

PRIVATE PLACEMENT MEMORANDUM  
*of*  
DE WITTE MORTGAGE INVESTORS FUND, LLC  
*a California limited liability company*

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MORTGAGE-BACKED PROMISSORY NOTES

Maximum Offering \$3,500,000  
Minimum Investment per Investor: \$100,000

December 31, 2017

DE WITTE MORTGAGE INVESTORS FUND, LLC (the “Company”), a California limited liability company, is a mortgage investor. The Company hereby offers to prospective Investors (“Investors”), through this Memorandum, to sell debt instruments secured by mortgages as evidenced by a Mortgage-Backed Promissory Notes and Collateral Security Agreement (the “Notes”), in a form substantially similar to Exhibit “A,” a copy of which has been attached hereto. The Notes will be secured by a security interest in a collection of mortgages and related assets consisting of: (a) a revolving portfolio of whole and fractional interests in primarily first and second mortgage loans originated or acquired by the Company which are secured by real property (the “Pool” or the “Collateral”). The Notes shall be full recourse obligations of the Company. The Notes are illiquid and will be subject to restrictions upon transfer.

The mortgage loans that secure the Notes will be originated or acquired by the Company based upon the loan underwriting criteria described in this Memorandum. The Company’s underwriting standards are designed to achieve an attractive yield while protecting against losses. (See "Lending Standards and Policies") The real properties which secure the Company’s loans to Borrowers, which will be included in the Pool, are located primarily in the State of California.

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS OFFERING IS MADE IN RELIANCE ON AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION PROVIDED BY SECTION 4(2) OF THE SECURITIES EXCHANGE ACT OF 1933, AS AMENDED (THE “ACT”), AND RULE 506 OF REGULATION D PROMULGATED THEREUNDER, AS AMENDED PURSUANT TO THE JUMPSTART OUR BUSINESS STARTUPS ACT.**

**THIS INVESTMENT INVOLVES A DEGREE OF RISK THAT MAY NOT BE SUITABLE FOR ALL PERSONS. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD PARTICIPATE IN THE INVESTMENT. (SEE “RISK FACTORS”)**

**CERTAIN TERMS OF THE OFFERING**

	Investments <sup>1</sup>	Selling Commissions <sup>2</sup>	Proceeds to Company <sup>2,3</sup>
Maximum Offering Amount <sup>4</sup>	\$3,500,000	\$ 0	\$3,500,000

1. The Offering will continue until: (a) the Maximum Offering Amount is raised (b) the Offering is withdrawn by the Company.
2. The Notes will be offered and sold directly by the Company or through third parties, who may receive selling commissions or fees to be negotiated on a case-by-case basis. Broker-dealer agreements may be entered into. There is no firm commitment to purchase or sell any of the Notes. All selling commissions or fees to third persons incurred in the sale of Notes will be paid by the Company.
3. The Maximum Offering Amount may be increased by the Company, at the Company's sole discretion, in increments of Two Million Dollars (\$2,000,000). However, during the time the Company is issuing Notes, the ratio of all outstanding Notes to Company net worth shall not exceed 8 to 1.

**CERTAIN NOTICES**

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

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

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

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

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

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

**For Residents of All States:**

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ENTITY CREATING THE NOTES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN THE PERIOD OF THE NOTE THEY PURCHASE.

PURCHASERS' SUBSCRIPTIONS WILL REMAIN IRREVOCABLE EXCEPT AS LIMITED BY STATE LAW.

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

THERE IS NO PUBLIC MARKET FOR NOTES AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. NOTES MAY NOT BE REPAYED PRIOR TO MATURITY AND THE NOTES OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM THE COMPANY AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS, HER, OR ITS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND OTHER PROFESSIONALS WITH RESPECT TO THE LEGAL AND TAX ASPECTS OF THIS INVESTMENT AND WITH SPECIFIC REFERENCE TO HIS, HER, OR ITS OWN TAX SITUATION, PRIOR TO SUBSCRIBING FOR A NOTE FROM THE COMPANY.

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

THE COMPANY WILL MAKE AVAILABLE TO ANY PROSPECTIVE INVESTOR AND HIS, HER, OR ITS ADVISORS THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE COMPANY OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION.

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

**Certain State Notices**

**FOR RESIDENTS OF FLORIDA:**

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

**FOR RESIDENTS OF CALIFORNIA:**

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

**FOR RESIDENTS OF PENNSYLVANIA:**

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

**FOR RESIDENTS OF NEW JERSEY:**

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

**FOR RESIDENTS OF NORTH DAKOTA:**

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

**FOR RESIDENTS OF VERMONT:**

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

**FOR RESIDENTS OF NEW YORK:**

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

**Forward-Looking Statements**

This Memorandum contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of investing in the Company, future financial and operating results, the Company’s plans, objectives, expectations and intentions with respect to future operations; and other statements identified by words such as “anticipate,” “believe,” “plan,” “expect,” “intend,” “will,” “should,” “may,” or words of similar meaning. Such forward-looking statements are based on the current beliefs and expectations of the Company and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and beyond the Company’s control. Actual results may differ materially from the results anticipated in these forward-looking statements.

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

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

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

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

### **Additional Questions**

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

DE WITTE MORTGAGE INVESTORS FUND, LLC

8 East Figueroa Street, Suite 250

Santa Barbara, CA 93101

Tel: (805) 568-1660

[peter@commercialloanexpress.com](mailto:peter@commercialloanexpress.com)

[www.commercialloansexpress.com](http://www.commercialloansexpress.com)

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#### EXHIBITS

Exhibit A	Mortgage-Backed Promissory Note and Collateral Security Agreement
Exhibit B	Subscription Agreement and Disclosure Statement
Exhibit C	Custodial Agreement
Exhibit D	Financial Statements



SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum. This Memorandum, together with the attached exhibits should be read in their entirety before any investment decision is made.

The Company	De Witte Mortgage Investors Fund, LLC (the “Company”), is a California limited liability company. The Company holds a California Finance Lender’s license. The Company will make loans to members of the general public secured by first and junior deeds of trust on real property, and generate attractive monthly returns to Investors.
Manager	De Witte Managers, Inc., a California corporation, is the manager (“Manager”) of the Company.
The Business	The Company was formed for the purpose of making loans to the general public, acquiring existing loans, and/or participating in loans with other lenders, all secured by deeds of trust and mortgages on real estate throughout the United States, primarily in California.
Investor Suitability Standards	Mortgage-Backed Promissory Notes (“Notes”) are offered exclusively to certain individuals, Keogh plans, IRAs and other qualified Investors who are California residents and who meet certain minimum standards of income and/or net worth. (See “Investor Suitability Standards”)
Offering	The maximum aggregate principal amount of the Notes to be issued under this offering is Six Million Five Hundred Thousand Dollars (\$6,500,000); there is no minimum aggregate amount. The Manager may close the offering at any time in its discretion. The minimum investment per Investor is One Hundred Thousand Dollars (\$100,000).
Notes	The maturity dates of the Notes, and Interest paid on each Note, shall be provided in the specific Note that Investor and the Company negotiate for.
Security – Notes Secured by Pool	<p>At all times during which the Company is issuing the Notes, it shall maintain a Net Worth of at least \$1 for every \$8 in Notes it has outstanding. This means that the Company will absorb any loan losses up to its Net Worth. After its ceases issuing Notes, the Company is not required to contribute additional capital to maintain the \$1 to \$8 ratio. It is not permitted to withdraw capital at any time if the Net Worth to Note ratio would fall below \$1 to \$8. After it ceases issuing Notes, it shall continue to absorb all losses up to its Net Worth but shall not be required to contribute additional capital.</p> <p>The Notes will be secured by a security interest in a revolving portfolio of whole and fractional interests in primarily first and second mortgages on single family residences income property, construction loans, and unimproved land either originated or acquired by the Company which are secured by real property.</p>

