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CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM

COLONIAL IMPACT FUND-II, LLC

MEMBERSHIP UNITS and SECURED NOTES

January 20, 2015

**520 Silicon Drive, Suite 110
Southlake, TX 76092-2001**

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF COLONIAL IMPACT FUND-II, LLC AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE UNITS BEING OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE UNITS 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 APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. YOU WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Important Considerations

This Confidential Private Placement Memorandum (the "PPM") is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. This PPM is being provided to selected qualified prospective Investors (the "Investor" or "Investors") on a confidential basis solely in connection with the consideration of the purchase of membership units (the "Units") in and/or notes (the "Notes") issued by Colonial Impact Fund-II, LLC (the "Fund" or the "Company"). In making an investment decision, prospective Investors must rely on their own examination of the Units and Notes and the terms of the Offering, including the merits and risks involved. The information contained in this PPM has been compiled from sources believed to be reliable by the management of Colonial Capital Management LLC (the "Manager" or "CCM").

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

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

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

This is a private Offering which is being made only by delivery of a copy of this PPM. Both U.S. and foreign Investors may invest in the Fund. Notwithstanding that a general solicitation of interests may occur, each U.S. Investor in the Fund must be an "accredited investor" as such term is defined in Regulation D promulgated by the Securities and Exchange Commission ("SEC") under the Act. In addition, each U.S. Investor will be required to represent and warrant to the Fund and Manager that it meets the requirements of the foregoing definition as such are detailed in the Subscription Booklet(s) attached hereto.

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

- Having a net worth of at least \$1,000,000, excluding the value of a primary residence; or
- Having an adjusted gross income of at least \$200,000 for the last 2 years (or \$300,000 with a spouse) and is expected to continue in this calendar year; or
- For entity Investors, having assets of at least \$5,000,000, or all of the owners of the entity must otherwise be Accredited Investors.

These standards are imposed by the SEC and other state securities law administrators and by the Manager, since there are risks associated with the investment in the Units, including an Investor's inability to easily liquidate the investment. The Manager has the right to reject any

potential Investor for not meeting the Investor suitability standards, or for any other reason in its sole discretion.

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

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

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

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

The Fund has agreed to make available to each prospective Investor and to his or her representative(s), or both, the opportunity, prior to the consummation of a sale of Units and Notes to such prospective Investor, to ask questions of and receive answers from the principals of the Manager concerning the terms and conditions of this Offering and to obtain any additional information, to the extent they possess such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy and completeness of the information set forth herein. Inquiries should be directed to Ryan Parson, Director-Investor Relations by sending an email to Ryan.Parson@ColCapMgmt.com or calling 888-633-1113 Ext 12.

The obligations of the Manager and the Members of the Fund are set forth in and will be governed by an operating agreement of the Fund (the "Operating Agreement"), and a subscription agreement relating to the Units (collectively, the "Member Subscription Booklet"). The obligations of the Manager and the Note Holders of the Fund are set forth in and will be governed by an intercreditor agreement (the "Intercreditor Agreement") and subscription agreement relating to the Notes (collectively, the "Note Holder Subscription Booklet"). The Member Subscription Booklet and the Note Holder Subscription Booklet shall collectively be called the "Subscription Booklets." All of the statements and information contained herein are qualified in their entirety by reference to these agreements.

This PPM may summarize some of the terms of the Subscription Booklets and other documents referred to herein and therein. However, the discussions set forth in this PPM do not purport to be complete. Copies of the Subscription Booklets have been and will be provided to prospective Investors and each prospective Investor and its advisors should read these

materials, including any and all revisions thereto, prior to making a decision to invest in the Fund.

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

The delivery of this PPM does not imply that the information contained herein is correct as of any time subsequent to the date of its issue. Unless specified otherwise, all statements made herein are made as of January 20, 2015.

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

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

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

THE UNITS AND NOTES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF BY AN INVESTOR WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGER.

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

TABLE OF CONTENTS

INTRODUCTION i

STRUCTURE OF FUND i

MANAGEMENT..... 4

FREQUENTLY ASKED QUESTIONS..... 6

DEFINITION OF TERMS 16

DESCRIPTION OF FUND ASSETS AND UNDERWRITING GUIDELINES..... 20

CONFLICTS OF INTEREST 45

TAX ASPECTS OF THE OFFERING..... 49

INTRODUCTION

Welcome to the Colonial Impact Fund-II, LLC (the "Fund"). Owning real estate of any type, be it the home we live in, raw land, or investment property has always had a certain fascination in America. From the American dream it represents to the opportunity of wealth creation, real estate ownership, and the variations of real estate assets that come along with it, continues to be one of the most fascinating, attractive and rewarding means for the private investor. As you read through this document, I hope you gain a true sense of the passion and excitement we have for various real estate related assets and the opportunities they present.

Following years of appreciation in real estate values fueled by readily available and inexpensive credit, the U.S. real estate market began a significant decline in late 2007 as a result of the massive contraction in the credit markets. Even to today, the continued disruption in the real estate and credit markets that began with the late 2007 economic recession and accompanying credit crisis presents an attractive environment to acquire distressed residential and commercial real estate and real estate-related debt -- mortgage loans -- at discounted prices. This was also a pivotal timeframe within my own personal investment portfolio that proved to be a critical and monumental turning point for how I could help my family, friends, and trusted investors see the upside of what were otherwise perceived to be tumultuous market conditions.

Each of us as fund managers for Colonial Impact Fund II has experienced both exciting and rewarding careers along our respective journeys. As with most relationships in life, both personal and professional, there is usually always a story on how the relationships not just came to pass, but more importantly how they developed over time and how they evolved into a trusted partnership. This certainly is the case between Eddie, Bob, and myself, and how we've grown together. Like most of us, those cherished relationships in our lives are a cornerstone to life's success, and in case of business that is also true. To share with you why (and how) we work so well together would be like sharing the secrets to a lifelong friendship...you don't necessarily know the secret, but you know when it works. Perhaps, however, that secret is rooted in our professional backgrounds and experiences that have been woven together that collectively have created who we are today as a fund management team.

Eddie Speed began his note trading career in 1980. His father-in-law had been a very successful note trader in his own right and subsequently helped Eddie see the opportunity. Through Eddie's tenacity, curiosity, and entrepreneurial spirit, he evolved into the industry's top note broker selling to the likes of Metropolitan Mortgage & Securities, The Associates, and Bayview Financial, who were three of the top institutional note investors in the country at the time. Eddie developed a reputation of being fair and credible and was, and continues to be, rewarded through the generous level of repeat business he enjoys. In 2004, Eddie saw the need to help other investors grow their private note portfolio and launched NoteSchool. Today, NoteSchool has grown to be the largest and premier note training company in the United States and serves thousands of note investors through its ongoing educational programs.

One of the great relationships Eddie formed was with Bob Repass. Their relationship began in the early 1990's, as Bob was a Senior Executive at Metropolitan Mortgage & Securities. Their business relationship deepened when Bob relocated to Dallas, Texas in 1997 to run the Private Mortgage Operation for The Associates and again later when Bob was the Managing Director for Bayview Financial where he oversaw, the loan servicing and seller financing acquisition division for Bayview. During Bob's tenure, he was responsible for acquiring more than two billion dollars of seller financed paper. Additionally, Bob managed 150 asset managers in the

loan servicing operation. Through his numerous relationships within the industry, Bob is very uniquely positioned, well qualified, and sought after by numerous hedge funds, banks, and loan origination firms when they are looking to sell their assets. Whether through previous trades or reputation, Bob is widely known to be fair with his trading process because of his vast experience, not to mention keeping up with industry trends and market conditions. As both NoteSchool and Colonial Funding Group (our trade desk platform today) grew, it was once again time for Bob and Eddie to reconnect. Bob joined the NoteSchool and Colonial consortium as Managing Director in 2013 with an emphasis on asset acquisition, operations management, and regulatory compliance, all of which he is perfectly qualified in.

For myself, having grown up in a rural farming community in Iowa with two hard-working parents who, to this day, run their successful real estate agency in my hometown, I had the good fortune of being exposed to real estate at a very early age. As I watched my folks grow their business, I learned early on the power of relationships and growing with your clients. Additionally, I was able to understand the financial impact real estate can have on one's portfolio (both good and the pitfalls), whether owning the assets directly or being a trusted advisor to others who owned assets. Although the real estate industry provided very well for our family, I decided that a career in insurance and financial services was the "corporate" path I was destined to take. While involved in a wide range of roles, I enjoyed the great pleasure of working with hundreds of investors in purchasing the traditional investment assets they sought. Towards the later years of my career, I realized that traditional investments weren't necessarily sufficient in building true wealth. After spending 19 years in corporate America with a Fortune 50 company, I transitioned from a corporate executive to a full-time alternative asset and real estate investor. Having had the good fortune of building a portfolio of performing assets ranging from rental properties, to hard money lending to discounted and distressed notes, the enjoyment of partnering my capital with other private investors' capital to build the mutually beneficial portfolio became much more rewarding and engaging than having a "9-5" job.

2009 is when Eddie and I met and the rest as they say is history. Today, Bob, Eddie, and I have a focused vision and keen understanding of what it takes to run a large-scale portfolio of discounted and distressed loans. While having the privilege of honing our respective skill sets, the talents of each brings a combination of organic passion, desire, and drive to always be students of the business while striving to be the best in our industry.

Beyond our professional resumes, we are relationship oriented and note investors ourselves. Our prior successes have come through longtime and sustained relationships with our investors, most who have done multiple deals with us over the years and continue to be trusted investors. In order to offer a wide range of investment opportunities (and at the request of some of our longtime investors), we are launching Colonial Impact Fund-II to allow this as an investment vehicle to become a viable part of our investors' well diversified private portfolios.

One of the critical elements that any private placement of this nature seeks to build is a significant disposition network in which to place the assets. Being able to fluidly and readily trade assets from the fund (after the fund has acquired the assets) is a critical component towards creating the projected returns and cash flows to not only reward our investors, but to sustain the operation of the fund. However, very few funds have developed the effective private downstream investor market that we have been able to painstakingly develop the past 25 years.

Our history of working with private investors is vast. We have been selling discounted loans to private investors for more than 25 years. Discounted loans have long been attractive to

private investors as they seek to grow their personal portfolio whether through tax-qualified or non-tax qualified entities. It is that sizeable source of “downstream” investors that not only do we continue to grow but that consistently acquires additional assets from us on a one-off or small portfolio basis. As a management team, we consider ourselves extremely fortunate to have such trusted relationships. While we are always comfortable “going long” (or holding an asset to maturity), the ability to resell assets in a relatively quick fashion is a very powerful liquidation tool we plan to fully leverage as one way, although a significant way, to provide you, our investor, with the returns you are seeking from the fund.

We don't take this private direct asset model for granted and continue to invest in the necessary business infrastructure to make certain it continues to remain a viable exit model for years, and market conditions, to come. This is in part why our sister company to Colonial Capital Management, NoteSchool, provides such high quality education to not only our downstream direct note buyers, but also to enhance the understanding of our passive investors, like you, that select Colonial Impact Fund-II to become part of their portfolio. We believe the more educated you are about the underlying assets we procure, the more comfortable you are with our fund and the meaning it will have to your overall private investment portfolio.

Colonial Impact Fund-II has been born for the needs of our discerning and loyal accredited investors. We listened carefully to what our investors were seeking in terms of diversification, risk-blended verticals, liquidity, and flexibility all with attractive risk-adjusted returns. We have systematic ways of keeping ongoing communications going with our investors, not just during the initial funding process, but throughout the entire relationship. We know our success lies in the goodwill of our investors and in order to continue to earn your trust and repeat business, we have to do things differently than most funds our size can or even attempt to do.

We hope that you will see the features we have incorporated into Colonial Impact Fund-II are worthy of your consideration. Further, we trust you will enjoy working with us, attending the live educational events we host regularly throughout the country, joining our special fund investor only VIP functions, and attending our regular webinars.

In over 20 years now of working with private investors in both traditional and nontraditional investment classes, I am proud to invite you to explore this Private Placement Memorandum. It truly has been an honor to be part of creating what I feel (and I think you will agree) is an investment vehicle that qualifies to be your first and best choice within this type of investment structure. Additionally, being able to grow with you and earn the privilege to be a larger portion of your investment portfolio goes right to the heart of being effective and successful fund managers. In other words, the best way to grow and build scale is with our existing investors. In this day of texting and technological interface, relationships are never out of style and we look forward to enhancing that cherished relationship with you.

