria of the Fund. The Fund may pay a price greater or less than the remaining balance on such loans. The price at which existing loans are bought and sold is normally a function of prevailing interest rates and the term of the loan. Therefore, the Fund or its managers, principals, directors, officers and/or affiliates, may make a profit on the sale of an existing loan from the Fund or to the Fund. There will be no independent review of the value of such loans or of compliance with the conditions set forth above.

Lack of Independent Legal Representation. Investors and the Fund have not been represented by independent legal counsel to date. The use of the Manager's counsel in the preparation of this Memorandum and the organization of the Fund may result in a lack of independent review. Investors are encouraged to consult with their own attorney for legal advice in connection with this Offering. Also, since legal counsel for the Manager prepared this Offering, legal counsel will not represent the interests of the Members at any time.

Conflict with Related Programs. The Manager and its managers, principals, directors, officers and/or Affiliates may cause the Fund to join with other entities organized by the Manager for similar purposes as partners, joint venturers or co-owners under some form of ownership in certain loans

or in the ownership of repossessed real property. The interests of the Fund and those of such other entities may conflict, and the Fund controlling or influencing all such entities may not be able to resolve such conflicts in a manner that serves the best interests of the Fund.

Other Services Provided by the Manager or its Affiliates. The Manager or its Affiliates may provide other services to persons dealing with the Fund or the loans. The Manager or its Affiliates are not prohibited from providing services to, and otherwise doing business with, the persons that deal with the Fund, the Membership Interests, or the Members.

Sale of Real Estate to Affiliates. In the event the Fund becomes the owner of any real property by reason of foreclosure on a Fund loan or otherwise, the Manager's first priority will be to arrange for the sale of the property for a price that will permit the Fund to recover the full amount of its invested capital plus accrued but unpaid interest and other charges, or so much thereof as can reasonably be obtained in light of current market conditions. In order to facilitate such a sale, the Manager may, but is not required to, arrange a sale to persons or entities controlled by it, (e.g. to another limited liability company formed by the Manager for the express purpose of acquiring foreclosure properties from lenders such as the Fund). The Manager will be subject to conflicts of interest in arranging such sales since it will represent both parties to the transaction. For example, the Fund and the potential buyer will have conflicting interests in determining the purchase price and other terms and conditions of sale. The Manager's decision will not be subject to review by any outside parties. The Fund may sell a foreclosed property to the Manager or an Affiliate at a price that is fair and reasonable for all parties, but no assurance can be given that the Fund could not obtain a better price from an independent third party.

Creditor Relationship with the Fund. If the Fund chooses to employ leverage, the Fund may obtain such leverage from the Manager or an Affiliate. Any such arrangement would render the Manager or Affiliate, as applicable, in the position of a creditor vis-à-vis the Fund (which would be a debtor as a result of obtaining such access to leverage). As a creditor, the Manager or Affiliate may have interests or views that are contrary to, or otherwise in conflict with, the interests and views of the Members. While the Manager would nevertheless be expected to exercise its fiduciary duty for Members in managing the Fund, the Manager would clearly have a conflict from its or its Affiliate's creditor relationship with the Fund.

The entry into a credit or leverage relationship between the Fund and the Manager or an Affiliate will generally be on terms and conditions that are fair and reasonable for all parties, but no assurance can be given that the Fund could not obtain better terms and conditions or a more favorable arrangement from an independent third party.

XIII. CERTAIN LEGAL ASPECTS OF THE FUND'S LOANS

Each of the Fund's loans will be secured by, among other things, a deed of trust, mortgage, leasehold deed of trust or leasehold mortgage, or security agreement. The deed of trust and the mortgage are the most commonly used real property security devices. A deed of trust has three parties: a debtor, referred to as the "trustor"; a third party, referred to as the "trustee"; and the lender, referred to as the "beneficiary." The trustor irrevocably grants the property until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary. The Fund will be the beneficiary under all deeds of trust securing the Fund's loans. In a mortgage loan, there are only two parties: the mortgagor (borrower) and the mortgagee (lender).

In the United States, each individual state law determines how a mortgage is foreclosed. The route usually requires a judicial process but varies from state to state. For properties located in the United States, some states have a statute known as the "one form of action" rule, which requires the beneficiary of a collateral lien to exhaust the security under the security lien (i.e., foreclose on the property) before any personal action may be brought against the borrower. Foreclosure statutes vary from state to state. Loans by the Fund secured by mortgages will be foreclosed in compliance with the laws of the state where the real property collateral is located.