	The Manager shall have an obligation to provide a loan portfolio status report to any Note Holder upon request, but not more often than monthly.
Monthly Payments	Unless an Investor chooses to reinvest the interest earned on his, her, or its Note (see "Reinvestment of Interest Payments"), the Company will pay the agreed-upon interest on the Notes to each Investor in monthly installments and the principal amount on the agreed-upon maturity date of each Note. Interest accrued each calendar month under a Note will be paid to an Investor on or before the first (1 <sup>st</sup> ) day of the succeeding month, commencing on the first (1 <sup>st</sup> ) day of the first full calendar month following the date of issuance of such Note, and continuing until the maturity date of such Note, at which time the unpaid balance together with accrued interest due thereon, shall be due and payable, or as otherwise provided in the subject Note.
Custodian	Commercial Loan Express, Inc., a California corporation and Affiliate of the Manager. The Manager may change the custodian on notice to all Investors.
No Guaranty	The loans originated or acquired by the Company will NOT be guaranteed by any government agency. Some loans will be personally guaranteed by third parties; however, exercising the remedies under any such guaranty is limited and would require lengthy and costly legal action.
Company and Manager Compensation	The Company may have income from certain activities such as the origination of loans; discounts received upon the purchase of an existing loan; loan servicing fees, late and modification fees, and prepayment penalties as paid by borrowers; profits from the sale of loans or upon the sale of any property acquired by the Company through foreclosure; the retention of the difference between the interest paid by borrowers to the Company on the mortgage loans and the interest paid to Investors pursuant to the terms of the Notes; and interest earned on the funds held in the accounts at its bank. The Investors will not have any interest or participation in such income. At its discretion, the Company may compensate the Manager, an affiliate, or a third party compensated for services provided to the Company.
Leverage of Non-Performing Mortgages	The Company may pledge non-performing mortgages in its portfolio for a loan to fund its lending operations.

## INTRODUCTORY STATEMENT

The Company is a California limited liability company which lends money using a California Finance Lender's ("CFL") license. The principals of the Company have been active real estate mortgage Investors for over a total of fourteen (14) years, with a focus on loans in the Santa Barbara County, Ventura County, Los Angeles County, Orange County and San Diego County areas. (See "The Company and its Management") The Company will fund its lending and mortgage banking operations, in part, by issuing the Notes. In general, the Company will finance developments and commercial deals for the following types of creditworthy borrowers: (a) those who need to obtain funds in a short period of time; (b) those for which the entitlement work on their subject real property which will secure the loan may not fit, or the income stream on the subject real property is not seasoned enough to fit, conventional financial institution guidelines; and (c) those whose subject real property is listed for sale.

This Memorandum, including the exhibits attached hereto and incorporated by reference, contains a description of the Notes and the types of mortgage loans and deeds of trust that will be pledged as security for repayment. This Memorandum should be read in its entirety before any investment decision is made. The descriptions of the exhibits referenced to herein and any collateral agreements are summaries only, and are qualified by the actual documents, copies of which are attached hereto or available upon request.

## TERMS OF THE OFFERING

The minimum investment in the Notes is One Hundred Thousand Dollars (\$100,000) per Investor. Each Investor must meet the Company's Investor suitability standards. (See "Investor Suitability Standards.")

Prospective Investors can subscribe to purchase the Notes by completing and returning to the Company an executed Subscription Agreement and Disclosure Statement ("Subscription Agreement"), in a form substantially similar to Exhibit "B" attached hereto, together with a payment in the amount of the desired investment. The effective yield to be paid to each of the Investors will be in accordance with the yields set forth in each Note, and, in most cases, will vary from the interest rates on the Company's mortgage loans. The completed Subscription Agreement will specify the amount and term of the investment and the interest rate applicable to the Note being purchased. The Company reserves the right to reject any subscription if the Company determines that the prospective Investor does not meet the Company's Investor suitability standards or for any other reason in the Company's sole discretion. Subscriptions will be accepted in the order that they are received by the Company.

Pursuant to that certain Custodial Agreement, by and between the Company and Commercial Loan Express, Inc. ("Custodial Agreement"), a copy of which is attached hereto as Exhibit "C," Commercial Loan Express has agreed to serve as a custodian ("Custodian"), on behalf of the Investors, by acting as assignee, for security purposes only, of the Pool. (See "Investment Description - Custodial Agreement" and "The Custodian.") Upon the Company's receipt of such subscription funds from an Investor, the Company will issue a Note to the Investor. The Company will assign such mortgage loans originated to the Custodian. (See "Investment Description - Security for Notes.")

The Company presently anticipates selling Notes up to a total amount of Six and one-half Million Dollars (\$6,500,000); but this amount may be increased in the Company's discretion. There is no minimum amount of Notes to be sold.

## INVESTOR SUITABILITY STANDARDS

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 Notes 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.

Each person acquiring a Note 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 Company will only sell Notes to “Accredited Investors.” To qualify as an “Accredited Investor” an investor must meet ONE of the following conditions:

1. Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of \$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, at the time of their purchase exceeds \$1,000,000, excluding the value of the Investor’s home, furnishing and automobiles;
3. 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 (the “Exchange Act”); any insurance company as defined in Section 2(13) of the Exchange Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company (SBIC) licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; 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 \$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 advisor, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors;
4. Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940;
5. Any organization described in Section 501(c)(3)(d) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;
6. Any director or executive officer, or general partner of the issuer of the securities being sold, or any director, executive officer, or general partner of a general partner of that issuer;

7. Any trust, with total assets in excess of \$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)(2)(ii); or
8. Any entity in which all the equity owners are Accredited Investors as defined above.

Pursuant to the amendments to SEC Rule 506 adopted by the SEC on July 10, 2013, Investors will be required to submit verification of their accredited investor status. Please review the Subscription Agreement for more details.

## INVESTMENT DESCRIPTION

### The Notes

The Company will borrow money from Investors in exchange for the Notes. The Notes are secured by a security interest in the Pool. The Notes will bear the interest rate stated therein (which may be fixed or variable) and are full recourse obligations of the Company.

Unless an investor chooses to reinvest the interest earned on his, her, or its Note (see "Reinvestment of Interest Payments"), the Company will pay the agreed-upon interest on the Notes to each Investor in monthly installments and the principal amount on the agreed-upon maturity date of each Note. Interest accrued each calendar month under a Note will be paid to an investor on or before the first (1<sup>st</sup>) day of the succeeding month, commencing on the first (1<sup>st</sup>) day of the first full calendar month following the date of issuance of such Note, and continuing until the maturity date of such Note, at which time the unpaid balance together with accrued interest due thereon, shall be due and payable, or as otherwise provided in the subject Note.