Thank you for learning more about Colonial Impact Fund-II. We realize you have a choice of private placements to consider amongst a vast sea of alternative investments and I'm grateful you are giving us consideration to earn your business and trust.

Sincerely,
Ryan Parson
Fund Manager-Colonial Impact Fund-II
Director of Investor Relations-Colonial Capital Management

STRUCTURE OF FUND

The Fund has been designed to balance flexibility, autonomy, and control with safety, oversight, and transparency. We have given extensive consideration to the Fund's fee structure, administrative procedures, and third party service providers including fund administration, accounting, and auditing services, and have attempted to create the proper alignment of interests between the Manager and the Investors.

The Fund is a Delaware limited liability company. The Fund is making an offering that is exempt from registration under Regulation D of the Securities Act of 1933 (the "Act" or "Securities Act"). The Fund is open to both United States and foreign investors.

Each U.S. Investor in the Fund must be an "accredited investor" as such term is defined in Regulation D promulgated by the SEC under the Securities Act.

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

- For natural person Investors, having a net worth of at least \$1,000,000, excluding the value of a primary residence; or
- For natural person Investors, having an adjusted gross income of at least \$200,000 for the last 2 years (or \$300,000 with a spouse); or
- For entity Investors, having assets of at least \$5,000,000, or
- For entity Investors, having all of the owners of the entity otherwise be Accredited Investors.

Each person and/or entity accepted into the Fund, either as a Note Holder providing debt or a Member providing equity is referred to herein as an "Investor."

Investor Suitability Standards

This is a private Offering which is being made only by delivery of a copy of this PPM. Furthermore, with respect to U.S. Investors, the Offering and sales of the Units and Notes offered hereby will be made only to persons and/or entities who meet or exceed certain suitability standards which have been adopted by the Fund for the purpose of determining who will be permitted to purchase Units or Notes. Subscription Agreements from prospective Investors will be accepted or rejected by the Manager. The Manager reserves the right to reject any Subscription Agreement for any reason. If accepted, an Investor will become a Member or Note Holder without any further action by any person. If the Manager rejects the subscription of any subscriber, the Subscription Agreement and subscription funds will be returned promptly to the subscriber.

Investment Options

Investors shall have two investment options:

1. Equity Ownership (Membership Units) of the Fund and/or
2. Secured Notes

Investors purchasing Membership Units shall become "**Members**" of the Fund. Investors lending money to the Fund shall be issued Notes and shall become "**Note Holders.**" See the FAQ section as well as the remainder of the PPM for more details on the two investment options and the differences between them. By executing a Subscription Agreement, an Investor unconditionally and irrevocably agrees to purchase Units or Notes as applicable in

the amounts shown thereon, and makes a commitment to contribute capital in accordance with the terms set forth in the Subscription Agreement and Operating Agreement or Intercreditor Agreement as applicable.

The Fund shall seek to raise the Maximum Offering of up to \$100,000,000 in Investor capital (Member and Note Holder capital combined), which amount may be increased in the sole discretion of the Manager. The Manager may or may not raise the full amount during the lifetime of the Fund. The minimum investment is \$100,000 per unique Investor, which amount may be adjusted in the sole discretion of the Manager.

INVESTMENT OBJECTIVES AND OVERVIEW OF FUND STRATEGY

Principal Investment Objectives

The Fund's objectives with respect to acquiring Fund Assets are to effectively deploy the proceeds of this Offering in well qualified Fund Assets which will:

- Preserve and protect each Member's and Note Holder's contributed capital;
- Provide the Note Holders with annualized returns that will vary from time to time, initially ranging from 5% to 7%, depending on investment size and duration of Note maturity (see the current Note Schedule);
- Provide the Members with a Preferred Return of 9.5% and additional distributions which will endeavor to produce overall annualized returns to Members in the range of 12% to 16%; and
- Ultimately provide Members and Note Holders with a full return of their capital contributions.

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

Strategy to Achieve Fund Investment Objectives

The strategy of the Fund will be to capitalize on distressed real estate asset based opportunities and produce attractive risk adjusted returns by investing in a variety of real estate based assets ("Assets" or "Fund Assets") nationwide. The Fund will acquire performing, nonperforming, and sub-performing real estate loans, originate new Mortgage Loans, (collectively, the "Mortgage Loans"), and acquire property directly, including distressed properties and performing, income producing investment properties ("REO properties"). The Fund intends to focus on owner and non-owner occupied single family residential, but will also consider manufactured homes, land, multifamily and commercial property types.

MANAGEMENT

The Manager of the Fund will be Colonial Capital Management LLC, a Texas limited liability company ("CCM"). CCM will also represent the Note Holders as the Note Holder Representative. The principals of CCM are Eddie Speed, Bob Repass, Ryan Parson, and Charles Mangan.

CCM Management Team

Eddie Speed

Since 1980, W. Eddie Speed has dedicated his professional life to the seller financing and nonperforming note industry. Mr. Speed founded NoteSchool, which is a highly recognized training company, specializing in educating its clients on how to purchase both performing and nonperforming mortgage notes for less than face value. He is the owner and President of Colonial Funding Group, a company that acquires and trades discounted real estate secured notes. In addition, Mr. Speed is also a principal in a family of private equity funds that acquires bulk portfolios of notes. Mr. Speed has been a leader and innovator in the note industry for over 35 years.

Bob Repass

Bob Repass is a 25-year veteran and expert in the seller financing and distressed asset industry. Over the course of his career, Mr. Repass has purchased over 40,000 performing and nonperforming mortgage notes totaling over 2 billion dollars, giving him an unparalleled track record in the industry. Mr. Repass previously served as the President of Pathfinder Equity Holdings, LLC, a mortgage consulting, loan trade advisory, and real estate investment firm whose focus is to assist clients in realizing the maximum potential of their investments by improving acquisition returns, as well as loss mitigation and exit strategies. Mr. Repass currently serves as Managing Director of CCM, Colonial Funding Group, and NoteSchool, where his primary focus includes asset acquisitions and regulatory compliance.

Ryan Parson

Mr. Parson has more than 20 years of experience in the financial services, insurance, and real estate industries. He is actively involved with many facets of the nationwide real estate space today including property rehab, acquisition of REO and institutional paper, both performing and nonperforming, buy and hold rental properties, seller financing distinctive properties, and raising private and institutional capital. He employs unique approaches that involve complementary strategies designed to unlock multiple profit and revenue streams for each investor. Ryan holds undergraduate degrees in finance and insurance as well as an MBA from Drake University. In addition, Ryan holds CFP®, CLU, ChFC, LUTCF, and CASL designations. In his role at Colonial Capital Management, Mr. Parson's primary responsibilities are capital fundraising and investor relations.

Charles Mangan

After majoring in real estate finance at the University of North Texas, Mr. Mangan began his career in the early 1980's at the height of the savings and loan crisis and subsequent RTC era. Mr. Mangan is a seasoned professional with over 30 years of experience in the real estate finance and servicing arena. During the course of his career, Mr. Mangan has been a key player in several major corporations including Southwest Savings Association, The Associates Financial Services, and MCS, contributing to the growth and profitability of each of these

organizations. During his 10 year tenure at The Associates Financial Services, Mr. Mangan managed one of the largest real estate recovery divisions in the U.S. through the sale of distressed assets. Mr. Mangan currently serves as Senior Vice President for Colonial Funding Group, responsible for portfolio management and asset disposition.

Third Party Administration

The Manager has initially engaged a third party fund administrator to provide the Fund with professional administration in the areas of loan servicing, financial statement preparation, investor subscriptions and redemptions, and other back office administration functions. The cost of these services shall be a Fund expense.

FREQUENTLY ASKED QUESTIONS

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

What are the differences between the two investment options?

Investors lending money to the Fund will be issued **Notes** and shall become "**Note Holders.**" Note Holders will be lenders to the Fund on a Pari Passu basis with other Note Holders and have a blanket secured interest in the Fund Assets. This secured interest will be in a senior position, except in circumstances where individual Fund Assets have been or are being pledged by the Fund to any Credit Facility, as discussed in greater detail below. Note Holders will be issued Notes at interest rates which will vary from time to time, according to a Note Schedule, and initially ranging from 5% to 7%, depending on investment amount and maturity of the Note. The Fund intends to have multiple tiers of rates based on the amount of money lent by the Note Holder and duration of the maturity date. These tiers (including amounts, maturities, and rates) may change from time to time at the prevailing interest rate and terms defined on the Note Schedule for a given period. Notes may be purchased at any time during the calendar quarter, subject to approval by the Manager, at the interest rate and terms defined for that period on the Note Schedule. The Fund may prepay the outstanding principal balance and interest to any Note Holder at any time without penalty. Interest to Note Holders shall be paid quarterly. The interests of the Note Holders will be represented by a Note Holder Representative, who will initially be the Manager. Note Holders shall be issued an IRS Form 1099 annually for any interest received.

Investors purchasing ownership shares in the Fund will be issued **Membership Units** and shall become "**Members.**" Subject to performance of the Fund and after paying certain Fund Expenses, the Management Fee to the Manager, and interest to Note Holders, Members will receive a Preferred Return of 9.5%, paid quarterly. Members will also divide with the Manager, on a quarterly basis, any Excess Distributable Cash ("EDC") with 50% of this amount going to Members and 50% going to the Manager. The Preferred Return shall be Cumulative, meaning that any shortfall in a given quarter shall carry forward and accrue until paid. After a 24 month Lockup Period, Members may ask the Fund to redeem their Membership Units. Based on comprehensive financial modeling performed by the Manager, the projected overall return to Members is estimated to be between 12% and 16%; **however, these returns are not guaranteed.** Members will be issued IRS Schedule K-1's annually for any distributions received and any other tax allocations by virtue of their membership in the Fund.

How much total debt vs. Member equity does the Fund expect to have?

The Fund expects to attempt to maintain a total debt (which includes Note Holder debt, and debt associated with any Credit Facility) to Member equity ratio at 1:1 although it may be higher or lower in the judgment of the Manager. This ratio, which shall include both Note Holder debt, and debt associated with any Facility, will undoubtedly fluctuate from time to time, and the actual ratio at any given point in time shall be determined in the sole discretion of the Manager.

How much can I invest? What is the minimum?

\$100,000 per unique Investor is the minimum investment, which amount may be adjusted in the sole discretion of the Manager. There is no set ceiling on the amount of investment from each Investor and shall be in the discretion of the Manager.

Who manages the Fund?

The Manager of the Fund will be Colonial Capital Management LLC, a Texas limited liability company. The principals of the Manager are Eddie Speed, Rob Repass, Ryan Parson, and Charles Mangan.

Does the Manager have any skin in the game?

Yes. The Manager and/or one or more its principals shall make an initial equity investment as Member(s) in the Fund, with such investment expected to increase as the Fund grows. It is the Manager's goal and intent to accumulate over time, a meaningful investment in Units and/or Notes of the Fund Pari Passu to all other Investors in whichever instrument is owned. Any further investment by the Manager will be made according to the then current Unit Price and Note Schedule and otherwise be in such form and in such amount as determined by the Manager in its sole discretion. Please see the "CONFLICTS OF INTEREST" section for more details.

What happens to the Fund if the Manager is not around for any reason to manage the affairs of the Fund?

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

- Under the Fund's Operating Agreement, the Manager is contractually obligated to provide at least one year notice to the Members before being permitted to resign. Members may elect a replacement Manager by majority vote.
- The Manager intends to be the beneficiary of life insurance policies on the lives of its principals in the minimum amounts of \$1,000,000 each within 6 months of the Fund's initial investment. The proceeds of such policies are intended to provide the Manager with sufficient liquidity to be able to operate without duress while any necessary replacements are procured.

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

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

- The Fund will be audited by outside CPAs on an annual basis once it has reached \$5,000,000 in Assets Under Management ("AUM") or as required by any particular state regulations. The audit shall be available to Investors upon request.
- The Manager will cause the Fund to have CPA prepared year-end financial statements and tax returns each year which will be available to Investors upon request.
- The Manager intends to retain the services of a third party Fund Administrator to provide professional Fund administration services including certain Investor relations functions.
- The Manager may be removed by a vote of the Members, subject to reasonable compensation if it is without cause, at any time during the life of the Fund. The Members shall have the ability to elect a replacement Manager.
- The Manager will provide Members with frequent (typically quarterly) qualitative and quantitative information about the Fund along with investment statements and any distributions and/or interest.
- Meetings will be held a minimum of once per year to provide a forum for Members to ask questions and be heard. Members also have the ability (with a simple majority) to require the Manager to convene a meeting (with appropriate notice) at any time.