Special Considerations in Connection with Junior Encumbrances

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

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

The Fund may also make wrap-around mortgage loans (sometimes called "all-inclusive loans"), which are junior encumbrances to which all the considerations discussed above will apply. A wrap-around loan is made when the borrower desires to refinance his, her, or its property but does not wish to retire the existing indebtedness for any reason, e.g., a favorable interest rate or a large prepayment penalty. A wrap-around loan will have a principal amount equal to the outstanding principal balance of the existing secured loans plus the amount actually to be advanced by the Fund. The borrower will then make all payments directly to the Fund, and the Fund in turn will pay the holder of the senior encumbrance. The actual ultimate yield to the Fund under a wrap-around mortgage loan will likely exceed the stated interest rate on the underlying senior loan, since the full principal amount of the wrap-around loan will not actually be advanced by the Fund. State laws generally require that the Fund be notified when any senior lien holder initiates foreclosure.

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

The standard form of deed of trust used by most institutional lenders, like the one that will be used by the Fund or its Affiliates, confers on the beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with any condemnation

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

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

Foreclosure Example

The typical security instrument in the State of Texas is the deed of trust, wherein the borrower, as trustor, conveys the property to a trustee, for the benefit of the lender, as beneficiary. Upon repayment in full of the underlying debt, the trustee records a release, or reconveyance of the mortgaged property. For most loans, if the borrower defaults on the repayment obligation, the lender may foreclose under the "power of sale" provision in the deed of trust. For a Texas home equity loan secured by homestead property, the Texas Constitution provides that the home equity loan may only be foreclosed upon by court order.

(1) Non-Judicial Foreclosure: Foreclosure of a non-home equity deed of trust is accomplished in most cases by a non-judicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must deliver a written "Notice of Default and Intent to Accelerate" by certified mail to the borrower stating that the borrower is in default under the deed of trust and giving the borrower at least Twenty days to cure the default. If the borrower fails to cure the default prior to the expiration of the 20-day cure period, the trustee will serve a written notice of sale or "Notice of Acceleration and Posting for Foreclosure" (1) by certified mail on each borrower obligated on the note; (2) by posting the notice of sale on the courthouse door of the county where the property is located and in which the property will be sold; and (3) by filing the notice of sale in the office of the county recorder where the property is located a copy of the notice of sale posted on the courthouse door. No earlier than 21 days after the service of the notice of sale, the property may be sold via public sale at auction on the first Tuesday of a month at the county courthouse designated in the notice of sale. Following the sale, the borrower does not have a statutory right of redemption.

Within 2 years of the foreclosure sale date, the lender may bring an action to recover the deficiency if the sale price of the property is less than the unpaid balance of the debt. The borrower may request the court to determine the fair market value of the property as of the date of the foreclosure sale and may introduce competent evidence of value including expert witness testimony; comparable sales; anticipated marketing time and holding costs; cost of sale; and, the necessity and amount of any discount to be applied to the future sales price or the cash flow generated by the property to arrive

at a current fair market value. If the court determines the fair market value is greater than the foreclosure sale price, the borrower is entitled to an offset against the deficiency. If the borrower does not submit competent evidence of fair market value, the sale price of the property at the foreclosure sale is used to compute the deficiency.

(2) Judicial Foreclosure: A Texas home equity loan secured by homestead property is foreclosed through a combination of judicial and non-judicial proceedings. Upon a borrower's default on the obligation, the lender must first send the appropriate notices to the borrower advising of the default and providing the borrower with a period of time to cure the default. If the opportunity to cure has expired and the borrower has failed to cure the default, the lender may file an application styled "in re Order for Foreclosure Concerning [insert property's mailing address] under Texas Rules of Civil Procedure 736" in the county court where the property is located. The application must identify the lender as petitioner; the respondents (all borrowers and/or obligors on the note); the property being foreclosed; the type of lien and its constitutional reference; the authority of the petitioner; each obligor; each mortgagor (if a party executed the deed of trust but is not an obligor on the note); for a monetary default, the number of unpaid payments and the amount required to cure the default; for a non-monetary default, the facts creating the default; the total amount required to pay off the loan agreement; a statement that the appropriate notices of default were mailed to the appropriate persons; and, a statement that the opportunity to cure the default has expired. The application must include an affidavit of material facts and attach copies of the note and recorded deed of trust. When the application is filed, the clerk of the court must issue citations to each borrower named in the application which advises the borrower that any response to the citation must be delivered to the court within 38 days of the date of the citation's mailing. If no response is received to the citation, the petitioner may file a motion and proposed order to obtain a default order. Thereafter the petitioner may proceed with a trustee's sale under the power of sale provision in the deed of trust.