The Company will use the proceeds from the sale of the Notes to originate or acquire mortgage loans to third-party borrowers that satisfy the loan underwriting standards described below (see "Lending Standards and Policies"). These loans will have fixed or adjustable interest rates higher than the rates owed on the Notes and will have maturities roughly staggered to anticipate the maturities on the Notes.

The mortgage loans originated or acquired by the Company using the proceeds of this Offering will be deposited into the Pool and will serve as security for the Company's repayment of the Notes to Investors. Each holder of a Note, together with all other holders, shall receive a security interest in the entire Pool, but shall only be entitled to payments from the Company according to the terms of such holder's Note. The Company's aggregate liability under all outstanding Notes may be equal to, but not greater than, the sum of the current balance of unpaid principal and interest due on the underlying Pool of mortgage loans.

The Company is obligated to make payments under the Notes regardless of whether the underlying mortgage loans are being paid on a current basis by the borrower. After any mortgage loan is paid in full, either as a result of the borrower paying off the loan or as a result of liquidation in foreclosure, the payoff funds will be deposited into the Company's operating account until such funds are used to originate or acquire another qualifying mortgage loan or make payments on the Notes or other purposes permitted under this Memorandum.

### Security for Notes

The Notes are the direct obligation of the Company and are secured by the Pool. For a description of the Company's origination and acquisition of the mortgage loans that will be included in the Pool, see the

discussion below entitled "Lending Standards and Policies." All Notes will be secured by a security interest in the Pool in common with other holders of Notes issued by the Company; therefore, each Investor will have a security interest of equal priority in all of the mortgage loans comprising the Pool and not a specific mortgage loan.

At all times during which the Company is issuing the Notes, it shall maintain a Net Worth of at least \$1 for every \$8 in Notes it has outstanding. This means that the Company will absorb any loan losses up to its Net Worth. After it ceases issuing Notes, the Company is not required to contribute additional capital to maintain the \$1 to \$8 ratio. It is not permitted to withdraw capital at any time if the Net Worth to Note ratio would fall below \$1 to \$8. After it ceases issuing Notes, it shall continue to absorb all losses up to its Net Worth but shall not be required to contribute additional capital.

The Company is obligated to make payments under the Notes regardless of whether the underlying mortgage loans are being paid on a current basis by the borrower. However, if the LLC defaults under the Notes, the liability of the LLC after liquidation of the collateral for the Notes, will be limited to the Net Worth of the LLC during the period the Notes were being issued. In no event shall be the liability of the LLC exceed its original Net Worth during the period when it was issuing Notes. The Company is not allowed to voluntarily reduce its capital below the \$1 of Net Worth to \$8 in Notes ratio.

The Company, at its option, has the right to substitute mortgage loans in the Pool in accordance with the Custodial Agreement. Investors are encouraged to read the Custodial Agreement in its entirety.

The Company may, from time to time, elect to sell one or more of the mortgage loans (or fractional interests in the loans) included in the Pool, in which event the proceeds of such sale shall be deposited with the Custodian if necessary to maintain the Pool at the required level to secure all Notes. The reasons for selling a mortgage loan may include the need for cash to pay for Investor redemption requests, to generate capital to fund new mortgage loan requests, or to attempt to reduce the risk of the Company relative to a particular loan or borrower. Generally, any sale of a mortgage loan shall be for no less than the principal balance, plus accrued interest, together with any cost due or advanced, such as foreclosure costs if the mortgage loan is in default. However, a mortgage loan may be sold for less than full amount due if the Company deems it prudent or necessary due to the condition of the property, market conditions, interest rates, or other factors. Any such sale for less than face value shall not alter or affect the Company's liability for the full stated amount of the outstanding Notes.

#### The Custodial Agreement

In order to secure its obligations to Investors under the Notes, the Company has entered into the Custodial Agreement pledging the Pool as security for the repayment of the Notes. The Custodian has certain obligations to the Investors if the Company defaults on its obligations under the Notes.

The Pool may consist of some whole and fractional interests in mortgage loans. When a mortgage loan is added to the Pool, the Company shall deliver to the Custodian all documents required to be delivered under the Custodial Agreement. Investors are encouraged to read the Custodial Agreement in its entirety.

By executing a Note, each Investor appoints the Custodian as his, her, or its agent to hold the Pool assets and to carry out the terms of the Custodial Agreement.

The Custodial Agreement explains the handling of the mortgage loans and deeds of trust or mortgages in the event that the Company desires to obtain a line of credit or loan secured by such loans and trust deeds; however, the Company will not pledge any of the loans or deeds of trust or mortgages in the Pool to secure any line of credit or loan unless all Notes have been paid in full and the Company does not issue any additional Notes under this Memorandum.

### The Custodian

Commercial Loan Express, Inc., an Affiliate of the Manager, has agreed to serve as the Custodian of the Pool. The Company reserves the right to change custodians upon notice to all Investors.

THE CUSTODIAN IS MERELY A SERVICE PROVIDER TO THE COMPANY. IT IS NEITHER LIABLE UNDER THE NOTES NOR HAS IT ASSURED OR ENDORSED IN ANY WAY THE SAFETY OF THIS INVESTMENT. IT IS NOT LIABLE, AND IT IS NOT A GUARANTOR, OF THIS INVESTMENT.

The Custodian has no duty or responsibility whatsoever to the Company or to the Investors, individually or jointly, to determine whether any actions of the Company, or any instructions received from the Company, about the Pool, or the funds therein, are appropriate, consistent with the terms of the Notes, or are otherwise proper. The Custodian cannot be held liable for any actions taken, suffered or omitted by the Custodian in good faith and believed by the Custodian to be authorized or within the discretion or rights or powers conferred upon the Custodian. The Company has agreed to indemnify and to hold the Custodian harmless from any and all claims, causes of action, and damages it sustains arising from its service as Custodian except for actions which are negligent, willful or in bad faith. The Custodian may apply to a court for instructions or it may file a suit in interpleader, declaratory relief, or to ask for such other relief as it may deem necessary at any time.

Upon an event of default by the Company upon its obligations to the holders of the Notes, the Custodian must take the action described in the Custodial Agreement. The Custodian may resign as provided for in the Custodial Agreement. All expenses and fees payable to the Custodian for performance of its services described herein will be the obligation of the Company.

### Flow of Funds and Documents

The following is a general summary of the manner and sequence of the transfers of funds in this Offering:

- (a) The Company will issue the Notes to Investors when their subscription funds are deposited with the Company.
- (b) The Company, in the ordinary course of its business, will originate or acquire qualified mortgage loans (see "Lending Standards and Policies"). Funds from the Company's operating account will be used for this purpose.
- (c) Once a qualified mortgage loan has been identified and funded, the loan documents will be deposited in the Pool held by the Custodian, which will hold the Collateral on behalf of all Investors holding the Notes.
- (d) The Company will perform all loan servicing functions as to the mortgage loans, either directly or through a sub-servicer. All payments collected by the Company from the mortgage loans will be deposited into the Company's operating account, including (1) all payments on account of interest and principal on the mortgage loans; (2) all proceeds from the sale of a mortgage loan or a fractional interest in mortgage loans or in the proceeds of any mortgage loan repurchased by the Company; and (3) all proceeds received from any title, hazard, or other insurance policy covering any mortgage loan, other than proceeds to be applied to the restoration or repair of the property subject to a deed of trust or released to the borrower in accordance with the Company's normal servicing procedures.