How does the Fund make money?

The Fund shall receive as Fund Income, 50% of any origination fees collected on Mortgage Loans with the other 50% paid to the Manager, 100% of any extension fees collected on Mortgage Loans that have matured and been extended at the discretion of the Manager, 100% of any late fees collected from Borrowers, 100% of any other ancillary fees collected from servicing operations (e.g., payoff demand fees, Notice of Default fees, etc.) 100% of any interest collected on Mortgage Loans, 100% of any rent collected on real estate Assets owned by the Fund, 100% of any interest collected on deposited funds or receivables owned by the Fund, 100% of any membership redemption fees collected, and 100% of the net sale proceeds in excess of basis on the disposition of any Fund Asset.

How does the Manager get paid?

In addition to the 2% Management Fee and the appropriate split of any EDC, the Manager will receive as income, 50% of any origination fees collected on Mortgage Loans with the other 50% paid to the Fund, a 1.5% Acquisition Fee, which is based off the acquisition price of any Asset acquired by the Fund, and 1.5% Disposition Fee, which is based off the net gain on the sales price of any Asset sold by the Fund.

The Fund intends that a third party servicer will be contracted to perform loan servicing duties on the Mortgage Loans the Manager originates and acquires on behalf of the Fund. There may be cases where the Manager is contracted to be the loan servicer rather than a third party, and in such cases the Servicing Fee will not exceed \$25 per Mortgage Loan monthly and shall at all times, be commercially reasonable.

In addition, CIF-II will be listing its assets for sale through Colonial Funding Group. Colonial Funding Group has an experienced and seasoned trading platform, both in the realm of technology and personnel that allows the efficient sale of individual and small portfolios of loans to individual investors and other buying institutions. CIF-II does not possess that developed and seasoned downstream investor network. As such, CIF-II will be largely reliant upon the services of CFG's trading platform in order to trade the assets held by the Fund. Therefore, CIF-II will provide reasonable compensation to CFG for its services.

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

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

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

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

The Company may utilize a new Investor's funds for its operations between the Deposit Date and the Effective Date by transferring all or a portion of such funds as determined by the Manager (the date of which shall be the "Transfer Date") from the Subscription Account to the Operating Account. Any such amounts transferred shall be treated as a loan to the Fund for which the Investor shall receive interest at 9.5% (annualized) during the period between the Transfer Date and the Effective Date. The Fund will pay the accrued interest (running from the Transfer Date of any funds to the Effective Date) on any funds transferred from the Subscription Account to the Operating Account in the form of a check to the Investor to be prepared and mailed on or shortly after the Effective Date. An Investor's obligation to purchase Units with their full deposited amount shall be irrevocable during the time between the Deposit Date and the first day of the subsequent calendar quarter.

As soon after the Effective Date as is practicable (typically on or around the 15th of the first month of the quarter), the Fund shall issue Units to the Investor at the prevailing Unit Price for any and all amounts transferred into the Operating Account since the Deposit Date (i.e., funds that were treated as loaned to the Fund between the Transfer Date and the Effective Date). On the Effective Date, the Fund shall also be obligated to transfer some or all of any remaining Investor funds from the Subscription Account into the Operating Account and issue Units at the prevailing Unit Price, and/or to notify the Investor of any amounts it intends to let remain in the Subscription Account based on the Fund's financial position or projected yields at the time, or for other reasons in the Manager's sole discretion. Upon notice to the Investor of any such amounts it does not intend to transfer to the Operating Account and issue Units, the Investor shall have ten days to decide to either leave the money with the Company in its Subscription Account, or to have the Company reimburse the remaining funds in the Subscription Account to the Investor. If an Investor chooses the reimbursement option, the Investor shall have no further right or obligation to use these remaining funds to purchase Units. If an Investor chooses to leave the remaining funds in the Subscription Account, the Investor's obligation to utilize such funds to purchase Units (and the Company's right to transfer the funds to its Operating Account) shall once again be irrevocable, and the funds shall again be treated during each successive quarter as detailed in this section.

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

The Fund will sell Membership Units at a "Unit Price" that shall fluctuate on a quarterly basis, starting with the first (full) quarter after the date of this PPM, based on the total collective "Stated Value" of the Fund Assets. The Stated Value of any individual Fund Asset shall be determined on the last day of each calendar quarter by the Manager in its sole discretion. The Manager shall establish and follow a methodology for determining the Stated Value of the Fund Assets, which it may modify, alter, amend, or improve from time to time in its sole discretion. The initial Unit Price will be \$1,000. The Stated Value of the Fund Assets shall be used to assist in the determination of the Unit Price of the Membership Units as well as the AUM. For more information on the Stated Value, the Unit Price and the AUM, please see the section "Risks Specific to Members."

Can Members sell or transfer their Units?

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

- No public market exists for the Units, and one is not expected to develop;
- Restrictions imposed by federal and state securities laws;
- The application of the Investor suitability standards to the proposed transferees of the Units;
- Restrictions regarding the potential of the Fund to become, through its limited liability company ("LLC") structure, a "publicly traded partnership" (generally an LLC or partnership whose interests are publicly traded or frequently transferred) under the Internal Revenue Code of 1986, as amended (the "Code"); and
- The necessity of obtaining the Manager's consent, which may be withheld.

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

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

Are Units liquid at any time? Can I redeem them whenever I want?

Members will be required to hold their Units for a minimum of 24 months (the "Lockup Period") before they may request Redemption. Redemption requests for reasons of financial hardship or emergency during the Lockup Period may be considered on a case by case basis subject to a penalty (the "Redemption Fee") of 5% of the then current Unit Price. The Manager shall have no obligation to consider any hardship Redemption requests during the Lockup Period and shall be entitled to charge a higher or lower Redemption Fee. All Redemption Fees charged and collected will be considered income to the Fund.

After the Lockup Period, Redemption requests will be considered on a first come, first served basis. A Member shall be required to provide the Manager a 90 day notice for any Redemption request, and any Redemption actually provided shall be done only as of the first day of the calendar quarter immediately following the end of the 90 day notice period at the then current Unit Price as determined by the Manager.

Any Units purchased by Members via the Reinvestment Option shall be considered, for purposes of any Redemption requests, to “tag along” with the original date of purchase of the Units for which the Reinvestment Units are associated.

The Manager shall have no obligation to grant any particular Redemption request and shall retain sole discretion as to whether or not to redeem any Units. No Member will be given priority for Redemption over any other Member for any reason other than the date upon which the request was made. The Manager may redeem Membership Units Pari Passu at any time at the then current Unit Price in its sole discretion without penalty to the Manager or the Fund.

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

What do I need to do to purchase a Note and become a Note Holder?

Investors who wish to purchase a Note or Notes must complete and sign the Note Holder Subscription Agreement, a signature page to the Intercreditor Agreement, an Investor Suitability Questionnaire, a Note Schedule, and such other documentation as is deemed appropriate by the Manager, and send them together with a check or wire for the purchase price of the Note to the Manager. Upon acceptance of the prospective subscription and receipt of payment, the Manager on behalf of the Fund will sign the Promissory Note and send the original to the Note Holder. Investors may execute subscription documents for Notes at any time throughout the quarter, subject to acceptance by the Manager.

What happens at maturity of my Note?

A Note Holder shall be required to provide 60 days’ written notice to the Manager of Note Holder’s desire to cash-out and receive payment of outstanding principal and interest upon the Maturity Date (the “Cash-Out Notice”). If the Note Holder does not provide the Cash-Out Notice at least 90 days prior to the Maturity Date, the Note upon the Maturity Date will automatically extend at the Note Rate less 1% until either (i) the Note Holder notifies the Fund that it wishes for the outstanding balance of the Note to be rolled over into a new Note, based on the then current Note Schedule, and such new Note is executed, or (ii) 90 days after the Note Holder provides a Cash-Out Notice.

The Fund shall also have the right to continue to make interest payments on a monthly basis to the Note Holder at the existing Note Rate plus 1% for up to 90 days beyond the Maturity Date, or up to 90 days beyond the date on which a Cash-Out Notice is given if such notice is given beyond the Maturity Date, whichever is later, without such continuation constituting an Event of Default.

As a Note Holder, can I sell or assign my Note?

Note Holders will not have the power to sell or transfer their Notes, except upon written consent of the Manager. Since the Notes are offered only to Accredited Investors in the U.S., it is not possible to freely allow the transfer of Notes unilaterally on the part of the Note Holder. The Manager shall review any proposed transfer and may withhold its consent due to a violation or perceived violation of state or federal securities laws, ERISA laws, or for any reason in its sole discretion.

Is my Note liquid at any time?

No. Each Note has a defined and specific maturity date. A Note Holder may request an early repayment of the Note prior to its maturity date subject to an Early Repayment Fee of 5% of the principal balance of the Note plus an amount derived from applying a downward interest rate adjustment based on the appropriate Note term from the Note Schedule which was executed by the Note Holder and consistent with the actual repayment date (if applicable), as determined by the Manager. The granting or not of the early repayment request shall be determined in the sole discretion of the Manager.

How often are payments on the Notes made to Note Holders?

Interest on the Notes is paid quarterly to the Note Holders, at the rate specified in each individual Note.

Who will represent the interests of the Note Holders?

Pursuant to the Intercreditor Agreement and the Subscription Agreement, the Note Holder appoints the Manager as the initial "Note Holder Representative" or "Representative," and any successor Representative, as determined by the Manager, as its true and lawful representative and attorney-in-fact in such Note Holder's name, place, and stead to make, execute, sign, acknowledge, file, and record all instruments, agreements, or documents as may be necessary or advisable to reflect the exercise by the Representative of any of the powers granted to it under the Subscription Agreement and the Intercreditor Agreement. The Representative shall have the authority to sign all documents and take any action necessary to protect each Note Holder's Pari Passu rights in the Security.

Can I reinvest my distributions or interest, as the case may be?

Members shall have the option to receive any Distributions either paid to them via check or ACH or to use these funds to automatically purchase additional Units at the prevailing Unit Price. Note Holders shall have the option to receive their interest either paid to them via check or ACH or to use these funds to automatically add to their Note principal balance and thereby earn interest on an increasingly higher balance. Investors shall make such an election at the time of subscription and may change this election with a 90 day notice to the Manager and not more frequently than twice per year.

The Manager reserves the right to terminate the reinvestment option at any time throughout the life of the Fund in its sole discretion.

Who can invest in the Fund?

This is a private Offering which is being made only by delivery of a copy of this PPM. Both U.S. and foreign Investors may invest in the Fund.

Each U.S. Investor in the Fund must be an "accredited investor" as such term is defined in Regulation D promulgated by the SEC under the Act. In addition, each U.S. Investor will be required to represent and warrant to the Fund and Manager that it meets the requirements of the foregoing definition as such are detailed in the Subscription Agreement(s) attached hereto.

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

- For natural person Investors, having a net worth of at least \$1,000,000, excluding the value of a primary residence; or
- For natural person Investors, having an adjusted gross income of at least \$200,000 for the last 2 years (or \$300,000 with a spouse); or
- For entity Investors, having assets of at least \$5,000,000, or
- For entity Investors, having all of the owners of the entity otherwise be Accredited Investors.

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

Other than borrowing from Note Holders, will the Fund utilize any other debt when originating or acquiring Fund Assets?

The Fund and/or any SPV(s) of the Fund may choose from time to time to borrow money from one or more lenders (a "Credit Facility" or "Facility") and utilize one or more Fund Assets as collateral for any such borrowing. The Operating Agreement grants the Manager significant latitude and discretion in its ability to use Credit Facilities in the operation of the Fund. However, the Operating Agreement also places specific limitations on the use of Credit Facilities by the Manager, namely:

- The Fund will not provide any Facility with a first lien position on any existing Fund Assets already encumbered by Note Holder interests for the specific purpose of acquiring cash to accommodate Member Redemption requests.
- The Fund will not utilize a Facility in an amount in excess of 50% of the Stated Value of any Fund Asset at the time of procurement of that debt.