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

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

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

Bankruptcy Laws

If a borrower or property owner on which a lien is imposed files for protection under the federal bankruptcy statutes, the Fund will be initially barred from taking any foreclosure action on its real property security by an "automatic stay order" that goes into effect upon the borrower's filing of a

bankruptcy petition. Thereafter, the Fund would be required to incur the time, delay and expense of filing a motion with the bankruptcy court for permission to foreclose on the real property security ("relief from the automatic stay order"). Such permission is granted only in limited circumstances. If permission is denied, the Fund will likely be unable to foreclose on its security for the duration of the bankruptcy, which could be a period of years. During such delay, a borrower may or may not be required to pay current interest on the Fund loan. Also, a property owner may or may not be able to pay down the lien. The Fund would therefore lack the cash flow it anticipated from the loan, and the total indebtedness secured by the security property would increase by the amount of the defaulted payments, perhaps reaching a total that would exceed the market value of the property.

In addition, bankruptcy courts have broad powers to permit a sale of the real property free of the Fund's lien, to compel the Fund to accept an amount less than the balance due under the loan and to permit the borrower to repay the loan over a term which may be substantially longer than the original term of the loan.

"Due-on-Sale" Clauses

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

(a) Due-on-Sale. Federal law now provides that, notwithstanding any contrary pre-existing state law, due-on-sale clauses contained in mortgage loan documents are enforceable in accordance with their terms by any lender after October 15, 1985. On the other hand, acquisition of a property by the Fund by foreclosure on one of its loans may also constitute a "sale" of the property and would entitle a senior lien holder to accelerate its loan against the Fund. This would be likely to occur if then prevailing interest rates were substantially higher than the rate provided for under the accelerated loan. In that event, the Fund may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

(b) Due-on-Encumbrance. With respect to mortgage loans on residential property containing Four or less units, federal law prohibits acceleration of the loan merely by reason of the further encumbering of the property (e.g., execution of a junior deed of trust). This prohibition does not apply to mortgage loans on other types of property. Although many of the Fund's junior lien mortgages will be on properties that qualify for the protection afforded by federal law, some loans will be secured by properties that do not qualify for the protection, including (without limitation) small apartment buildings or commercial properties. Junior lien mortgage loans made by the Fund may trigger acceleration of senior loans on properties if the senior loans contain valid due-on-encumbrance clauses, although both the number of such instances and the actual likelihood of acceleration are anticipated to be minor. Failure of a borrower to pay off the senior loan would be an event of default and subject the Fund (as junior lien holder) to the risks attendant thereto. It will not be customary practice of the Fund to make loans on non-residential property where the senior encumbrance contains a due-on-encumbrance clause. (See "Special Considerations in Connection with Junior Encumbrances.")

Prepayment Charges

Loans may provide for certain prepayment charges to be imposed on the borrowers in the event of certain early payments on the loan. The Manager reserves the right, but has no obligation, at its business judgment to waive collection of prepayment penalties. Applicable federal and state laws may limit the prepayment charge on residential loans. For commercial or multi-family loans there is no federal law that limits the prepayment amount charge, but applicable state laws may vary.

XIV. LEGAL PROCEEDINGS

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

XV. U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain significant United States federal income tax consequences of an investment in the Fund. The following discussion does not discuss all the potential tax considerations relevant to the Fund or its operations. Moreover, the tax considerations relevant to a specific investor depend upon its particular circumstances. Each prospective Investor is urged to consult its own tax advisor concerning the potential tax consequences of an investment in the Fund.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change (possibly on a retroactive basis). No tax rulings have been or are anticipated to be requested from the Internal Revenue Service (the "Service") or other taxing authorities with respect to any of the tax matters discussed herein.

Except as specifically noted, the following general discussion assumes that each investor is a United States resident individual or a domestic corporation that is not tax-exempt and that each investor holds its Membership Interests in the Fund as a capital asset and is the initial holder of such Membership Interests. Except as specifically indicated, the following discussion does not deal with the consequences of the ownership of Membership Interests in the Fund by special classes of holders, such as dealers in securities or life insurance companies. Special rules applicable to tax-exempt Investors and non-U.S. Investors are discussed separately below.

U.S. Federal Income Tax Treatment of the Fund's Operations

Treatment as a Partnership. The Fund may receive an opinion of counsel that it will be treated for U.S. federal income tax purposes as a partnership and not as an association (or publicly traded Membership) taxable as a corporation. Such opinion will be based on certain assumptions and representations, including representations relating to the Fund's compliance with its Operating Agreement. However, such opinion is not binding on the Service or the courts.