(e) Each month, the Company will cause to be prepared and distributed interest and principal payments to Investors in accordance with the terms of the Notes. For those Notes holders that may elect to compound their interest payments, the Company will calculate the interest credit and add this sum to those Investors' principal balances.

The Company will be responsible for all record keeping for the Notes, payments to Investors, and the Pool. It may use service providers and sub-servicers to perform these functions for the Company.

#### Events of Default

As described in the Custodial Agreement, the Company shall be in default under a certain Note if any of the following occur:

- (a) The Company fails to pay interest or principal within thirty (30) days after the due date;
- (b) The Company fails to cure a default under any other covenant within thirty (30) days following notice from one or more affected Investors, or, if the default cannot be cured within thirty (30) days, it fails to commence and diligently pursue a cure of such default within such time;
- (c) The bankruptcy or insolvency of the Company;
- (d) An involuntary bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted against the Company, and such proceeding shall not be dismissed within sixty (60) days after its commencement or an order for relief against the Company shall have been entered in such proceeding, or any order, judgment or decree shall be entered against the Company decreeing its dissolution or division; or
- (e) A bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by the Company.

#### Remedies Upon Company Default

As described in the Custodial Agreement, if an investor notifies the Custodian that it has declared an Event of Default (“Event of Default Declaration”), then the Custodian shall promptly deliver a copy of such notice to the Company. The Custodian shall continue to act in accordance with the Company’s direction until the Custodian is served with an order of a court of competent jurisdiction to act or refrain from acting. An investor who has submitted an Event of Default Declaration to the Custodian may request from the Custodian a list of the other Investors who have both submitted an Event of Default Declaration and for whom the Custodian has received evidence that each affected investor has agreed in writing to the Custodian’s disclosure of such information. Upon such request, the Custodian shall notify the Company of such investor’s request. The Company shall have thirty (30) days from the date of its receipt of the Custodian’s notice to file a court action seeking, among other things, an injunction preventing such Investor from obtaining that list. If no such action has been filed within the thirty (30) day period, then the investor shall so notify the Custodian and the Custodian shall send the requested list to such investor.



### Reinvestment of Interest Payments

The holders of Notes may elect to defer and compound any portion of the monthly interest payment due under the Notes. If an Investor makes such an election, the amount of deferred interest will be added to principal and begin to bear interest at the rate in the Note. Deferred interest will be considered and treated as if the Investor had invested additional money into the Company. The Company may terminate or restrict this deferral option at any time upon written notice to the Investors.

### Prepayment of Notes

The Company may, at its option, prepay all sums due under any Note at any time at its discretion, without any prepayment premium or penalty.

### Redemption of Notes

Penalties may apply if Investors request early redemption of their Notes. The Company has no obligation to honor requests for early redemption.

### Restrictions on Transferability of Notes

The Notes are non-negotiable and not transferable by any Investor without the written consent of the Company, which may be withheld or conditioned in the Company's sole and absolute discretion. (See "Lack of Liquidity" and "Restrictions on Transfer")

### Assurance of Payment by the Company

The Company seeks to assure payment to Investors of interest and principal when due on the Notes in accordance with the terms of the Notes. Repayment of principal and interest on the Notes is not limited to the cash flow generated by the Pool. All assets and revenues of the Company, to the extent available from operations, are obligated to the repayment of the Notes. However, there are risks that the Company will be unable to meet its obligations in a timely manner. (See "Risk Factors")

## LENDING STANDARDS AND POLICIES

The Company will invest the proceeds from the sale of the Notes in whole or fractional interests in mortgage loans, or loans secured by mortgage loans, either originated or acquired by the Company. All mortgage loans will have as the underlying security a deed of trust on real property. The Company will apply the following standards and policies in underwriting the mortgage loans that will be included in the Pool.

### Security for Company Loans

Mortgage loans will be directly or collaterally secured by a deed of trust on real property located within or outside of the State of California. The mortgage loans may be in first or junior priority. Most mortgage loans will be subordinate to a lien for real property taxes, homeowner association obligations, and special assessments. If a mortgage loan is secured directly or collaterally by a junior deed of trust, the obligations secured by the senior lien must not be in default at the time of the loan closing; however, loan proceeds may be used to cure defaults under the senior lien.

In addition to purchasing and refinancing mortgage loans, the Company may also provide contractors and homeowners with funds to construct or remodel real property. If a loan is a construction or remodeling loan,

loan proceeds will be deposited in a construction disbursement account in which the Investors in Notes will also have a security interest. In addition to a deed of trust, other forms of collateral, such as trust deeds covering multiple properties, personal guarantees, letters of credit, assignments of deposit accounts, securities or other personal property, may be used to secure the loan. Such cross collateralization can create greater security for a loan but may also involve additional risks upon foreclosure. (See "Certain Legal Aspects of Loans Secured by Deeds of Trust - Anti Deficiency Legislation")

### Mortgage Loan Amounts

Most mortgage loans in the Pool will be in amounts comprising between one percent (1%) and forty percent (40%) of the total Pool. No single mortgage loan (or aggregate of total mortgage loans to one borrower) will exceed an amount equal to forty percent (40%) of the aggregate principal amount of the Notes outstanding.

The Pool may make loans to the Manager or its Affiliates secured by real property. The loans must meet the parameters for loans to unrelated parties. The amount of fund assets devoted to loans to the Manager and its Affiliates shall not exceed 20% of the total Pool assets.

Some of the mortgage loans in the Pool will be entire mortgage loans originated or acquired by the Company as the sole lender. However, the Company will also invest in or acquire participating interests in mortgage loans, usually in the form of fractional undivided interests, or may sell fractional interests in the mortgage loans in the Pool. In such cases, the Company will pledge a minimum of ten percent (10%) of the total fractional interests of any mortgage loan to the Pool. One or more other Investors (who may be clients of the Company) will own the balance of the mortgage loan. Some mortgage loans in the Pool may also have provisions that give the Company a share of cash flow and/or appreciation in value of the property securing the mortgage loan in addition to a base interest rate.

### Geographical Area

Most mortgage loans originated or acquired by the Company will be secured by real property in California, but the Company may also make or acquire mortgage loans secured by real property in other states. The principal amount of mortgage loans secured by properties located outside California will not exceed twenty percent (20%) of the aggregate principal balance of all mortgage loans in the Pool.

### Maturities

Mortgage loans included in the Pool will generally have maturity dates ranging from four (4) months to two (2) years, and provide for interest-only payments and a balloon payment of principal at maturity.