Any Facility shall be nonrecourse to the Investors. The Manager and/or the Fund may agree to provide its Guaranty for a given Facility but is not required to do so. Any Facility will likely have covenants that affect the Fund, any SPV(s), and the Manager.

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

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

1. Interest and principal payments on any Credit Facility (depending on what collateral is pledged to a particular Facility);
2. Fund Expenses;
3. Manager annualized 2% Management Fee (paid monthly) on total AUM as of the last calendar day of each month, and any other fees owing to the Manager;
4. Manager Acquisition and/or Disposition Fees, as earned;
5. Note Holder interest, payable quarterly;
6. Repayment of maturing Notes, if any;
7. Preferred Return to Members, payable quarterly;
8. Any available EDC, as determined by the Manager, to be split 50/50 between the Members and the Manager respectively at the end of each quarter.

The following outlines the priority ("Liquidation Waterfall") for the distribution of cash from the Fund in the event of any liquidation:

1. Interest and outstanding principal balance of any Credit Facility (which may be limited to individual Fund Assets depending on specific collateral for any Facility);
2. Liquidation and/or other Fund Expenses;
3. Manager annualized 2% Management Fee (paid monthly) on total AUM as of the last day of each calendar month, and any other fees owing to the Manager;
4. Manager Acquisition and/or Disposition Fees, as earned;
5. Note Holder principal, followed by accrued Note Holder interest, all on a Pari Passu basis among the Note Holders;
6. Return of Member capital on a Pari Passu basis among the Members (or by order of priority for Redemption requests, if any, in the sole discretion of the Manager);
7. Members Pari Passu as to the Preferred Return;
8. Any available EDC, as determined by the Manager, to be split 50/50 between the Members and the Manager respectively.

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

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

When will the Fund start making investments?

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

What is the Maximum Offering?

The Fund shall seek to raise a maximum total of up to \$100,000,000 in Investor capital (Member and Note Holder capital combined), which amount may be increased in the sole discretion of the Manager. The Manager may or may not raise the full total during the life of the Fund. Subject to any limitations in the Operating Agreement, the Manager shall be entitled to sell additional Membership Units and/or issue Notes at any time and on an ongoing basis so long as it does not exceed the Maximum Offering, which may be increased as described above. Upon reaching the Maximum Offering, if there are Redemption requests that are granted and/or Note repayments that bring the Fund's total capital below the Maximum Offering, the Manager may again raise additional Investor capital and may do so at any time during the life of the Fund up to the Maximum Offering.

How long will the Fund remain open?

The Fund is an open-ended "evergreen" fund with no set end date. The Manager expects to originate and acquire Fund Assets on a frequent and ongoing basis and will continue to do so indefinitely until the Maximum Offering has been reached, or until the Manager believes market conditions do not justify doing so. The Manager intends generally to utilize the return of capital from the disposition of Fund Assets to originate and acquire new Fund Assets rather than return the capital to Members, however, the Manager expects to manage the Fund's investments and capital structure in such a manner as to attempt to provide a reasonable

level of capability for the Fund to accommodate Redemption requests given the relatively illiquid nature of real estate based investments in general.

If the Manager deems it appropriate based on evolving market conditions and dynamics, the Manager shall cease to originate and acquire new Fund Assets and shall distribute any return of capital from the disposition of Fund Assets back to the Members until all Fund Assets have been liquidated. The Manager may choose to return capital to the Members at any time during the life of the Fund.

Will Investors receive a copy of the Fund’s Operating Agreement?

A copy of the Operating Agreement shall be provided to Members as part of the Member Subscription Booklet and shall be made available to Note Holders upon request. In the event of any conflict between the terms of this PPM and the Operating Agreement, the Operating Agreement shall be controlling.

How is the Fund formed for tax purposes?

The Fund will be treated as a partnership for federal tax purposes. Investors considering a purchase of the Units and/or Notes should consult their own tax advisor for advice on any personal tax consequences that may be associated with an investment in the Units and/or Notes. Also see “TAX ASPECTS OF OFFERING.”

DEFINITION OF TERMS

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

"Acquisition Fee" means a 1.5% fee paid to the Manager that is based off the acquisition price of any Asset acquired by the Fund.

"Affiliate" means any company, organization, or entity owned or controlled by the Manager or a principal of the Manager.

"AUM" means total Fund Assets under management. AUM shall be determined by the Manager based on consistently applied methodology which may be updated, modified, or improved in its sole discretion.

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

"Broker/Dealer" means a licensed broker/dealer employed by the Manager for the purpose of locating Investors for this Offering.

"Cash-Out Notice" shall mean that 90 day notice required to be given to the Manager from any Note Holder prior to (or after) a Note's Maturity Date of the Note Holder's desire to be cashed out of such Note.

"Capital" shall mean the price paid for each Membership Unit.

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

"Collateral" shall mean the property and interests securing a Mortgage Loan, or real property acquired directly, primarily real property.

"Credit Facility" or "Facility" means any secured line of credit (excluding obligations to Note Holders), warehouse lines, and/or individual loans from any lender, secured in first position by one or more of the Fund Assets.

"Cumulative" means that any shortfall of a Preferred Return in a given quarter shall carry forward and accrue until paid.

"Disposition Fee" means a 1.5% fee paid to the Manager that is based off the net gain on the sales price of any Asset sold by the Fund.

"Distributions" means amounts which, from time to time, are distributed to holders of Units, at the Manager's discretion, but subject to the limitations on discretion set forth in the Operating Agreement.

"Early Repayment Fee" means 5%, or other figure as determined by the Manager, of the original Note principal plus the difference in Note Rate on the original executed Note Schedule between the Note Rate of the Note's original Term and the Note Rate of the Note's actual Term to repayment, as determined by the Manager upon its acceptance of the Note Holder's repayment request.

“Excess Distributable Cash” or “EDC” means an amount that is equal to any remaining cash in the Fund after having paid out interest and principal payments on any Credit Facility, Fund Expenses, the 2% (annualized) Management Fee, Manager Acquisition and Disposition Fees as earned, Note Holder interest, repayment of maturing Notes, eligible redemptions in the discretion of the Manager, the Preferred Return, and having reserved sufficient capital for future activities of the Fund, as determined in the sole judgment of the Manager. The EDC shall be determined quarterly by the Manager in its sole discretion. At each quarter end, payment of EDC shall either be made or not made depending on Fund results at the discretion of the Manager.

“Fund Assets” or “Assets” means any and all assets of the Fund including Mortgage Loans, real property, contracts or notes receivable, cash, or any other asset or receivable of the Fund.

“Fund Expenses” means fund organizational costs, CPA related costs for tax return preparation, financial statement preparation and/or audits, legal fees and costs, filing, licensing, or other governmental fees, other third party audits, loan servicing fees, third party fund administration cost, loan origination and/or other fees associated with any Credit Facilities, costs associated with ownership of real property, e.g., property improvement and rehabilitation costs not otherwise capitalized, sales commissions, property taxes, property management, hazard insurance, utilities, and any other expenses associated with operation of the Fund or management of its Assets.

“Intercreditor Agreement” means the Intercreditor Security Agreement signed by each Note Holder, the Manager on behalf of the Fund, and the Manager as Note Holder Representative.

“Investor” means either or both, the purchaser of Membership Units pursuant to this Offering (“Member”), and the purchaser of Notes pursuant to this Offering (“Note Holder”).

“IRS” means the United States Internal Revenue Service.

“LTV” means the ratio of the loan amount (or unpaid principal balance) of any Mortgage Loan to the real property Collateral that secures that Mortgage Loan.

“Lockup Period” means the 24 month period immediately following an investment in any Unit during which a Member may not request Redemption of that Unit.

“Management Fee” means that 2% of AUM as an annual fee (payable as 0.1667% of AUM monthly) to be paid by the Fund to the Manager. The Management Fee will be deemed earned daily and paid to the Manager on the last day of each calendar month, based upon the AUM as of the payment date as calculated by the Manager in its sole discretion. The Management Fee shall be paid by the Fund prior to making any Distributions to Members or interest payments to Note Holders.

“Manager” means Colonial Capital Management LLC, a Texas limited liability company.

“Member” means any person or entity holding Units who has been approved by the Manager and is a party to the Operating Agreement.

“Membership Units” means a division of ownership of the Fund.

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

"Mortgage Loans" means the loans originated or acquired by the Fund (either in whole or in participation interests) from or through the Manager and which are secured by real estate.

"Note" or "Notes" mean a Note or the Notes issued from the Fund to a Note Holder, to be executed by the Manager.

"Note Holder" means any purchaser of Note(s) pursuant to this Offering.

"Note Rate" means the total interest rate payable under a Note.

"Note Schedule" means the matrix summary of Note rates and terms offered to Investors as modified periodically by the Manager.

"Offering" shall mean the issuance of Units or Notes in the Fund pursuant to the terms of the PPM, the Operating Agreement, the Intercreditor Agreement, the Subscription Booklets, and other related documents.

"Operating Agreement" means the Operating Agreement of the Fund, to be executed by the Manager as well as each Member of the Fund.

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

"Pari Passu" means proportionally, at an equal pace with, and without preference over other Investors of the same status.

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

"Preferred Return" means a 9.5% (annualized) return on the Members' Capital Accounts. The Preferred Return is Cumulative.

"Redemption" means the Company's paying of cash to a Member at the then current Unit Price in exchange for that Member's Units. There are significant restrictions on Redemption as more fully described in this PPM and the Operating Agreement.

"Redemption Fee" means a fee in an amount equal to 5%, or other such amount as determined by the Manager in its sole discretion, of the then current Unit Price that will be charged for any Units redeemed within the Lockup Period. The Manager may or may not approve a request for a premature Redemption in its sole discretion.

"Reinvest," "Reinvestment," or "Reinvestment Option" each refer to a Member's election to receive additional Units at the then current Unit Price in lieu of a cash Distribution and/or a Note Holder's election to add to its Note balance in lieu of receiving its interest payment in cash. Any Units purchased by Members via the Reinvestment Option shall be

considered, for purposes of any Redemption requests, to “tag along” with the original date of purchase of the Units for which the Reinvestment Units are associated. Members have the option of either having their distribution paid out each quarter or having it reinvested into additional Membership Units.

“REO” means real estate owned by the Fund (and may also refer to other real property taken back by a lender) through a foreclosure, deed in lieu of foreclosure, or other means.

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

“Security” means the collateral securing the Notes.

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

“Subscription Booklets” shall mean that package of documents provided to Investors for the purposes of evaluating the Offering and purchasing Units or Notes in the Fund. The Member Subscription Booklet shall include this PPM, the Operating Agreement, the Unit Subscription Agreement, and the Investor Suitability Statement. The Note Holder Subscription Booklet shall include this PPM, the Intercreditor Agreement, a sample Note, the Note Subscription Agreement, and the Investor Suitability Statement.

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

DESCRIPTION OF FUND ASSETS AND UNDERWRITING GUIDELINES

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

The Fund's Specialty – Small Balance Real Estate Backed Debt

The principals of the Manager have extensive experience in the acquisition, management, re-structuring, and disposition of pools of performing, nonperforming, and sub-performing Mortgage Loans as well as distressed properties. The Fund, either directly or through special purpose vehicles, which will be subsidiary LLCs owned by the Fund, (each a "SPV") will originate and acquire real estate based Assets that meet the following general criteria:

- Debt Instruments, including performing, nonperforming, and sub-performing closed Mortgage Loans, secured by either first or second position mortgages or deeds of trusts, both whole and participation interests, encumbering real property types, including, but not limited to:
 - Single family residential properties
 - Manufactured homes
 - 2-4 unit residential properties
 - Townhouse/Condominiums
 - Commercial (small retail/office)
 - Multifamily
 - Land
- The closed Mortgage Loans acquired may either be individual loans, or in pools, and will typically be acquired for less than face value.
- The Manager may originate new Mortgage Loans on behalf of the Fund, both whole loans and participation interests, which will be secured in first or second lien position by the property types listed above.
- Loan to value ("LTV") for newly originated Mortgage Loans will typically not exceed 70% without significant compensating factors. LTV for closed Mortgage Loans is expected to be significantly less than 70%.
- The Manager will determine property value through broker price opinions, online comparable sales, appraisals, prior experience with similar properties, or other internal means in the sole discretion of the Manager.
- The Fund may acquire REO property from other lenders who do not have the expertise, experience, time, and/or desire to take the necessary steps to maximize the property value. The Fund may also acquire performing, income producing investment properties.
- The Manager's strategies include, but are not limited to re-structuring a nonperforming or sub-performing Mortgage Loan with the Borrower, negotiating a full or discounted payoff of the Mortgage Loan with the Borrower, negotiating a deed in lieu of foreclosure, or foreclosing on the property. Additionally, the Manager intends to sell Assets to a developed and seasoned downstream investor pool both in one-off and small pool trades.
- The Fund may elect to provide financing to buyers of its REO properties on a case by case basis. The terms of such financing shall be determined in the sole discretion of the Manager.