As a partnership, the Fund will not be subject to federal income tax. Instead, for federal income tax purposes, each Investor 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 Investor's taxable year. Each item generally will have the same character and source as though the Investor had realized the item directly.

Taxation of the Investors on Profits or Losses of the Fund. The Fund will not pay federal income tax. Instead, each Investor will be required to report on its federal income tax return its distributive share of the Fund's income or gain, whether or not it receives any actual distribution of money or property from the Fund during the taxable year. Therefore, each Investor should be aware that the tax liability associated with an equity interest in the Fund may exceed (perhaps to a substantial extent) the cash distributed to that Investor during a taxable year, and an Investor may have to utilize cash from other sources to satisfy a tax liability attributable to a Membership Interest.

State and Local Taxes. A description or analysis of the state and local tax consequences of an investment in the Fund is beyond the scope of this discussion. Prospective Investors are advised to consult their own tax counsel and advisors regarding these consequences and the preparation of any state or local tax returns that an Investor may be required to file.

IRS Audits. Informational returns filed by the Fund are subject to audit by the IRS. The IRS devotes considerable attention to the proper application of the tax laws to partnerships. An audit of the Fund's return may lead to adjustments which adversely affect the federal income tax treatment of Membership Interests and cause Members to be liable for tax deficiencies, interest thereon and penalties for underpayment. An audit of the Fund's tax return could also lead to an audit of their individual tax return that may not otherwise have occurred, and to the adjustment of items unrelated to the Fund. Prospective Investors should make their determination to invest based on the economic considerations of the Fund rather than any anticipated tax benefits. Furthermore, the IRS has taken the position in Temp. Reg. 1.163-9T that any interest on income taxes owed by an individual is personal interest, subject to limitations on deduction, regardless of the nature of the activity that produced the income that was the source of the tax.

Property Held Primarily for Sale: Potential Dealer Status. The Fund has been organized to invest in loans and notes primarily secured by deeds of trust or mortgages on real property and to acquire real estate properties. However, if the Fund were at any time deemed for federal tax purposes to be holding one or more Fund loans, notes or properties primarily for sale to customers in the ordinary course of business (a "dealer"), any gain or loss realized upon the disposition of such loans, notes or properties would be taxable as ordinary gain or loss rather than as capital gain or loss. The federal income tax rates for ordinary income are currently higher than those for capital gains. In addition, income from sales of loans, notes and properties to customers in the ordinary course of business would also constitute unrelated business taxable income to any Members which are tax-exempt entities. Under existing law, whether or not real property is held primarily for sale to customers in the ordinary course of business must be determined from all the relevant facts and circumstances. The Fund intends to make and hold the Fund loans, notes and properties for investment purposes only, and to dispose of Fund loans, notes and properties, by sale or otherwise, at the discretion of the Manager and as consistent with the Fund's investment objectives. It is possible that, in so doing, the Fund will be treated as a "dealer" in mortgage loans, notes and properties, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt Investors in the Fund.

Taxable Mortgage Pool Rules. Notwithstanding the check-the-box provisions, the IRS may still reclassify certain partnerships as corporations for federal income tax purposes, if they meet the definition of a "taxable mortgage pool" under Internal Revenue Code Section 7701(i)(2)(A)(ii). A taxable mortgage pool is any entity whose assets consist substantially of debt instruments, who is the obligor under debt obligations with Two (2) or more maturities, and where there is a relationship between the debt instruments and the debt obligations of the entity. The issue of what constitutes debt obligations with Two (2) or more maturities is unclear. The regulations state that "[T]he

purpose of section 7701(i) is to prevent income generated by a pool of real estate mortgages from escaping Federal income taxation when the pool is used to issue multiple class mortgage-backed securities." The Fund has only one class of Membership Interests. A literal reading of this provision could lead to the conclusion that the Fund would not be reclassified as a taxable mortgage pool and taxed as a corporation. In order to further explain any such interpretation, the Manager has committed that to the extent it leverages the Fund assets (i.e., borrows funds from another lender for purpose of making loans and pledges one or more loans of the Fund as collateral for such borrowing), the Fund intends to only have one line of credit at a time so that the IRS would find it difficult to make the argument that the Fund has debt obligations with Two (2) or more maturities. However, due to the lack of clarity with respect to this provision, there is no assurance (and no opinion of any kind can be given) that the IRS would not attempt to tax the Fund as a corporation and not a partnership. Any such taxation would have an adverse effect on the Fund and the return an Investor would receive on their investment in the Fund.