### Loan-to-Value Ratios

The total amount of a mortgage loan (plus, if the loan is secured by a junior deed of trust, the amount of any senior liens) will generally not exceed a certain percentage of the value of the property securing the loan (the "loan-to-value ratio"), as determined by either an independent appraisal or internal valuation by the Company, in accordance with the following:

<u>Type of Property</u>	<u>Maximum Loan-to-Value Ratio</u>
Residential – 1 to 4 units	75%
Residential Fix and Flip Rehab Loan	higher of 95% of purchase price or 75% of cost
Commercial Property	75%
New Construction	75%
Residential Vacant Lots and Unimproved Land	75%

The loan-to-value ratio for a mortgage loan placed in the Pool may exceed these percentages if, in the Company's reasonable judgment, a higher loan amount is warranted by the circumstances of the particular loan, such as additional collateral, personal guaranties, prior loan history with the particular borrower, market conditions, etc. In such cases, the Company will maintain a written record of the reason(s) that a higher loan-to-value ratio was justified.

Any appraisals for construction loans will be performed by independent appraisers who are certified or qualified in the state where the property is located, a Broker's Opinion, or the Company's opinion, and will be prepared on an "as completed" basis, i.e., assuming that the improvements for which the loan is obtained will be completed. The appraiser may also assume that all public improvements to be funded by special assessment district bonds will be completed as proposed and that the property will be marketed and sold in the manner planned by the borrower. In the case of these construction loans, the loan-to-value ratio as estimated in the appraisal and the budget for the project may exceed seventy-five percent (75%) at times during the term of the mortgage loan. This may occur because the appraisal is based upon the value of the property when construction is completed; however, before the construction is completed, the value of the property will generally be less than the "as completed" appraised value and the outstanding balance of the mortgage loan may therefore be more than seventy-five percent (75%) of this lesser, uncompleted value.

Although the Company may conduct a cursory physical inspection of the property securing a mortgage loan, due to the costs involved, in most cases, it will not obtain inspection reports from licensed civil engineers if, in the Company's reasonable business judgment, such reports are not warranted. Also, the Company may not engage the services of an engineer or environmental consultant to conduct a third party environmental site assessment of the Property. (See "Risk Factors - Environmental Contamination")

### The Borrower

Mortgage loans will usually be extended with full recourse to the borrowers and may also be guaranteed by persons related to the borrower. The guarantor, if any, or the borrower must be considered creditworthy by the Company; however, exceptions may be made when justified by a low loan-to-value-ratio.

### Term and Amount of Mortgage Loans

The term of, and the interest rate on, any given mortgage note will be determined by the Company's negotiation with the borrower. Interest rates on the mortgage loans are determined solely based upon the judgment and experience of the Company's management and the prevailing market for mortgage loans of the same type. The interest rate payable to Investors under the Notes will be lower than the weighted average of the rates accruing under the mortgage loans from borrowers. The maturity date of the Notes may be after the maturity date of the underlying mortgage loans. However, upon any payoff of any, the Company shall deposit the proceeds into the Company's operating account for uses authorized under this Memorandum.

Before making construction loans, the borrower will be required to submit building plans and specifications, permits and budgets, for the Company's approval. Loan proceeds for such construction loans will be deposited into a disbursement account or with a funds control agent with advances to borrowers based on a draw schedule. The Company may also require the borrower to contribute equity in the form of cash or property prior to loan funding. The Company inspects, or uses the services of professional advisors to inspect, each property prior to the advancement of loan funds. Investors will also be given a security interest in any disbursement accounts associated with construction loans to the extent that the Company controls those funds.

#### Loans Secured by Unimproved Land; Required Zoning

Unless a loan is an unimproved land loan with a maximum loan-to-value ratio of fifty percent (50%), unimproved property direct or indirectly securing a mortgage loan will have either finished lots or an approved tentative subdivision map or, if there are no finished lots or a tentative subdivision map filed for the property, then the property must be developable as intended by the borrower under existing zoning and general plans. To qualify for a loan, there must be no proposed amendments to the zoning or general plan pending before the applicable loan agencies which would down-zone the property.

#### Environmental Site Assessment

The Company may require the borrower on mortgage loans secured by non-residential property to provide an environmental site assessment by an environmental specialist to determine the potential presence of hazardous substances and soil and/or ground-water contamination. The Company will require environmental studies only when in its judgment it is appropriate to do so based upon the disclosed past use of a property or adjoining property.

#### Prepayment and Release Provisions

Mortgage loans in the Pool may permit prepayment without penalty or may provide for a prepayment penalty. Mortgage loans may also permit releases of portions of the property from the lien securing a mortgage loan if: (a) on prepayment of negotiated percentages of the mortgage loan, leaving loan-to-value-ratio to support the remaining balance; (b) on prepayment of a negotiated percentage of sales proceeds realized from the sale of that portion of the property released; (c) on assignment of any purchase money note issued by the buyer of the released portion, provided the note is secured by a first deed of trust on the land released; or (d) on the basis of assurances that the sales proceeds will be used to improve the remaining property securing the mortgage loan.

#### Insurance Requirements

Each mortgage may be conditioned upon the following insurance being in place, the benefits of which will be assigned to the Custodian as additional security:

- (a) Title insurance policy naming the Company as the insured and loss payee for an amount equal to the amount of the mortgage loan. Title insurance insures only the validity and priority of the lien of the deed of trust, and does not insure against loss by reason of, other causes, such as diminution in the value of the property, over-appraisals, borrower's defaults, etc.
- (b) Satisfactory fire insurance naming the Company as loss payee in an amount at least equal to the replacement cost of the improvements on the property, subject to commercially reasonable deductibles.

(See "Risk Factors") If the property consists of undeveloped land, the Company may not require the borrower to carry fire insurance as there would be no improvements to insure.

#### Loan Renewals

The Company has the right, in its sole discretion, to extend loans requiring "balloon" payments that the Company has previously made to a borrower, and to modify the associated mortgage loan documents. In each case, the Company will apply the same underwriting standards it has for new loans. Any extensions on the maturity date of the mortgage loans will have not have any effect on the maturity dates of the Notes.

### THE COMPANY AND ITS MANAGEMENT

The Company was formed on August 9, 2004. The Company holds a California Finance Lender's license and will use that license to originate and acquire mortgage loans.

The Company may have income from certain activities such as the origination of loans; discounts received upon the purchase of an existing loan; loan servicing fees, late and modification fees, and prepayment penalties as paid by borrowers; profits from the sale of loans or upon the sale of any property acquired by the Company through foreclosure; the retention of the difference between the interest paid by borrowers to the Company on the mortgage loans and the interest paid to Investors pursuant to the terms of the Notes; and interest earned on the funds held in bank accounts. The Investors will not have any interest or participation in such income. At its discretion, the Company may compensate the Manager, an affiliate, or a third party compensated for services provided to the Company.

A summary of the LLC's loan portfolio and performance as of December 31, 2017 is as follows:

Number of the loans serviced	19
Dollar amount of the loans serviced	\$5,379,000
Number of loans 30 – 59 days overdue	0
Number of loans 60 - 89 days overdue	0
Number of loans 90+ days overdue	0
Number of completed foreclosures in prior 12 months	0
Dollar amount of the loans foreclosed upon in prior 12 months	0
Number of properties taken back in foreclosure and remaining unsold in prior 12 months	0
Dollar losses or gains on the sales within past 12 months of real estate foreclosed upon	0

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

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

### RISK FACTORS

The following factors should be carefully considered by Investors before making any decision to purchase the Notes. Other risk factors may exist and unforeseen events may create other risks not described herein.