Underwriting Guidelines

When evaluating a potential Asset for acquisition by the Fund, the Manager will generally consider the following high level criteria:

- Expected cash yield
- Risk adjusted return
- Current and projected supply and demand
- Market risk
- Portfolio diversification
- Liquidity
- Availability and terms of financing in the marketplace

The acquisition price that the Fund will pay for a Mortgage Loan (or for the real estate directly in the case of an REO acquisition) will be based largely on the fair market value of the underlying real estate. The Manager will do its own independent analysis, which may include broker price opinions, online comparable sales, appraisals, prior experience with similar properties, or other internal means to determine value. The Manager may also consider the following criteria:

- Proposed acquisition price in relationship to the current Asset value
- Potential value of the Asset
- Financial status of the Borrower
- Pay history of the Mortgage Loan
- Analysis of any other liens affecting the underlying property

As a matter of course, the Manager will generally seek to condition the Fund's obligation to close on the acquisition of an Asset upon the delivery of certain documents from the seller. However, the information and documentation available to the Manager may be limited and the Manager may not have access to certain detailed due diligence documentation pertaining to any particular Asset.

The determination as to whether and when a particular Asset should be sold, refinanced, or otherwise disposed of will be made by the Manager in its sole discretion after careful consideration of the following factors, which include but are not limited to:

- The structure and terms of the current financing securing the Asset, if applicable
- Market conditions
- Potential for future capital appreciation
- Current and projected cash flow of the Asset

RISK FACTORS

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

Risks Relating to an Investment in the Fund – General

Best Reasonable Efforts Offering

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

No Guarantee of Profitability

The Manager anticipates that revenues will be sufficient to create net profits for the Fund. However, there can be no assurance that revenues will be sufficient for such purpose. Although the Manager believes in each investment's economic viability, there can be no guarantee that the investments will be profitable to the extent anticipated. Poor performance by a few of the investments could significantly affect the total returns to Investors.

No Guaranteed Return of Investor's Capital Contributions

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

Borrowing by the Company

The Fund and/or any SPV(s) of the Fund may choose from time to time to borrow money from one or more lenders (a “Credit Facility” or “Facility”) and utilize one or more Fund Assets as collateral for any such borrowing. The Operating Agreement grants the Manager significant latitude and discretion in its ability to use Credit Facilities in the operation of the Fund. However, the Operating Agreement also places specific limitations on the use of Credit Facilities by the Manager, namely:

- The Fund will not provide any Facility with a first lien position on any existing Fund Assets already encumbered by Note Holder interests for the specific purpose of acquiring cash to accommodate Member Redemption requests.
- The Fund will not utilize a Facility in an amount in excess of 50% of the Stated Value of any Fund Asset at the time of procurement of that debt.

Any Facility shall be nonrecourse to the Investors. The Manager and/or the Fund may agree to provide its Guaranty for a given Facility but is not required to do so. Any Facility will likely have covenants that affect the Fund, any SPV(s), and the Manager.

Although the purpose of leverage is to provide flexibility and additional liquidity options to the Fund, reduce required Member equity, as well as potentially increase the overall Member return, its use is inherently risky and can instead increase the risk of loss.

Governmental Regulation

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

Ministerial Errors and Omissions

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

U. S. Securities Laws and Foreign Investors

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

The Units and Notes have not been, and will not be, registered under the Securities Act. Accordingly, the United States securities laws impose certain restrictions upon the ability of a Member to transfer such Units, or a Note Holder to assign such Notes. Neither Units nor Notes may be offered, sold, transferred, or delivered, directly or indirectly, unless (i) such Units or Notes are registered under the Securities Act and any applicable state securities laws, or (ii) an exemption from registration under the Securities Act and any applicable state securities laws is available. Moreover, there will be no liquid, public market for the Units or Notes, and none is expected to develop.

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

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

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

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

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

Compliance with Anti-Money Laundering Requirements

The Fund may be subject to certain provisions of the USA PATRIOT Act of 2001 ("the Patriot Act"), including, but not limited to, Title III thereof, the International Money Laundering and Abatement and Anti-Terrorist Financing Act of 2001 ("Title III"), certain regulatory and legal requirements imposed or enforced by the Office of Foreign Assets Control ("OFAC") and other similar laws of the United States. In response to increased regulatory concerns with respect to the sources of the Fund's capital used in investments and other activities, the Manager may request that Investors provide additional documentation verifying, among other things, such Investor's identity and source of funds to be used to purchase Units or Notes. The Manager may decline to accept a subscription if this information is not provided or on the basis of the information that is provided. Requests for documentation and additional information may be

made at any time during which a Member holds Units or a Note Holder holds a Note or Notes. The Manager may be required to report this information, or report the failure to comply with such requests for information, to appropriate governmental authorities, in certain circumstances without informing a Member or Note Holder that such information has been reported. The Manager will take such steps as it determines are necessary to comply with applicable law, regulations, orders, directives, or special measures, including, but not limited to, those imposed or enforced by OFAC, the Patriot Act and Title III. Governmental authorities are continuing to consider appropriate measures to implement anti-money laundering laws and at this point it is unclear what steps the Manager may be required to take; however, these steps may include prohibiting a Member from making further contributions of capital to the Fund, or Note Holder from lending further monies to the Fund, depositing distributions or interest to which such Member or Note Holder would otherwise be entitled into an escrow account or causing the withdrawal of such Investor from the Fund.

Compliance with Dodd-Frank Act

The U.S., state, and foreign governments have taken or are considering extraordinary actions in an attempt to address the worldwide financial crisis and the severe decline in the global economy, and to seek to address the perceived underlying causes of the financial crisis to prevent or mitigate the recurrence. These actions or other actions under consideration may not ultimately be successful or beneficial to the Fund and could result in unintended consequences or new regulatory requirements which may be difficult or costly to comply with. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act or the Dodd-Frank Act, was signed into law in the U.S. Among other things, the Dodd-Frank Act creates a Financial Services Oversight Council to identify emerging systemic risks and improve interagency communication, creates a Consumer Financial Protection Agency authorized to promulgate and enforce consumer protection regulations relating to financial products, which would affect both banks and non-bank finance companies, imposes a comprehensive new regulatory regime of financial markets, including derivatives and securitization markets and creates an Office of National Insurance within Treasury. While the bill has been signed into law, a number of provisions of the law remain to be implemented through the rulemaking process at various regulatory agencies. It is unforeseeable what the final form of these rules will be when implemented by the respective agencies, but certain aspects of the new legislation, including, without limitation, the additional cost of higher deposit insurance and the costs of compliance with disclosure and reporting requirements and examinations by the new Consumer Financial Protection Agency, could have a significant impact on the Fund's business, financial condition, and results of operations. Additionally, it is unforeseeable whether there will be additional proposed laws or reforms that would affect the U.S. financial system or financial institutions, including the Fund, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such changes may affect the Fund. For example, bankruptcy legislation could be enacted that would hinder the ability to foreclose promptly on defaulted mortgage loans or permit limited assignee liability for certain violations in the mortgage origination process, any or all of which could adversely affect the Fund's business or result in the Fund and/or the Manager being held responsible for violations in the mortgage loan origination process even were the Fund was not the originator of the loan.

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

financial stability plan to stabilize the economy could harm the Fund's business, results of operations, and financial condition.

Conflicts of Interest Risks

The Manager, its principals, and its Affiliates are subject to various conflicts of interest in managing the Fund. The Fund will pay the Manager substantial fees that are not determined by arm's length negotiations. In addition to other fees the Manager is expected to make in connection with the acquisition and disposition of Fund Assets, the Fund will pay a monthly Management Fee to the Manager of 2% (annualized) of the total collective AUM as determined on the last day of each month. Given that the Management Fee is calculated off the AUM, a potential incentive exists for the Manager to inflate the AUM in order to increase the Management Fee. In addition, the Manager will receive as income a 1.5% Acquisition Fee, which is based off the acquisition price of any Asset acquired by the Fund, and a 1.5% Disposition Fee, which is based off the net gain on the sales price of any Asset sold by the Fund, as additional compensation. The Manager shall also receive 50% of any origination fees collected on Mortgage Loans, with the other 50% paid to the Fund. The Fund intends that a third party servicer will be contracted to perform loan servicing duties on the Mortgage Loans the Manager originates and acquires on behalf of the Fund. There may be cases where the Manager is contracted to be the loan servicer rather than a third party, and in such cases, the Servicing Fee will not exceed \$25 per Mortgage Loan monthly and shall at all times, be commercially reasonable. In these regards, the interests of the Manager and the Members are in conflict.

The Fund does not at this time have its own officers, directors, or employees. The Manager supervises and controls the business affairs of the Fund, locates investment opportunities for the Fund, raises capital for the Fund, administers the financial affairs of the Fund, and renders certain other services. The Manager, however, shall devote only such time to the Fund's affairs as may be reasonably necessary to conduct its business. The Manager, and/or its Affiliates and principals, may be a manager of other companies (some of which may directly compete with the business of the Fund) and have other business interests of significance. These conflicts are described in greater detail in the "CONFLICTS OF INTEREST" section.

Risk of Additional Investors

The Fund is open-ended, which means it does not have restrictions on the amount of Units or Notes the Fund will issue. If demand is high enough, the Fund may continue to issue Units or Notes no matter how many Investors there are. While this Offering is for up to a maximum amount of \$100,000,000, this amount may be increased at any time in the sole discretion of the Manager. Additional Units and Notes may be sold from time to time to the Manager, its Affiliates, new Investors, or current Investors that choose to exercise their Reinvestment Option. As additional Units or Notes are issued, the increase in Units or Notes may reduce the amounts the Fund has available to make distributions to any one Investor, as distributions will need to be distributed amongst more Units or Notes. The Fund intends to only accept additional capital to the extent it will result in additional yields sufficient to provide for the associated distributions, but the Fund cannot assure Investors that this will happen. In addition, subsequent sales may be at a Unit Price higher or lower than the current Unit Price, or on terms that are more or less favorable to the Note Holders than under the current Note Schedule. Since all Units and Notes are Pari Passu however, Investors that paid different amounts may be entitled to similar returns.

Risks Specifically Related to the Fund's Mortgage Loans and Real Estate Asset Based Business Model

General Real Estate Risks

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

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

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

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

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

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

A Borrower's ability to pay a Mortgage Loan balance in a large lump sum may depend on its ability to obtain suitable refinancing or otherwise raise a substantial cash amount.

Risk of Default on Mortgage Loans / Nonperforming Mortgage Loans

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

The Mortgage Loans may become uncollectible or subject to a reduced return due to any voluntary or involuntary bankruptcy, insolvency, or similar proceeding affecting any of the Fund's Borrowers or guarantors. It is possible that the Manager may find it necessary or desirable to foreclose on collateral securing one or more Mortgage Loans purchased by the Fund. The foreclosure process will vary from jurisdiction to jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims, and defenses against the holder of a Mortgage Loan, including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. During the foreclosure proceedings, a Borrower may have the ability to file for bankruptcy or its equivalent, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation may create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property. The Collateral value could also be negatively impacted if a defaulting Borrower were to damage the property, negligently or intentionally, while still in possession. Even if foreclosure can be avoided and a restructuring were successfully accomplished, a risk exists that, upon maturity of such Mortgage Loan, replacement "takeout" financing will not be available.

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

subsequent income and capital appreciation from the foreclosed properties to the Fund may be less than competing investments.

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

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

Further, under U.S. law, investments in properties or loans operating under bankruptcy laws are, in certain circumstances, subject to certain additional potential liabilities that may exceed the value of the Fund's original investment therein. In addition, under certain circumstances, payments to the Fund and distributions by the Fund to its Members may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law.