Portfolio Income. A primary source of Fund income will be interest, which is ordinarily considered "portfolio income" under the Code. Similarly, Temporary Regulations issued by the Internal Revenue Service in 1988 (Temp. Reg. Section 1.469-2T(f)(4)(ii)) confirmed that net interest income from an equity-financed lending activity such as the Fund will be treated as portfolio income, not as passive income, to Members. Therefore, Members will not be entitled to treat their proportionate share of Fund income as passive income, against which passive losses (such as deductions from unrelated real estate investments) may be offset. Another source of Fund income will be capital gains from selling real property. Capital gains are also treated as portfolio income and not as passive income to the Members. Thus, Members will not be entitled to treat their proportionate share of Fund income as passive income, against which passive losses may be offset.

Understatement Penalties. The Fund will be subject to substantial understatement penalty in the event that it understates its income tax. The IRS imposes a penalty of Twenty Percent (20%) on any substantial understatement of income tax. Furthermore, the IRS can charge interest on underpayments of income tax exceeding One Hundred Thousand Dollars ($100,000) for any tax year owing by certain corporations at a rate that is higher than the normal interest rate. The Manager strongly advises prospective Investors to consult with their own tax advisor to be sure that they fully evaluate the proposed tax treatment of LLC as described herein.

Unrelated Business Taxable Income. The Fund may generate unrelated business taxable income for Members that are qualified plans or exempt organizations. Investors should be aware also that the issue of how the unrelated business taxable income of a qualified plan or exempt organization should be taxed is regularly under discussion by one or more committees of Congress.

Investment by Non-U.S. Persons. The Fund has reserved the right to sell Membership Interests and Notes to non-U.S. corporations, trusts and estates and individuals who are neither citizens nor residents of the United States ("Foreign Investors"). The U.S. federal income tax treatment of a Foreign Investor investing as an Investor in the Fund is complex and will vary depending upon the circumstances of each Foreign Investor and the activities of the Fund. Each Foreign Investor is urged to consult with its own tax adviser regarding the federal, state, local and foreign tax treatment of its investment in the Fund.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS FOR FURTHER INFORMATION ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING AND HOLDING MEMBERSHIP INTERESTS IN THE COMPANY.

XVII. CERTAIN CONSIDERATIONS APPLICABLE TO ERISA, GOVERNMENTAL AND OTHER PLAN INVESTORS

Employee benefit plans that are subject to the fiduciary provisions of ERISA (including, without limitation, pension and profit-sharing plans), plans that are subject to Section 4975 of the Code (including, without limitation, individual retirement accounts ("IRAs") and Keogh plans) and entities deemed to hold "plan assets" of any of the foregoing (each, a "Benefit Plan Investor"), as well as governmental plans, foreign plans and other employee benefit plans, accounts or arrangements that are not subject to the fiduciary provisions of ERISA or Section 4975 of the Code, and trusts or other entities supporting or holding the assets of any of the foregoing (collectively, with Benefit Plan Investors, referred to as "Plans"), may generally invest in the Fund, subject to the following considerations.

General Fiduciary Considerations for Investment in the Fund by Plan Investors

The fiduciary provisions of ERISA, and the fiduciary provisions of pension codes applicable to governmental, foreign or other employee benefit plans or retirement arrangements that are not subject to ERISA may impose limitations on investment in the Fund. Fiduciaries of Plans, in consultation with their advisors, should consider, to the extent applicable, the impact of such fiduciary rules and regulations on an investment in the Fund. Among other considerations, the fiduciary of a Plan should take into account the composition of the Plan's portfolio with respect to diversification; the cash flow needs of the Plan and the effects thereon of the illiquidity of the investment; the economic terms of the Plan's investment in the Fund; the Plan's objectives; the tax effects of the investment and the tax and other risks described in the sections of this Memorandum discussing tax considerations and risk factors; the fact that the Investors in the Fund are expected to consist of a diverse group of Investors (including taxable, tax-exempt, domestic and foreign entities) and the fact that the management of the Fund will not take the particular objectives of any Investors or class of Investors into account. Plan fiduciaries should also take into account the fact that, while the Manager will have certain general fiduciary duties to the Fund, the Manager will not have any direct fiduciary relationship with or duty to any investor, either with respect to its investment in Membership Interests or with respect to the management and investment of the assets of the Fund. Similarly, it is intended that the assets of the Fund will not be considered plan assets of any Plan or be subject to any fiduciary or investment restrictions that may exist under pension codes specifically applicable to such Plans. Each Plan will be required to acknowledge and agree in connection with its investment in Membership Interests to the foregoing status of the Fund, the Manager and that there is no rule, regulation or requirement applicable to such investor that is inconsistent with the foregoing description of the Fund and the Manager. Plan fiduciaries may be required to determine and report annually the fair market value of the assets of the Plan. Since it is expected that there will not be any public market for the Membership Interests, there may not be an independent basis for the Plan fiduciary to determine the fair market value of such Membership Interests.