#### Lack of Liquidity

There is no public market for the Notes being sold by the Company in this Memorandum. In addition, even if an Investor locates a potential buyer, the Notes are non-negotiable and any sale or transfer thereof is subject to the prior written consent of the Company, which may be granted or withheld in its sole and absolute discretion. The transferability of Notes is also restricted by certain provisions of federal and state securities laws. (See "Restrictions on Transfer") Therefore, only Investors who have no immediate need for liquidity in their investments should consider purchasing the Notes.

#### Bankruptcy of the Company

If the Company enters bankruptcy, either voluntarily or involuntarily, the Investors would generally have the rights of secured creditors with respect to the Notes. Any delays and difficulties in obtaining the security may arise and expenses may be incurred in connection with realizing on the collateral for Notes.

#### Default by the Company

The Company's ability to meet its obligations under the Notes is largely dependent upon the borrowers' full and timely performance of their obligations under the mortgage loans. The mortgage loans owned by the Company are not guaranteed or insured by any governmental agency, any private insurer, the Company, or any other person. If a mortgage loan is defaulted upon by the underlying borrower and ultimately results in foreclosure, and if the foreclosure results in the failure of the Company to recover the unpaid principal balances of the mortgage loan, the ability of the Investors to recover their investment in the Notes may be significantly reduced. The Company is obligated to maintain a Net Worth of \$1 for every \$8 in Notes it issues only during the time it is issuing Notes. Its Net Worth serves as a first loss position to the Note holders. However, the Company is not obligated to contribute capital to replenish its Net Worth if its Net Worth is depleted.

#### Borrower's Inability to Repay Mortgage Loan

Each mortgage loan that serves as security for the Notes will generally be due in a balloon payment on the maturity date of such mortgage loan. The borrower may be unable to pay at that time because he, she, or it cannot sell the property or borrow enough to refinance the debt through another lending source. This could particularly be the case if the value of the property had declined since the loan was made. The borrower's inability to refinance the mortgage loan and related deed of trust at maturity would adversely affect its value as collateral for the Notes that it secures.

#### Bankruptcy of the Borrower

If the borrower enters bankruptcy, either voluntarily or involuntarily, an automatic stay of all proceedings against the borrower's property will be granted. This stay will prevent the Company or the Investors from

foreclosing on the mortgage loan and related deed of trust until relief from the stay can be obtained from the bankruptcy court. There is no guarantee that the bankruptcy court will lift its stay. Significant attorneys' fees and costs may be incurred in attempting to obtain relief from the stay from the bankruptcy court. In addition, it may take several months to obtain such relief.

### Valuations

The Notes will be secured by assignments of mortgage loans, the value of which is largely dependent upon the value of the underlying real estate owned by the borrower which is securing the mortgage loan. The Company will rely on appraisals or internally prepared valuations to determine the fair market value of the subject property securing the mortgage loans. An appraisal or internal valuation is only an opinion of value as of the date for which it is given. There is no guarantee that the opinion is correct or that the value will still be the value when the mortgage loans are funded or that the value will remain the value of the property throughout the term of the subject mortgage loan.

A valuation of unimproved land is generally more difficult to appraise and subject to greater variation of professional opinion than the appraisal of developed or income property. The fair market value of unimproved land will change with changes in the economic prospects for the market in which the property is located and changes in the willingness of local agencies to support and/or grant entitlements for development of the property.

In the case of a construction loan, the appraisal may also be made upon the assumption that improvements for which the loan is being extended will be completed. If for any reason they are not completed, then it is likely that the property would be worth less than the appraised value. Also, loans made to fund construction may be based upon an appraisal of the projected value of the subject property when it has been completed. In those cases, the loan-to-value ratio may at times during the period that construction is not yet completed be higher than the percentage originally calculated by the Company.

### Decisions by Majority of Investors

The Notes shall be secured by fractional undivided security interests in the Pool, and other Investors (which may include the Company or related persons) will hold the balance of such fractional security interests. Any decision by an Investor to enforce his, her, or its rights under the Custodial Agreement and/or to foreclose on a deed of trust which secures a mortgage loan in default shall be subject to the control of the majority of the Investors in the Company (the "Majority Holders"). Therefore, an Investor may not have the right to enforce his, her, or its rights as a secured party if such enforcement action conflicts with the decisions of such majority.

### Mortgage Loans

Mortgage loans are considered personal property. As such, the manner in which the Investors would enforce their security interest in the mortgage loans following a loan default would be governed by the terms of the Custodial Agreement and the Uniform Commercial Code. A secured creditor may sell the personal property security by providing notices to the debtor and then selling the personal property security at a public or private sale. Generally, the secured party must act in good faith and in a commercially reasonable manner in noticing and conducting this sale.

If the Company defaults under the Notes, Investors may propose to retain the mortgage loans in satisfaction of Notes by giving notice to the Company. If the Company fails to object within a prescribed period of time, the Investors can retain the mortgage loans in satisfaction of the Notes. If the Company objects to this course of action, the Investors will be obligated to conduct a public or private sale.

### Limitations on Recovering Unpaid Amounts through California Foreclosure

The Notes will be secured by fractional undivided interests in the Pool. If any Investor seeks to recover his, her, or its investment in the Notes by foreclosing on the underlying real property securing a deed of trust, certain limitations and restrictions under California law, or the applicable state law, will apply. (See "Certain Legal Aspects of Loans Secured by Deeds of Trust")

### Special Risks of Junior Trust Deeds

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

### Enforceability of Guaranties

The obligations of the borrower may be guaranteed by a guarantor. Current California law provides a number of protections for guarantors. Under certain circumstances, these protections could serve to limit or exonerate the guarantor of its obligations under its guaranty. Some of these protections are waivable, while others may not be waivable due to public policy considerations. Even ostensible waivers of some of these protections may be held by a California court to be unenforceable for a variety of reasons, such as the ostensible waivers being deemed too vague. Also, a guarantor may be entitled to the protections of the anti-deficiency and one form of action laws available to the borrower if the guarantor is deemed to be the "alter ego" of the borrower.

### Entitlements

If the borrower intends to subdivide the property securing a mortgage note, it will need to comply with applicable local, state and federal subdivision laws. If the mortgage loan is made before the property is fully subdivided, then the Company and, indirectly, the Investors will bear the risk that the borrower is unable to complete its subdivision. The value of the property as a single legal parcel may be less than the value if the subdivision had been completed.

### Investors Not Independently Represented

Investors have not been, and will not be, represented by independent legal counsel in connection with this Offering or in connection with the preparation of the Notes or Custodial Agreement. (See "Conflicts of Interests.") Legal counsel to the Company does not act as counsel to Investors in connection with this Offering, or does counsel to the Company monitor or represent the Company in connection with its lending and loan servicing activities. Each prospective Investor is encouraged to consult with his, her, or its own legal counsel, accountant or other professional prior to subscribing to purchase any Notes.