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

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

- Judicial foreclosure is subject to the delays of protracted litigation. Although the Fund expects nonjudicial foreclosure to be generally quicker, the Fund's Collateral may deteriorate and decrease in value during any delay in foreclosing on it.
- The Borrower's right of redemption during foreclosure proceedings can deter the sale of the Collateral and can for practical purposes require the Fund to manage the property.
- The Fund will be making loans in different states, with varying foreclosure laws, procedures, and timelines. Depending on which state a Fund Asset is located, there may be more or less time, effort, and cost associated with foreclosing on Mortgage Loans.
- Unforeseen environmental hazards may subject the Fund to unexpected liability and procedural delays in exercising its rights.
- The rights of junior or senior secured parties in the same property can create procedural hurdles for the Fund when it forecloses on Collateral.
- The Fund may not be able to pursue deficiency judgments after it forecloses on Collateral.
- State and federal bankruptcy laws can prevent the Fund from pursuing any actions, regardless of the progress in any of these suits or proceedings.
- The courts, particularly the bankruptcy courts, may unilaterally alter the contractual terms of Fund Assets, including doing so to the detriment of the Fund.

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

Risk of Lack of Knowledge in Distant Geographic Markets

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

Risks of Real Estate Ownership

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

- Earning less income on disposition of the property than costs incurred in purchasing, improving it, and maintaining it;
- Keeping the property leased by tenants;
- Potential damage to the property by any tenants;
- Lack of availability or lapse in insurance coverage for the property;
- Controlling operating expenses;
- Coping with general and local market conditions;
- Possible exposure to environmental contamination remediation, and cleanup costs, which in some cases could exceed the value of the property;
- Complying with changes in the laws and regulations pertaining to taxes, use, zoning, and environmental protection; and/or
- Possible liability for injury to persons and property.

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

Risks of Participation or Fractional Interests in Mortgage Loans

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

- Other owner(s) of a Participation in such an Asset may have different ideas, motivations, or desired outcomes than the Fund which may give rise to disputes in how to manage such as Asset.
- There may be additional legal costs for Participations in event of default due to having multiple participants in the ownership of the Asset.

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

Some of the Fund's investments may consist of subordinated Mortgage Loans. Such investments will be subordinated to the senior obligations of the property or issuer, either

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

The Fund's Investments are Illiquid in Nature

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

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

Other Real Estate Related Risks

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

Usury Risk

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

Transactions acquired by the Fund may be subject to state usury laws imposing maximum interest charges and possible penalties for violation, including restitution of excess interest and unenforceability of debt. The Fund intends to acquire transactions which charge various rates of interest, and uncertainties in determining the legality of interest rates and other borrowing charges under some state statutes may result in inadvertent violations. Some state laws make it illegal to charge or collect interest at a rate exceeding a certain percentage rate per annum, unless the lender belongs to a class of regulated lenders such as banks, mortgage companies, or real estate brokers. It is expected that all Mortgage Loans made and acquired by the Fund will attempt to comply with state usury restrictions, if any; however, usury laws in the states where the Fund's investments are located may limit the ability of the Fund to charge interest and may create risk to the Fund and Fund principal.

Digital Operations Risk

CCM is nearly paperless, with all documents secured and managed digitally. CCM utilizes industry proven software that allows it to track and manage its investments with confidence and accuracy. However, there are risks associated with technology. Defects in software products and errors or delays in processing of electronic transactions could result in:

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

In addition, CCM relies on technologies supplied by third parties that may also contain undetected errors, viruses, or defects that could have a material adverse effect on the Fund's financial condition and results of operations.

Other General Risks of an Investment in the Fund

Newly Formed Entity

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

Unspecified Investments

The Fund has not identified the particular investments it will make. Accordingly, an Investor must rely upon the ability of the Manager in making investments consistent with the Fund's investment objectives and policies. Although the principals have been successful in locating investments in the past, the Fund may be unable to find a sufficient number of attractive opportunities to invest its committed capital or meet its investment objectives.

Furthermore, there may be a period of time before the Manager fully invests the proceeds of this Offering and begins to make distributions or payments. The Fund's Manager will attempt to invest the proceeds as quickly as prudence and circumstances permit; however, no assurance can be given as to how quickly the proceeds will be invested. Consequently, the distributions you receive on your investment may be reduced pending the investment of the Offering proceeds in real estate loans or direct real estate acquisition.

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

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

Reliance on Management

The Manager will make all Fund management decisions, including Fund Asset selection. The Fund will be relying in large part on the Manager's acquisition expertise. The Manager may resign at any time with one year notice to the Members without liability to the Fund or Manager.

Risk if Manager Withdraws or is Terminated

The Fund presently only has one Manager. If the Manager, subject to its one year notice requirement, withdraws from the Fund, is terminated by the Members, for cause or otherwise, or is terminated as Manager by dissolution or bankruptcy, it may be difficult or impossible for the Members of the Fund to locate a suitable replacement for the Manager. If it is unable to replace the Manager, the Fund would proceed with liquidating the Fund's Assets, which may or may not be able to be successfully executed.

Risk of Litigation

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

Lender Liability Risks Including Equitable Subordination

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

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

Risks Associated with a Changing Economic Environment

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

Risks of Uninsured Losses

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

Risk of Repayment of Fund Assets and Redeployment of Cash

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

Competition for Fund Assets

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

Risk of Lack of Geographical Diversity

The Fund intends to acquire Assets nationwide however, if there is a concentration of Assets in certain regions, and if these regions suffer economic adversity, the value of the Collateral may suffer.

Risk of Loss of Funds in Money Market Account

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

Absence of Registration Under Applicable Securities Laws

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

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

Absence of Regulatory Oversight

While the Fund may be considered similar to an investment company, it is not presently, and does not propose in the future, to register as such under the Investment Company Act of 1940 or the laws of any other country or jurisdiction and, accordingly, the provisions of the Investment Company Act (which, among other matters, require investment companies to have a majority of disinterested directors, require securities held in custody to be individually segregated at all times from the securities of any other person and to be clearly marked to identify such securities as the property of such investment company, and regulate the

relationship between the adviser and the investment company) will not be applicable to the Fund. In addition, the Manager is not registered as an investment adviser under the Investment Advisers Act of 1940 or as a Commodity Trading Advisor under the Commodity Exchange Act (or any similar law). Furthermore, the Manager is exempt from registration with the Commodity Futures Trading Commission as a commodity pool operator.

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

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

Though the Manager does not intend to register under the Investment Advisers Act, it may be required to register under one or more state investment adviser acts ("State Advisers Acts"). State Advisers Acts are similar to the Investment Advisers Act but generally apply to investment advisers that are not subject to the Investment Advisers Act because of the amount of AUM or other exemptions from registration. The Manager intends to seek exemptions from such registration where possible. If the Manager does have to register under one or more State Advisers Acts, such registration may create administrative and financial burdens on the Manager.

Risk that the Manager May Become Subject to the Provisions of the Investment Advisers Act of 1940

The Manager has not registered as an investment adviser under the Investment Advisers Act of 1940 (the "Investment Advisers Act") and intends to operate so as to not be required to register as an investment adviser with the SEC for as long as possible (based upon certain exemptions thereunder). Specifically, investment advisers are not required to register under the Investment Advisers Act so long as they have less than \$110 million in AUM, and the Manager expects to be further exempted from registration so long as the Manager has less than \$150 million in AUM based on the fact that it is a manager to a real estate fund that is a qualifying private fund exempt from registration under the Investment Company Act. If or when the Manager exceeds that threshold, unless it is eligible for another exemption, it will be required to register under the Investment Advisers Act and will be subject to various restrictive provisions provided for therein. The Manager cannot determine at this time, what, if any, impact such registration and restrictions will have on its business or the business of the Fund.

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

The Investment Company Act excludes a real estate program from the definition of an "investment company" if it is "primarily engaged" in, the origination or acquisition of mortgages and other liens on, and/or interests in, real estate. The Manager has not sought a no-action letter from the SEC to confirm that the Fund is eligible for this exemption. However, the Manager will rely on guidance issued by the SEC stating that so long as qualifying percentages of the Fund's assets consist of (1) mortgages and other liens on or interests in real estate; and (2) the remaining percentage of the Fund's assets consist primarily of real estate related assets, the Fund will remain exempt from the Investment Company Act registration requirements. Because the Fund is relying on an exemption that is dependent on the nature of the Fund's investment holdings, the Manager may need to consider such restrictions when assessing a potential investment for the Fund, and may decide not to pursue an asset because such asset would jeopardize the Fund's use of the exemption, as opposed to whether or not the asset would otherwise be a sound investment for the Fund.

Recent and Anticipated Legislative and Regulatory Activity

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

Investment by Benefit Plans

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

ERISA Risks

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

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

Indemnification

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

Risks Specific to Members

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

The Manager will develop and utilize a consistent methodology to calculate the Stated Value of each individual Fund Asset on an ongoing basis, typically calculating this Stated Value for each Fund Asset at the time of origination or acquisition and at the end of each calendar quarter. The Manager will use methodologies that it deems reasonable based on various valuation practices commonly used in similar businesses in the industry including Broker Price Opinions ("BPOs"), Comparative Market Analyses ("CMAs"), appraisals, comparable sales of other assets similar to Fund Assets, historical data and trends from actual sales, disposition or performance of Fund Assets, cash balances (in the case of cash Assets), and other such methodologies generally used and accepted in the market. This being said, the determination of Stated Value of any given Fund Asset may be highly subjective and may change continuously on an ongoing basis. There is no guarantee that any Stated Value as determined by the Manager of one or more of the Fund Assets is an accurate representation of the true current value of any Fund Asset and as such, the Unit Price may not fairly represent the then current true value of the Units. Furthermore, the Manager may be subject to certain conflicts of interest in determining the Stated Value since such Stated Value will be the basis for the calculation of its management fees.

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

Risk that the Price Charged for a Unit does not Reflect its Value

The price at which the Fund will offer Units pursuant to the Offering, and the price at which a Member will purchase additional Units under the Reinvestment Option, will fluctuate based on

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

Units are not Liquid / Restrictions on Withdrawal of Member Capital

Members will be required to hold their Units for a minimum of 24 months (the "Lockup Period") before they may request Redemption. Redemption requests for reasons of financial hardship or emergency during the Lockup Period may be considered on a case by case basis subject to a penalty (the "Redemption Fee") equal to 5% of the then current Unit Price. The Manager shall have no obligation to consider any hardship Redemption requests during the Lockup Period and shall be entitled to charge a higher or lower Redemption Fee. All Redemption Fees charged and collected will be considered income to the Fund.

After the Lockup Period, Redemption requests will be considered on a first come, first served basis. A Member shall be required to provide the Manager a 90 day notice for any Redemption request, and any Redemption actually provided shall be done only as of the first day of the calendar quarter immediately following the end of the 90 day notice period at the then current Unit Price as determined by the Manager.

Any Units purchased by Members via the Reinvestment Option shall be considered, for purposes of any Redemption requests, to "tag along" with the original date of purchase of the Units for which the Reinvestment Units are associated.

The Manager shall have no obligation to grant any particular Redemption request and shall retain sole discretion as to whether or not to redeem any Units. No Member will be given priority for Redemption over any other Member for any reason other than the date upon which the request was made. The Manager may redeem Membership Units Pari Passu at any time at the then current Unit Price in its sole discretion without penalty to the Manager or the Fund.

Restrictions on Transfer of Units

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

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

Rights of Members are Restricted

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

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

Federal Income Tax Risks

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

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

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

The Fund will:

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

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

So long as the Fund is a limited liability company, it will be taxed as a partnership, as described in greater detail below. Members in the Fund will therefore be allocated their share of the Fund's income, deduction, gain, and loss each year. Normally, an investment in the Fund will cause the taxable income of Members who are subject to state and federal income tax to increase. Consequently, an increase in a Member's taxable income will subject that Member to an increased income tax liability. Members must obtain cash to satisfy that liability. That cash can come from a wide variety of sources. Members need to be aware that the Preferred Return and any Excess Distributable Cash paid to a Member may not be sufficient to satisfy the income tax liability attributed to the Member's allocable share of the Fund income and gain. Hence, the Member may be forced to either borrow or use cash from another source to satisfy their income tax liabilities associated with an investment in the Fund.