Prohibited Transaction Requirements

Section 406 of ERISA and Section 4975 of the Code proscribe certain dealings between Employee Benefit Plans or Other Benefit Arrangements, on the one hand, and "parties-in interest" or "disqualified persons" with respect to those plans or arrangements on the other. An "Other Benefit Arrangement" is a benefit arrangement described in Section 4975(e)(1) of the Code (such as a self-directed individual retirement account ("IRA"), other than an Employee Benefit Plan.

Prohibited transactions include, directly or indirectly, any of the following transactions between an Employee Benefit Plan or Other Benefit Arrangement and a party in interest or disqualified person:

(a) sales or exchanges of property;

(b) lending of money or other extension of credit;

(c) furnishing of goods, services or facilities; and

(d) transfers to, or use by or for the benefit of, a party in interest or disqualified person of any assets of the Employee Benefit Plan or Other Benefit Arrangement.

In addition, prohibited transactions include any transaction where a trustee or other fiduciary of an Employee Benefit Plan or Other Benefit Arrangement:

(a) deals with plan assets for his own account,

(b) acts on the behalf of parties whose interests are adverse to the interest of the plan, or

(c) receives consideration for his own personal account from any party dealing with the plan with respect to plan assets.

The terms "party in interest" under ERISA and "disqualified person" under the Code have similar definitions. The terms include persons who have particular relationships with respect to an Employee Benefit Plan or Other Benefit Arrangement, such as:

(a) fiduciaries;

(b) persons rendering services of any nature to the plan;

(c) employers any of whose employees are participants in the plan, as well as owners of 50% or more of the equity interests of such employers;

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

(e) employees, officers, directors and Ten Percent (10%) or more owners of such fiduciaries, service providers, employers or owners;

(f) entities in which any of the above-described parties hold interests of 50% or more; and

(g) Ten Percent (10%) or more joint venturers or partners of certain of the parties described above.

Certain transactions between Employee Benefit Plans or Other Benefit Arrangements and parties in interest or disqualified persons that would otherwise be prohibited transactions are exempt from the prohibited transaction rules due to the application of certain statutory or regulatory exemptions. In addition, the United States Department of Labor (the "DOL") has issued class exemptions and individual exemptions for certain types of transactions. Violations of the prohibited transaction rules

may require the prohibited transactions to be rescinded and will cause the parties in interest or disqualified persons to be subject to excise taxes under Section 4975 of the Code.

Investments in the Fund

If any Investor is a fiduciary of an Employee Benefit Plan, the investor must act prudently and ensure that the plan's assets are adequately diversified to satisfy the ERISA fiduciary duty requirements. Whether an investment in the Fund is prudent and whether the Employee Benefit Plan's investments are adequately diversified must be determined by the plan's fiduciaries in light of all of the relevant facts and circumstances. A fiduciary should consider, among other factors, the limited marketability of the Membership Interests.

Investors also should be aware that under certain circumstances the DOL may view the underlying assets of the Fund as "plan assets" for purposes of the ERISA fiduciary rules and the ERISA and Internal Revenue Code prohibited transaction rules. DOL regulations indicate that Fund assets will not be considered plan assets if less than Twenty Five Percent (25%) of the value of the Membership Interests is held by Employee Benefit Plans and Other Benefit Arrangements.

The Fund anticipates that if any Investor is an Employee Benefit Plan subject to ERISA, the Fund will limit the investments by all Employee Benefit Plans and Other Benefit Arrangements to ensure that the Twenty Five Percent (25%) limit is not exceeded. Because the Twenty Five Percent (25%) limit is determined after every subscription or redemption, the Fund has the authority to require the redemption of all or some of the Membership Interests held by any Member that is an Employee Benefit Plan or Other Benefit Arrangement if the continued holding of such Membership Interests, in the sole opinion of the Fund, could result in the Fund being subject to the ERISA fiduciary rules.