### Uninsured Losses

The real properties securing the mortgage loans will initially be insured by a fire insurance policy carried by the borrower in an amount at least equal to the value of the properties' improvements, but there is



generally no requirement for the borrower to maintain coverage for landslides, earthquakes or floods. Following an uninsured hazard loss, the mortgage loan relating to such property may become under secured and the value of the Pool, which is the primary security for Notes, would be reduced accordingly.

#### Environmental Issues

Properties securing the mortgage loans may be subject to compliance with various federal and state environmental laws. Failure to comply could result in claims of liability against the owner, as well as the Company, although recent state and federal law enactments do provide safe harbors for qualifying lenders who have taken property back in foreclosure.

#### Loan Loss Reserve

The entire proceeds from this Offering will be used to fund or refinance loans originated or acquired by the Company. The Company may establish a loan loss reserve to cover loan losses incurred in the Pool, although it is not required to reserve any specified percentage of its loan portfolio, which means that the security for the Notes could be diminished.

#### Unspecified Investments

Other than certain investment criteria established for mortgage loans to be placed in the Pool. (see "Lending Standards and Policies"), the Company has made no commitments or entered into any agreements to invest in specific mortgages. A prospective Investor will not have the opportunity to evaluate the mortgage portfolio. Temporary investment of funds in short-term accounts pending investment in mortgages may result in a lower rate of return to the Company and could adversely affect its ability to make debt service payments of the Notes.

#### Risks of Using Leverage

The Pool may borrow money on the security of non-performing mortgages in its portfolio. If the Pool is unable to pay the lender, the lender could seize and sell the pledged mortgages, resulting in a loss to the Pool.

#### Fluctuations in Interest Rates

Mortgage interest rates are subject to abrupt and substantial fluctuations. If prevailing interest rates rise above the interest rates on loans being held in the Pool, the value of the loans in the Pool may decrease and may not be adequate to cover the amounts due to Investors under the outstanding Notes should the Pool be required to be liquidated upon default of the Company.

#### Usury

Usury laws establish restrictions in certain circumstances which prohibit lenders from charging interest exceeding the usury limits. Monetary penalties, including loss of interest and treble damages, may be imposed for violation of such usury laws. The Company currently holds a CFL license. Thus, the mortgage loans issued by the Company in California will be exempt from California usury laws due to the Company's finance lender license. To the extent that the Company makes or acquires loans originated in and/or secured by property located outside of California, the Company will utilize persons or otherwise take action that the Company believes will keep such loans from being usurious under applicable usury laws.

#### Recent Legislation

Recent federal, state, and local legislation added new restrictions and limitations on certain kinds of consumer real estate loans. These new laws include the federal Home Ownership and Equity Protection Act of 1994, (the "High Cost Mortgage Act") and California Assembly Bill 489. The Company does not intend to make any loans which are subject to these laws.

### COMPETITION

The business in which the Company is engaged is highly competitive. The Company competes against banks, savings and loan associations and other "institutional lenders" primarily through offering flexible loan terms, creative underwriting to address issues that would deter larger lenders from making a loan, and individual evaluation of borrowers and their loan applications which permits the Company to approve some mortgage loans typically rejected by larger financial institutions. Most depository institutions that offer real-estate-secured loans evaluate loan applications on the basis of standards that are more highly structured and more dependent upon strict numerical tests than are the standards of the Company. For example, many depository financial institutions adhere to loan approval procedures, involving loan committees or other layered decision-making requirements that delay loan approvals and thus give the Company a competitive advantage in its simplified approval process. Because the interest rates and origination fees charged by depository institutions are typically lower than those charged the Company, the Company does not expect to compete successfully for conventional mortgage loans that would be readily approved and made by depository institutions.

### CONFLICTS OF INTEREST

If the Company acquires a property by foreclosure of a mortgage loan and related deed of trust, the Company will either partially pay off the Notes that was secured by the subject mortgage loan and related foreclosed deed of trust, or issue a new deed of trust to Investors to secure the Notes outstanding. In such event, the Investors' collateral for their Notes will be changed to a deed of trust directly on the underlying real property, which may or may not be in the best interests of Investors. In this event, the amount of the Company's investment in the foreclosed loan (but not more than the Company's equity in the underlying property) will be included when valuing the Pool for any purpose.

The Company retains the difference (or "spread") between the stated interest rate of each of the mortgage loans and the interest rate on the Notes. To the extent that the Company charges the borrower a higher rate of interest and thereby increases the "spread" that it earns, the ability of the borrower to repay the loan may be diminished, which could diminish the value of the Pool pledged as collateral to Investors.

In cases where fractional undivided interests in mortgage loans are held in the Pool, some or all of the balance of interests in that loan may be held by the Company or its affiliates. The mortgage loans will, in most cases, have longer maturities and higher interest rates than the Notes. If the Company defaults under the Notes and Investors foreclose on a fractional interest in a mortgage loan and related deed of trust where the Company or its affiliates holds other fractional interests in the same mortgage loan, the Company or its affiliate may have a conflict of interest in directing the enforcement actions to be taken with respect to such mortgage loan. To alleviate this conflict of interest, the Custodial Agreement requires the Company to vote any interest in a mortgage note foreclosed upon by the Custodian as directed by the Custodian or the Investors holding the balance of the mortgage loan, wherever this is required to give the custodian (or Investors) control over decisions regarding enforcement and collection of the mortgage loan.

The Pool may lend up to 20% of its assets to the Manager or its affiliates. This creates a conflict of interest because the Manager will not be in a position to independently assess the loan nor independent in the

collection of it. If the loan were to go into default, the Manager may be less inclined to pursue collection than it would if dealing with an unrelated party. Losses to the Pool could result.

### COMPENSATION TO MANAGER

The Manager may be compensated for the services provided to the Company at its discretion.

### TAX CONSEQUENCES

The state and federal income tax considerations resulting from this investment are believed to be the same as if the Investor had purchased any other income producing debt obligation; however, prospective Investors are urged to consult with, and rely upon, their own tax advisors for advice on these and other tax matters that bear upon this investment.

Holders of the Notes will be entitled to receive monthly interest and principal thereunder. Interest received will constitute ordinary income to the holder and will be taxed accordingly. Investors who do not choose the reinvestment of interest payment option will receive monthly interest so that there will be cash available to pay any resulting income taxes. However, with respect to Investors who choose one of the interest deferral options, only partial or no payments of accrued interest will actually be received. Holders of the Notes who choose one of the interest deferral options may nevertheless be deemed to have constructively received the interest component which they have chosen to compound and may be taxed as if they received payment thereof. Holders of the Notes choosing the interest deferral option may be taxed each year in regard to the interest component attributed to interest on the reinvested interest, as this interest may constitute "original issue discount" income under federal income tax laws. In such event, the holder will need to pay the taxes due from constructive receipt of such interest income from other sources. Upon maturity of the Notes with respect to which interest has been deferred, all interest that has previously been accounted for on a holder's tax return, but not previously received, will not be subject to additional tax at that time.