Loss on Dissolution and Termination

In the event of a dissolution or termination of the Fund, the proceeds realized from the liquidation of Assets, if any, will be distributed to the Members, but only after the satisfaction of claims of creditors, which include the Note Holders. Accordingly, the ability of a Member to recover all or any portion of its investment in the Fund under such circumstances will depend on the amount of funds so realized and claims to be satisfied therefrom. There is no guarantee of a return of the Member's Capital Account.

Loss of Limited Liability in Certain Cases

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

Debt Risk

In this Offering we are offering Investors the opportunity to purchase Units or Notes. Priority will be given with respect to distributions of cash to the payment of interest on the Notes, and as applicable, principal as such Notes mature. If the Fund does not have sufficient cash available to make distributions with respect to the Units and pay its obligations with respect to the Notes, payments on the Note obligations will be given priority and may result in a decrease of the amount available for distribution to Members. If the Fund decides to use a bank Credit Facility, the priority of member Distributions will be even further subordinated and risk of nonpayment increased.

Risks Specific to Note Holders

Risk of Failure to Notify Manager of Desire to Cash-Out at Maturity

The Note Holder shall have responsibility for notifying the Manager of its desire to cash-out its Note. No later than 90 days prior to the Maturity Date, a Note Holder shall notify the Manager of Note Holder's desire to cash-out and receive payment of outstanding principal and interest upon the Maturity Date. If the Note Holder does not provide the 90 day Cash-Out Notice, the Note upon the Maturity Date will automatically extend at the Note rate less 1% until either (i) the Note Holder notifies the Fund that it wishes for the outstanding balance of the Note to be rolled over into a new Note, based on the then current Note Schedule, and such new Note is executed, or (ii) 90 days after the Note Holder provides a Cash-Out Notice.

Risk of 90-Day Continuance at Election of the Fund

The Fund may not be able to repay the principal balance of a Note at its Maturity Date. The Fund shall have the right, upon receipt of 90 days Cash-Out Notice, to continue to make interest payments on a monthly basis to the Note Holder at the existing Note Rate plus 1% for up to 90 days beyond the Maturity Date without such continuation constituting an Event of Default.

Notes are not Liquid

An investment in the Notes is intended as an illiquid investment, and Notes are only repurchased or repayable early upon the written consent of the Manager, which may be withheld in its sole discretion. An Early Repayment Fee in an amount equal to 5%, or other such amount as determined by the Manager, of the original principal balance of the Note, plus an amount equal to the interest rate differential between the original interest stated on the Note and the interest allocable to the shortened holding period, per the original executed Note Schedule, will be charged for any Notes repurchased early.

Restrictions on Transfer

Note Holders will not be free to sell or transfer Notes without written consent from the Manager which may be withheld in its sole discretion. There is no market for the Notes, public or private, and there is no likelihood that one will ever develop. Note Holders must be prepared to hold their Notes to the Maturity Date, or beyond, and as a long-term investment. To comply with applicable tax and securities laws, the Manager, in its sole discretion, may refuse to consent to a transfer or assignment of Notes.

Pari Passu Intercreditor Interests; Note Holder Representative

The respective interests of each Note Holder in and to any payments made by the Fund in respect of the Notes, any Security, and any collections in connection with the foreclosure of such Security shall be Pari Passu and no Note Holder shall have any priority over the other; provided further, that any such payments, Security, and/or collections received by any Note Holder, other than such payments, Security, and collections that are received by all Note Holders on a pro rata basis, shall be paid by such Note Holder to the Representative, to be held in trust for the benefit of all Note Holders.

The Representative shall initially be the Manager, and the Manager shall retain the right to select and appoint successor Representatives. The Representative shall have the authority to sign all documents, and take any action necessary to protect each Note Holder's Pari Passu

rights in the Security. This means the Representative will be the only party with the authority to take any enforcement action with respect to the Notes, foreclose, or take any other action to realize upon the Notes or the Security, institute any action or proceeding to collect or enforce the Notes, commence or cause to be commenced any bankruptcy or similar proceeding against the Fund, or commence or exercise any other right to remedy against the Fund. The Note Holder shall execute the Intercreditor Agreement as part of the documents, prior to acceptance by the Manager. By doing so, all Note Holders shall be treated equally with respect to their rights of payment.

Note Holders Have No Right to Vote or to be Involved in Management

Note Holders cannot exercise any control over the Fund's affairs and will not have any vote or influence over the Fund, its investment policies, or any of its operations. The Manager will exercise complete control over the Fund, subject to those limited items which the Members shall be entitled to a vote as detailed in the Operating Agreement. The Manager has broad investment authority and may change its investment and underwriting policies (within the confines of its overall investment strategy) in its sole discretion, consistent with the duties it owes to all of the Note Holders. The Operating Agreement also provides that in its sole discretion, the Manager may withdraw from the Fund at any time with one year notice, which may result in the Fund's dissolution if a replacement is not named within such period.

Power of Attorney

Pursuant to the Intercreditor Agreement and the Subscription Agreement, the Note Holder appoints the Manager as the initial Representative, and any successor Representative, as determined by the Manager, as its true and lawful representative and attorney-in-fact in such Note Holder's name, place, and stead to make, execute, sign, acknowledge, file, and record all instruments, agreements, or documents as may be necessary or advisable to reflect the exercise by the Representative of any of the powers granted to it under the Subscription Agreement and the Intercreditor Agreement.

The Note Holder will further authorize the Representative to take any further action which the Representative shall consider necessary or advisable in connection with any of the foregoing, giving the Representative full power and authority to do and perform each and every act or thing whatsoever requisite to be done in and about the foregoing as fully as such Note Holder might or could do if personally present. The Note Holder shall be bound by any representation made by the Representative acting in good faith pursuant to such power of attorney, and the Note Holder will waive any and all defenses which may be available to contest, negate or disaffirm the action of the Representative taken in good faith pursuant to such power of attorney.

Federal Income Tax Risks

As with any investment that generates income and/or loss and distributes cash, an investment in Notes in the Fund has federal income tax risks. The significant tax risks are discussed in greater detail later in this PPM. All Investors are encouraged to review the tax risk section with competent tax counsel.

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

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

The Fund will:

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

CONFLICTS OF INTEREST

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

Receipt of Management Fee by the Manager And Fees to Affiliates

The Manager will be paid the Management Fee as a percentage of AUM, which is based on the Stated Value of the Fund Assets (as determined by the Manager). Such Management Fee is intended to compensate the Manager for its services and was not negotiated on an arm's-length basis. Since absent the existence of a Management Fee, Members might receive a higher rate of return, the interests of the Manager and the Investors are adverse in this respect.

CIF-II will be listing its assets for sale through Colonial Funding Group. Colonial Funding Group has an experienced and seasoned trading platform, both in the realm of technology and personnel that allows the efficient sale of individual and small portfolios of loans to individual investors and other buying institutions. CIF-II does not possess that developed and seasoned downstream investor network. As such, CIF-II will be largely reliant upon the services of CFG's trading platform in order to trade the assets held by the fund. Therefore, CIF-II will provide reasonable compensation to CFG for its services.

Receipt of Other Asset Level Fees by the Manager

The Manager will receive as income a 1.5% Acquisition Fee, which is based off the acquisition price of any Asset acquired by the Fund, and a 1.5% Disposition Fee, which is based off the net gain of the sales price of any Asset sold by the Fund, as additional compensation. The Manager shall also receive 50% of any origination fees collected on Mortgage Loans, with the other 50% paid to the Fund.

The Fund intends that a third party servicer will be contracted to perform loan servicing duties on the Mortgage Loans the Manager originates and acquires on behalf of the Fund. There may be cases where the Manager is contracted to be the loan servicer rather than a third party, and in such cases, the Servicing Fee will not exceed \$25 per Mortgage Loan monthly and shall at all times, be commercially reasonable.

The Manager believes that these fees will be commercially reasonable and acceptable in the marketplace in order for the Fund to be competitive in its business efforts. However, since, absent the retention by the Manager of these fees, Investors might receive a higher rate of return, the interests of the Manager and the Investors may be adverse in this respect.

Manager Additional Compensation (EDC Participation)

Since the Manager shall receive substantial additional compensation, the Manager may have incentive to invest in riskier opportunities that it might believe would produce a greater return, a portion of which the Manager would keep. Since this potential additional return might result in additional risk and exposure, the interests of the Manager and Investors may be adverse in this respect. The potential additional return may also encourage the Manager to cause the Fund to make distributions when it might otherwise reinvest in Fund Assets.

Competition by the Fund with Other Affiliated Companies

The Manager and its members may engage for their own accounts or for the accounts of others in other business ventures, including other public or private limited partnerships or limited liability companies. Neither the Fund nor any holder of a Unit or Note issued by the Fund is entitled to an interest therein. The Manager's members may invest in real estate or other activities similar to those of the Fund for their own accounts, and expect to continue to do so. The Fund's investment objectives and underwriting criteria may differ substantially from those of additional real estate investment programs sponsored by the Manager. The above notwithstanding, the Operating Agreement requires the Manager to give the Fund the ability to take advantage of any potential investment (each an "Opportunity") that is competitive with the Fund (as determined by the Manager) prior to the Manager taking that Opportunity itself. Factors the Manager may consider in determining whether an Opportunity is competitive include, but are not limited to, whether the Opportunity meets the Fund's underwriting criteria, whether it is consistent with the Investment Objectives of the Fund, and whether the Fund has sufficient financial resources at the time to accommodate the Opportunity.

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

Other Investments

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

Diverse Membership

The Investors may include taxable and tax-exempt persons and entities and may include persons or entities organized in various jurisdictions including foreign investors. As a result, conflicts of interest may arise in connection with decisions made by the Manager that may be more beneficial for one type of Member than for another type of Member. In addition, the Manager may make investments for the Fund that may have a negative impact on other investments made by certain Investors in separate transactions. In selecting investments appropriate for the Fund, the Manager will consider the investment objectives of the Fund as a whole, not the investment, tax, or other objectives of any Member individually.

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

In connection with this Offering, the Manager may employ one or more licensed Broker/Dealer and/or Registered Investment Advisor ("RIA") to locate interested Investors. Therefore, it may be in a Broker/Dealer and/or RIA's best interest to sell the Units to Investors, and that Broker/Dealer and/or RIA may potentially not have the Investor's best interests in mind.

Additionally, if the Broker/Dealer and/or RIA were given an equity interest in the Manager, a portion of the Management Fee paid by the Fund would be paid to the Broker/Dealer and/or RIA.

Lack of Separate Representation

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

Manager as Member and Note Holder

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

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

Manager as Manager and Representative

The Representative shall initially be the Manager, and the Manager shall retain the right to select and appoint successor Representatives. The Representative shall have the authority to sign all documents and take any action necessary to protect each Note Holder's Pari Passu rights in the Security. This means the Representative will be the only party with the authority to take any enforcement action with respect to the Notes, foreclose or take any other action to realize upon the Note or the Security, institute any action or proceeding to collect or enforce the Notes, commence or cause to be commenced any bankruptcy or similar proceeding against the Fund or commence or exercise any other right to remedy against the Fund. To the extent that the Manager of Fund is also the only party with the authority to take enforcement action against the Fund in the event of a default under the Notes, the interests of the Manager and Representative may not be consistent with the interests of the Note Holders.

Indemnification

Pursuant to the Operating Agreement, the Fund will indemnify its Manager and any of its Affiliates, agents, or attorneys from any action, claim, or liability arising from any act or omission made in good faith and in performance of its duties under the Operating Agreement. If the Fund becomes obligated to make such payments, such indemnification costs would be paid from funds that would otherwise be available to distribute to Investors or invest in further

Fund Assets. To the extent these indemnification provisions protect the Manager and its Affiliates, agents, or attorneys at the cost of the Investors in the Fund, a conflict of interest may exist.

TAX ASPECTS OF THE OFFERING

Tax Aspects – Note Holders

The following is a general discussion of certain material U.S. federal income tax considerations relating to the purchase, ownership, and disposition of the Notes by initial holders of the Notes who purchase the Notes at their issue price and hold the Notes as capital assets within the meaning of Section 1221 of the Code. This discussion does not address all of the tax considerations that may be relevant to holders in light of their particular circumstances or to holders subject to special rules under U.S. federal income tax laws, such as certain financial institutions, banks, insurance companies, regulated investment companies, real estate investment trusts, dealers in securities, traders in securities, tax-exempt entities, certain former citizens or residents of the U.S., holders who hold the Notes as part of a “straddle,” “hedging,” “conversion,” or other integrated transaction, holders who mark their securities to market for U.S. federal income tax purposes, or holders whose functional currency is not the U.S. dollar. This discussion does not address the effect of any state, local, or foreign tax laws or any U.S. federal estate, gift, or alternative minimum tax considerations. In addition, this discussion does not address the effect of any U.S. federal, state, local, or foreign tax laws to any Non-U.S. Holders.