If there are no Employee Benefit Plan investors in the Fund, the Fund anticipates that investments by Other Benefit Arrangements (such as self-directed IRAs) may exceed the Twenty Five Percent (25%) limit. This situation may cause the underlying assets of the Fund to be considered plan assets for purposes of the Code prohibited transaction rules. In such a case, the Other Benefit Arrangement investors must ensure that their investments do not constitute prohibited transactions under Section 4975 of the Code. Such investors should consult with independent legal counsel on these issues.

Special Limitations

The discussion of the ERISA fiduciary aspects and the ERISA and Code prohibited transaction rules contained in this Memorandum is not intended as a substitute for careful planning. The applicability of ERISA fiduciary rules and the ERISA or Code prohibited transaction rules to Investors may vary from one Investor to another, depending upon that Investor's situation. Accordingly, Investors should consult with their own attorneys, accountants and other personal advisors as to the effect of ERISA and the Code on their situation of a purchase and ownership of the Membership Interests and as to potential changes in the applicable law.

Individuals Investing with IRA Assets

Membership Interests sold by the Fund may be purchased or owned by Investors who are investing assets of their IRAs. The Fund's acceptance of an investment by an IRA should not be considered to be a determination or representation by the Manager or any of its respective affiliates that such an investment is appropriate for an IRA. In consultation with its advisors, each prospective Investor that is an IRA should carefully consider whether an investment in the Fund is appropriate for, and

permissible under the terms of its IRA governing documents. Investors that are IRAs should consider in particular that the Membership Interests will be illiquid and that it is not expected that a significant market will exist for the resale of the Membership Interests, as well as the other general fiduciary considerations described above. Although IRAs are not generally subject to ERISA, they are subject to the provisions of Section 4975 of the Code, prohibiting transactions with "disqualified persons" and investments and transactions involving fiduciary conflicts. A prohibited transaction or conflict of interest could arise if the fiduciary making the decision to invest has a personal interest in or affiliation with the Fund, the Manager or any of their respective affiliates. In the case of an IRA, a prohibited transaction or conflict of interest that involves the beneficiary of the IRA could result in disqualification of the IRA. A fiduciary for an IRA who has any personal interest in or affiliation with the Fund, the Manager or any of their respective affiliates, should consult with his or her tax and legal advisors regarding the impact such interest or affiliation may have on an investment in Membership Interests with assets of the IRA. Investors that are IRAs should consult with their counsel and advisors as to the prohibited transaction, conflict of interest and other provisions of the Code applicable to an investment in the Fund.

ACCEPTANCE OF SUBSCRIPTIONS OF ANY PLAN IS IN NO RESPECT A REPRESENTATION BY THE COMPANY, THE MANAGER OR ANY OTHER PARTY THAT SUCH INVESTMENT MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO THAT PLAN OR THAT THE INVESTMENT IS APPROPRIATE FOR SUCH PLAN. EACH PLAN FIDUCIARY SHOULD CONSULT WITH HIS OR HER OWN LEGAL ADVISORS AS TO THE PROPRIETY OF AN INVESTMENT IN THE COMPANY IN LIGHT OF THE SPECIFIC REQUIREMENTS APPLICABLE TO THAT PLAN.

XVII. LEGAL MATTERS

Securities Act of 1933

The Membership Interests and Notes offered by the Fund will not be registered under the Securities Act or any other securities law. The Membership Interests and Notes will be offered without registration in reliance upon the exemption contained in Section 4(a)(2) of the Securities Act and Regulation D, Rule 506(c) for transactions not involving a public offering. Each Investor must be an Accredited Investor and will be required to represent, among other customary private placement representations, that it is acquiring Membership Interests or Notes in the Fund for investment purposes only and not with a view for resale or distribution. Further, each Investor must be prepared to bear the economic risk of the investment for an indefinite period, because Membership Interests and Notes can be resold only pursuant to an offering registered under the Securities Act or an exclusion from such registration requirement. It is extremely unlikely that Membership Interests in the Fund will ever be registered under the Securities Act.

Securities Exchange Act of 1934

In connection with any acquisition or beneficial ownership by the Fund of more than Five percent (5%) of any class of the equity securities of a company registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Fund may be required to make certain filings with the Securities and Exchange Commission. Generally, these filings require disclosure of the identity and background of the purchaser, the source and amount of funds used to acquire the securities, the purpose of the transaction, the purchaser's interest in the securities, and any contracts, arrangements or undertakings regarding the securities.