### CERTAIN LEGAL ASPECTS OF LOANS SECURED BY DEEDS OF TRUST

The Notes will be secured by fractional undivided interests in the Pool. If the Company is unable to perform its obligations under the Notes, Investors may be required to enforce the mortgage loans on their own behalf in order to protect and realize on the security represented by the Pool. (See also "Risk Factors.") The deed of trust is the most commonly used real property security device in California. The first step would be to sell or take possession of the Pool, which is an enforcement action against personal property collateral governed by the provisions of the Uniform Commercial Code. Investors will require the assistance of qualified legal counsel in order to enforce these rights, which will be selected by Investors the Majority Holders.

Once Investors become the holders of the mortgage loans that comprise the Pool, all payments received from borrowers will belong to Investors and be paid to any loan servicing company(ies) retained by them. Investors will have no right to accelerate or foreclose on these loans so long as the borrowers make all required payments in a timely manner, notwithstanding that these loans may be payable by borrowers over a longer period of time than the Notes issued by the Company were payable.

### Restrictions on Transferability of Notes

If a mortgage loan goes into default, Investors (acting alone or in concert) may attempt to realize on the underlying collateral by commencing foreclosure proceedings. The following discussion summarizes

applicable provisions of California law relating to real property foreclosure procedures. (Such procedures vary substantially from state to state, and the Company intends to comply with the requirements of the laws of the state where any real property security is located.)

### Foreclosure

Foreclosure of a deed of trust is accomplished in most cases by a nonjudicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and send a copy to all parties entitled to notice by statute. The borrower (or any other person having a junior lien or encumbrance) may, during a three (3) month reinstatement period and up to five (5) days before sale, cure the default by paying all sums due (except for accelerated principal). Following a nonjudicial sale, neither the borrower nor a junior lienholder has any right of redemption, and the lender may not obtain a judgment against the borrower for any shortfall between the loan balance and the sales price of the property.

A judicial foreclosure (in which the lender's purpose is usually to obtain a deficiency judgment when not otherwise available) is subject to most of the delays and expenses of other lawsuits. It may require several years to complete. Following a judicial foreclosure sale, the borrower and foreclosed junior lienholders may redeem for a maximum period of one (1) year.

### Anti-Deficiency Legislation

As noted above, a deficiency judgment is barred where the foreclosure was accomplished by means of a nonjudicial trustee's sale. A deficiency judgment is also barred in any case where the foreclosed deed of trust secured a "purchase money" obligation, i.e., a promissory note given to the seller as payment for all or part of the purchase price of the property or given to a third party lender as payment for all or a part of the purchase price of a residential dwelling for four (4) or fewer families which is occupied, at least in part, by the purchaser. In addition, the "one form of action" rule requires the lender to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the borrower on the promissory note. Any deficiency judgment obtained by the lender following a judicial sale is limited to the excess of the outstanding debt over the fair market value of the property at the time of sale. This provision prevents a lender from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale.

Other statutory provisions, such as federal bankruptcy laws and laws giving certain priorities to federal tax liens, may have the effect of delaying enforcement of the lien on a defaulted loan and may, in certain circumstances, reduce the amount realizable from the sale of a foreclosed property.

### Special Consideration in Connection with Junior Encumbrances

In addition to the general considerations concerning deeds of trust discussed above, there are certain special considerations applicable to junior encumbrances. Junior encumbrances have less security than the senior encumbrances on the same property. It may be necessary for the junior lienholder to advance certain payments to senior lienholders, if the senior encumbrances are also in default, in order for the junior lienholder to protect its security. If a senior encumbrance proceeds to foreclosure sale first, the junior lienholder would lose its security.

The foreclosure sale of a junior encumbrance is handled in the same manner as foreclosure sales discussed above, except that the junior lienholder remains subject to all senior encumbrances should the junior lienholder become owner of the property. Accordingly, a junior lienholder may be subject to substantial cash expenditures to properly protect its security.

If the Company became unable to perform its obligations under the Notes to protect and realize on the security represented by the mortgage loan and related deed of trust, the Investors would be required to perform the above activities on their own behalf.

The Company has adopted certain policies and procedures to mitigate these risks of junior trust deed lending. (See "Lending Standards and Policies - Security for Company Loans")

#### Prepayment Charges

Some loans originated by the Company provide for prepayment charges to be imposed on the borrower if there are certain early payments on the loans. Such charges are allowed by law. If a mortgage loan contains a prepayment charge, the Company is entitled to keep any such charge.

### ERISA CONSIDERATIONS

Interest income from the Notes held by IRAs and qualified pension and profit sharing plans is anticipated to be exempt from federal income taxation under the Internal Revenue Code, but no tax opinion has been obtained with respect to this issue. Such interest is not expected to constitute income from a trade or business. Qualified plans and IRAs, consequently, should not have unrelated business taxable income ("UBTI") as a result of receiving interest from the Notes.

In considering an investment in the Notes, a fiduciary of a tax exempt employee benefit plan, such as a qualified pension or profit sharing plan, Keogh plan, 401(k) plan or IRA, should consider (a) whether the investment satisfies the diversification requirement of Section 404(a)(1)(c) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (b) whether the investment is prudent given the risks involved; (c) whether the investment is made solely in the interests of the plan participants; (d) whether the investment complies with the plan's need for liquidity; and (e) whether the investment would constitute a transaction prohibited under Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended. ERISA also requires that assets of a plan be valued at their fair market value as of the close of the plan's fiscal year, and it may not be possible to satisfactorily value the Notes from year to year since there will be no market for the Notes.

Persons investing in the Notes on behalf of qualified ERISA plans should consult their own tax advisors, accountants and attorneys to determine whether an investment in the Notes are permitted under the trust instrument and other documents establishing the plan as well as under ERISA and the regulations adopted thereunder.

### ADDITIONAL INFORMATION AND UNDERTAKINGS

The Company undertakes to make available to each prospective Investor the opportunity to obtain any additional information from the Company necessary to verify the accuracy of the information contained in this Memorandum or to assess the merits or value of the Notes and the Pool offered as security, to the extent that it possesses such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, financial statements and other information concerning the Company or any borrower or guarantors, appraisals and other information concerning the real property security, information regarding past mortgage lending experience of the Company, and any other documents or instruments that are material to this offering and the transactions contemplated and described in this Memorandum.

### RESTRICTIONS ON TRANSFER

As a condition to this offering, restrictions have been placed upon the ability of Investors to resell or otherwise dispose of any Notes purchased hereunder, including without limitation the following:

- (a) The Notes are non-negotiable, and any sale or transfer thereof is subject to the prior written consent of the Company, which may be given or withheld in its sole and absolute discretion.
- (b) No Investor may resell or otherwise transfer any Notes except to a person or entity that meets the Investor suitability standards described herein. (See "Investor Suitability Standards")
- (c) The Notes have not been registered with the SEC under the Act, in reliance upon the exemptions provided for under SEC Rule 506. The Notes may not be sold or otherwise transferred without registration under the Act or pursuant to an exemption therefrom.
- (d) No sale or transfer of the Notes by an Investor shall be effective unless the buyer or transferee has executed and delivered to the Company a Subscription Agreement.

A legend will be placed upon all instruments or certificates evidencing ownership of the Notes stating that the Notes have not been registered under the Act or any state securities laws, and setting forth the applicable limitations on resale.

END.