The following discussion is based on the Code, the Treasury Regulations promulgated thereunder, and administrative and judicial pronouncements, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect.

While the Manager has set forth in this PPM what it believes to be the material tax risks associated with an investment in the Notes, Note Holders should not interpret references to certain specific tax issues as a representation that the matters referred to are the only tax risks involved in this investment, nor should Note Holders assume that the reference to tax risks means that the magnitude of the risks is equal.

Nothing in this PPM is intended as a substitute for careful financial, estate, and tax planning. It is impractical to discuss all tax consequences of federal, state, and local law of an investment. The tax consequences of investing in the Notes may differ materially, depending on whether the Note Holder is an individual taxpayer, corporation, trust, partnership, or tax-exempt identity.

PROSPECTIVE NOTE HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THESE AND OTHER TAX MATTERS.

THIS FUND IS NOT A TAX ORIENTED INVESTMENT. AN INVESTMENT IN THE NOTES WILL NOT REDUCE THE CUMULATIVE TAX LIABILITY OF ANY NOTE HOLDER.

The materials provided in this PPM are not designated to comply with the requirements set forth in Opinion 346. This Offering is not designed or expected to yield tax benefits that would render it a tax shelter under Opinion 346. No tax opinions of counsel are provided herein or otherwise in connection with this Offering.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

The following discussion applies to the Note Holder only if the Note Holder is a U.S. Holder of Notes. If an entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of such partnership and its partners will generally depend upon the status and activities of the partnership and its partners. A Note Holder that is treated as a

partnership for U.S. federal income tax purposes should consult its own tax adviser regarding the U.S. federal income tax considerations to it and its partners of the purchase, ownership, and disposition of the Notes.

Sale, Exchange, or Repayment of Notes

Upon the sale, exchange, or repayment of the Notes, Note Holders will recognize gain or loss equal to the difference, if any, between the amounts realized upon the sale, exchange, or retirement and the Note Holder's adjusted tax basis in the Notes. The Note Holder's adjusted tax basis in the Notes generally will be the Note Holder's cost for the Notes, less any principal payments received.

The gain or loss recognized on the sale, exchange, or retirement of the Notes will be capital gain or loss. The gain or loss will be long-term capital gain or loss if the Notes have been held for more than 12 months. The maximum individual income tax rate for long-term capital gains is generally 15% for gains recognized in a taxable year beginning before January 1, 2011 (and 20% for gains recognized thereafter). The deductibility of capital losses is subject to limitation. To the extent that the amount realized represents accrued but unpaid interest, that amount must be taken into account as interest income if it was not previously included in the Note Holder's income.

Backup Withholding and Information Reporting

Interest paid or accrued on the Notes and the proceeds received from a sale, exchange, or other disposition (including retirement at the Maturity Date or early repayment of the Notes) will generally be subject to information reporting if the Note Holder is not an exempt recipient (such as a domestic corporation) and may also be subject to backup withholding at the rates specified in the Code if the Note Holder fails to provide certain identifying information (such as an accurate taxpayer identification number if the Note Holder is a U.S. Holder) and meet certain other conditions.

State and Local Taxation

In addition to the U.S. federal income tax considerations described above, prospective Note Holders should consider the potential state and local tax consequences of an investment in the Notes. In addition to being taxed, and subject to tax filing obligations in its own state or locality of residence or domicile, a Note Holder may be subject to tax filing obligations and income, franchise, and other taxes in jurisdictions in which the Fund conducts its activities. Although no assurances can be provided, the Fund intends to conduct its activities in such a manner that it will not cause Note Holders who are not otherwise subject to taxation in states other than their state of residence, to be taxed and subject to tax filing obligations in other states solely as a result of an investment in the Notes. The Fund itself may also become subject to tax in certain jurisdictions. This discussion does not purport to discuss the state and local tax consequences of an investment in the Notes.

Tax Aspects – Members

Set forth below is a discussion, in summary form, of certain material federal income tax consequences relating to an investment in the Membership Units of the Fund. This summary does not attempt to present all aspects of the federal income tax laws or any state, local, or foreign laws that may affect an investment in the Fund, nor is it intended to be applicable to all Investors, some of which, such as Investors subject to the alternative minimum tax, financial institutions, dealers, and other Investors that do not hold their Units as capital

assets, insurance companies, and foreign persons or entities, may be subject to special rules. No ruling has been or will be requested from the IRS and no assurance can be given that the IRS will agree with the tax consequences described in this summary. Each prospective Member should consult with its own tax adviser in order to fully understand the federal, state, local, and foreign income tax consequences of an investment in the Fund. This summary does not constitute tax advice, and is not intended to substitute for tax planning.

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

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

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

Fund Status

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

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

The Manager may, in its sole discretion, establish parallel, feeder, or alternative entities such as partnerships, corporate subsidiaries, or other investment vehicles to address the tax,

regulatory, or other concerns of certain prospective Investors. In addition, the Manager may, in its sole discretion, reorganize the Fund into a master-feeder structure. Any person reviewing this discussion should seek advice based on such person's particular circumstances from an independent tax advisor.

Taxation of U.S. Members

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

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

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

If a U.S. Member withdraws all or part of its investment in the Fund during a fiscal year, the Manager, in its exclusive discretion, may elect to allocate taxable income or tax loss first to such U.S. Member's capital account in that fiscal year, to the extent that such U.S. Member's investment in the Fund differs from such U.S. Member's adjusted tax basis in such Unit immediately prior to such withdrawal, or tax loss first to a fully withdrawing U.S. Member to the extent such U.S. Member's adjusted tax basis in such Unit exceeds such U.S. Member's capital account balance.

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

and gains for the year for which the allocation was made and the Fund and those U.S. Members could be subject to additional taxes as well as interest and penalties.

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

Nature of Income Derived by the Fund

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

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

Original Issue Discount

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

Market Discount Loans

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

to such Market Discount Loan in an amount not exceeding the accrued market discount on such Market Discount Loan until the maturity or disposition of such Market Discount Loan.

Upon the sale of property by the Fund, the Fund will recognize a gain or loss in an amount equal to the difference between the amount realized and the Fund's tax basis in the property sold. The gains or losses realized by the Fund from the sale or other disposition of property generally would be treated as capital gains or losses, subject to certain rules some of which are discussed above. However, if the Fund (or an entity in which the Fund is a partner, member, or other type of investor) were treated as a "dealer" with respect to all or part of its property (meaning that it was viewed as holding such property for sale to customers in the ordinary course of its business), then all the gains from such property would be treated as ordinary income. Further, if a Fund Asset is sold in less than one year from the date of acquisition, then gains from such property would likely be treated as short-term capital gains and taxed at ordinary income rates. Long-term capital gains, other than certain types of depreciation recapture, are taxable at a reduced rate for individuals. Tax rates change from time to time and as of this writing, tax rates for 2014 are uncertain.

For taxable years beginning after December 31, 2012, under recently enacted legislation, U.S. Members who are individuals, estates, or certain trusts will be subject to a 3.8% Medicare tax on certain investment income such as interest, dividends, and rents from certain passive activities. Prospective Investors should consult their tax advisors regarding the possible applicability of the Medicare tax to income and gain in respect of an investment in the Fund.

Basis

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

If cash (including in certain circumstances "marketable securities") distributed to a U.S. Member in any year, including for this purpose any reduction in that U.S. Member's share of the liabilities of the Fund, exceeds that U.S. Member's share of the taxable income of the Fund for that year, the excess will constitute a return of capital and will be applied to reduce the tax basis of that U.S. Member's interest. Any distribution in excess of such basis will result in taxable gain to the U.S. Member. In general, distributions (other than liquidating distributions) of property other than cash and, in certain circumstances, "marketable securities," will reduce the basis (but not below zero) of a U.S. Member's interest by the amount of the Fund's basis in such property immediately before its distribution but will not result in the realization of taxable income to the U.S. Member.

Limits on Deductions for Losses and Expenses

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

miscellaneous itemized deductions (including investment expenses) in Section 67 of the Code and/or other provisions of the Code.

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

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

Possible Audit of Information Return

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

Sale or Exchange of U.S. Member Interests

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

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

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

make such election. However, these optional basis adjustments are mandatory upon distributions of partnership property and transfers of partnership interests under certain circumstances. The Fund may incur additional expenses for the reasons discussed above as a result of making any mandatory basis adjustments.

Alternative Minimum Tax Consequences

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

Tax-Exempt Members

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

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

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

In addition, UBTI can be realized through an acquisition, development, and disposition strategy whereby the Fund would be treated as a "dealer" with respect to all or part of the assets in which it invests. In this case, all the gain from the disposition of such assets generally would be UBTI (subject to a limited exception for gain from the sale of certain real estate assets acquired from insolvent financial institutions).

Because the Fund expects to incur "acquisition indebtedness" with respect to certain investments, Tax-Exempt Investors will likely recognize UBTI with respect to an investment in the Fund. The Manager may, in its sole discretion, establish parallel, feeder, or alternative entities such as partnerships, corporate subsidiaries, or other investment vehicles to address the tax, regulatory, or other concerns of certain prospective Investors. In addition, the

Manager may also, in its sole discretion, reorganize the Fund into a master-feeder structure. However, there can be no assurance that the Tax-Exempt Investors will not incur UBTI with respect to any investment. Accordingly, Tax-Exempt Investors are urged to consult with their own tax advisors regarding the possible consequences of an investment in the Fund.

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

Non-U.S. Members

Non-U.S. Members that invest directly in the Fund generally will be subject to U.S. federal income tax on their distributive share of the taxable income of the Fund that is deemed to be “effectively connected” with a U.S. trade or business as if they were U.S. citizens or residents, regardless of whether the Fund makes any cash distributions.

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

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

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

In addition, regardless of whether the activities of a Fund constitute a U.S. trade or business, Non-U.S. Members will be taxable on any gain derived from the disposition of a “U.S. real property interest” as if such gain were effectively connected income. U.S. real property interests include interests in U.S. real estate and certain U.S. corporations that hold predominantly U.S. real estate investments. Generally, the Fund will be required to withhold 35% of any gain attributable to dispositions of U.S. real property interests. The 30% branch profits tax may also apply to corporate non-U.S. Members. In addition, a purchaser may be required to withhold 10% of the purchase price upon a sale of an interest in the Fund if, among other requirements, the Fund’s gross assets consist of at least 50% U.S. real property interests.

Recently enacted legislation will impose certain increased certification requirements and information reporting for Non-U.S. Members. In the event of noncompliance with the revised certification requirements, a 30% withholding tax could be imposed on payments of interests, dividends, and sales proceeds. Under certain circumstances, a Non-U.S. Member may be eligible to seek from the IRS a refund or credit of such withholding taxes. Such provisions will

generally apply to payments made after December 31, 2012. It cannot be predicted in what form this legislation will be further implemented. Prospective Investors should consult their own tax advisors regarding this new legislation.

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

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

Treatment of Withholding Taxes

The Fund will withhold and pay to the IRS any withholding taxes required to be withheld with respect to any Member and will treat such withholding as a payment to such Member. Such payment will be treated as a distribution to the extent that the Member is then entitled to receive a cash distribution. To the extent that such payment exceeds the amount of any cash distribution to which such Member is then entitled, such Member is required, as set forth in the Operating Agreement, to make prompt payment to the Fund.

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

State, Local, and Foreign Tax Considerations

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

Reporting

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

The federal information tax returns filed by the Fund will be subject to audit by the IRS and the audit of the Fund's returns could result in an audit of the Members' own federal income tax returns. In connection with such audits, adjustments to Fund items could result in the assertion of tax deficiencies (as well as interest and penalties thereon) against the Members. Any administrative or judicial proceedings involving the federal income tax treatment of Fund items will generally be conducted on a unified basis, with binding effect on all Partners. The

Manager will serve as the Fund's "Tax Matters Partner" for purposes of coordinating any such proceedings and providing any required notices about such proceedings to the Members.

Reportable Transactions Regulation

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

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