Non-U.S. Securities Laws

The Membership Interests and Notes in the Fund have not been registered or qualified for public distribution under the securities laws of any jurisdiction. The Membership Interests and Notes will be offered without registration and without the filing of a prospectus in reliance upon exemptions available under applicable law. Each prospective Investor resident outside the United States must be, and will be required to represent that it is entitled to acquire Membership Interests and Notes offered by the Fund in reliance upon an exemption from the registration or prospectus requirements of applicable securities laws of its jurisdiction of residence. Further, each investor must be prepared to bear the economic risk of the investment for an indefinite period, because the securities offered by the Fund can be resold only pursuant to an offering registered under the securities laws of such jurisdiction or an exclusion from such registration requirement. It is extremely unlikely that Membership Interests or Notes will ever be registered under the securities laws of any jurisdiction. In connection with any acquisition or beneficial ownership by the Fund of more than a specified percentage of any class of the equity securities of a company that is subject to public reporting obligations under applicable securities laws, the Fund may be required to make certain filings with relevant securities authorities. Generally, these filings require disclosure of the identity and background of the purchaser, the source and amount of funds used to acquire the securities, the purpose of the transaction, the purchaser's interest in the securities and any contracts, arrangements or undertakings regarding the securities. In certain circumstances, the Fund may be required to aggregate its investment position in a given Operating Fund with the beneficial ownership of that company's securities by or on behalf of the Fund and its affiliates, which could require the Fund, together with such other parties, to make certain disclosure filings or otherwise restrict the Fund's activities with respect to such Operating Fund securities.

XVIII. ADDITIONAL INFORMATION AND UNDERTAKINGS

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

XIV. JURISDICTIONAL (NASAA) LEGENDS

FOR RESIDENTS OF ALL STATES: THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THAT STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OR SALE MAY BE MADE IN A PARTICULAR STATE. IF YOU ARE UNCERTAIN AS TO WHETHER OR NOT OFFERS OR SALES MAY BE LAWFULLY MADE IN ANY GIVEN STATE, YOU ARE HEREBY ADVISED TO CONTACT THE COMPANY. THE SECURITIES DESCRIBED IN THIS MEMORANDUM HAVE NOT BEEN REGISTERED UNDER ANY STATE SECURITIES LAWS (COMMONLY CALLED "BLUE SKY" LAWS). THESE SECURITIES MUST BE ACQUIRED FOR INVESTMENT PURPOSES ONLY AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF SUCH SECURITIES UNDER SUCH LAWS, OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED. THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THE STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OF SALE MAY BE MADE IN ANY PARTICULAR STATE.

NOTICE TO TEXAS RESIDENTS ONLY: THE SECURITIES OFFERED HEREUNDER HAVE NOT BEEN REGISTERED UNDER APPLICABLE TEXAS SECURITIES LAWS AND, THEREFORE, ANY PURCHASER THEREOF MUST BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME BECAUSE THE SECURITIES CANNOT BE RESOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER SUCH SECURITIES LAWS OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. FURTHER, PURSUANT TO §109.13 UNDER THE TEXAS SECURITIES ACT, THE COMPANY IS REQUIRED TO APPRISE PROSPECTIVE INVESTORS OF THE FOLLOWING: A LEGEND SHALL BE PLACED, UPON ISSUANCE, ON CERTIFICATES REPRESENTING SECURITIES PURCHASED HEREUNDER, AND ANY PURCHASER HEREUNDER SHALL BE REQUIRED TO SIGN A WRITTEN AGREEMENT THAT HE WILL NOT SELL THE SUBJECT SECURITIES WITHOUT REGISTRATION UNDER APPLICABLE SECURITIES LAWS, OR EXEMPTIONS THEREFROM.

DURING THE COURSE OF THE OFFERING AND PRIOR TO ANY SALE, EACH OFFEREE OF THE MEMBERSHIP INTERESTS OR NOTES AND HIS OR HER PROFESSIONAL ADVISORS(S), IF ANY, ARE INVITED TO ASK QUESTIONS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING AND TO OBTAIN ANY ADDIITONAL INFORMAITON NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN. SUCH INFORMATION WILL BE PROVIDED TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

EACH PROSPECTIVE INVESTOR WILL BE GIVEN AN OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, MANAGEMENT OF THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORTS OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. IF YOU HAVE ANY QUESTIONS WHATSOEVER REGARDING THIS OFFERING, OR DESIRE ANY ADDITIONAL INFORMATION OR DOCUMENTS TO VERIFY OR SUPPLEMENT THE INFORMATION CONTAINED IN THIS MEMORANDUM, PLEASE EMAIL:

John Spears john@avondale-im.com

THIS MEMORANDUM IS CONFIDENTIAL AND SHALL NOT BE REPRODUCED OR RECIRCULATED.