Memorandum No. _____

ZINC INCOME FUND II, LLC

a California limited liability company

1525 E. Shaw Avenue
Fresno, CA 93710

PRIVATE PLACEMENT MEMORANDUM

$50,000,000

Minimum Investment Amount

Class A Membership Interests	$50,000
Class B-1 Membership Interests	$50,000

Accredited Investors Only

June 1, 2023

ZINC INCOME FUND II, LLC is a California limited liability company (the "Fund"). The Fund is offering ("Offering") by means of this Private Placement Memorandum ("Memorandum") two classes of limited liability company membership interests ("Membership Interests" or "Interests") on a "best efforts" basis to qualified investors who meet the Investor Suitability standards as set forth herein (See "Investor Suitability" below). The two classes of Membership Interests shall be identified as "Class A Membership Interests", and "Class B-1 Membership Interests." All existing Class B Membership Interests will be converted to Class A Membership Interests.

Members who acquire Class A Membership Interests and Members whose Class B Membership Interests have been converted to Class A Membership Interests shall be referred to individually as the "Class A Member," and collectively as the "Class A Members." Members who acquire Class B-1 Membership Interests shall be referred to individually as the "Class B-1 Member," and collectively "Class B-1 Members." Class A Members and Class B-1 Members shall be collectively referred to as the "Members." Each Class shall have differing rights, preferences and restrictions as set forth herein and the Fund's Operating Agreement. (See "Exhibit A-2 – Amended and Restated Limited Liability Company Operating Agreement").

The Fund Will be managed by ZINC Financial, Inc., a California corporation (the "Manager"). As further described in the Memorandum, the Fund has been organized to conduct the following business: to make, purchase, originate, fund, acquire and/or otherwise sell loans secured by interests in real or personal property located across the United States with a primary focus in California, Washington, Arizona, New Mexico, Texas, Colorado, Michigan, Indiana, Ohio, and Tennessee. The Fund may also manage, remodel, repair, lease and/or sell real properties acquired through the Fund's lending activities, including but not limited, properties acquired through foreclosure and real estate owned ("REOs").

In addition, the Fund intends to establish a real estate investment trust ("REIT") in the form of a subsidiary (the "Sub-REIT"). There are substantial benefits in establishing a REIT, as set forth below. (See "Terms of the Offering" below). Establishing and maintaining a REIT involves additional risks, including tax and investment risks, which will be detailed later in this Memorandum. (See "Income Tax Considerations" and "Risk Factors" below).

Prospective investors ("Investors") who execute a subscription agreement ("Subscription Agreement") to invest in the Fund will become a member of the Fund ("Member") once the Manager deposits the investor's investment into the Fund's main operating bank account and subject to terms and conditions in the Memorandum and Subscription Agreement. An investment in the Fund is subject to restrictions on withdrawal (See "Summary of Operating Agreement – Withdrawal" below). Subject to the terms and conditions provided herein, Members will have the option to either receive income distributions from the Fund or reinvest their distributable share of Fund earnings back into the Fund. (See "Excess Cash Distributions; Election to Reinvest" below). The Manager will receive a variety of compensation and income from the Fund and is subject to certain conflicts of interest. (See "Risk Factors", "Manager's Compensation" and "Conflicts of Interest" below). There are material income tax risks associated with investing in the Fund that prospective Investors should consider. (See "Income Tax Considerations" below).

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

THIS INVESTMENT INVOLVES A DEGREE OF RISK THAT MAY NOT BE SUITABLE FOR ALL PERSONS. ONLY THOSE INVESTORS WHO HAVE NO NEED FOR LIQUIDITY AND CAN BEAR THE LOSS OF A SIGNIFICANT PORTION (OR ALL) OF THEIR INVESTMENT SHOULD PARTICIPATE IN THE INVESTMENT. (SEE "RISK FACTORS" BELOW).

CERTAIN TERMS OF THE OFFERING

	Price to Investors [1]	Estimated Selling Commissions [2]	Estimated Fund Proceeds [3]
Amount to be Raised Per Membership Interest	$1,000	$0	$1,000
Minimum Investment Amount for Class A Membership Interests[4]	$50,000	$0	$50,000
Minimum Investment Amount for Class B-1 Membership Interests[4]	$50,000	$0	$50,000
Maximum Offering Amount [5]	$50,000,000	$0	$50,000,000

1. The initial offering price in the amount of One Thousand Dollars ($1,000) was arbitrarily determined by the Manager. However, the Manager may, in its sole and absolute discretion, adjust the offering price as determined on the last day of each calendar quarter.

2. Membership Interests will be offered and sold directly by the Fund, the Manager and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. While most Membership Interests are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Membership Interests through the services of independent broker/dealers who are member firms of the Financial Industry Regulatory Authority ("FINRA") and who will be entitled to receive customary and standard commissions based on the gross

proceeds received for the sale of Membership Interests. These commissions will be paid by the Investor admitted to the Fund through such broker/dealer (and such payment may reduce the capital account of the Investor). Although neither the Fund nor the Manager expects to make a large number of sales of Membership Interests through broker/dealers, each reserves the right in its respective sole discretion to make any or all offers and sales through broker/dealers. The amount and nature of commissions payable to broker/dealers is expected to vary in specific instances and will be agreed on a case-by-case basis by the Manager in its sole and absolute discretion. The Investor will be responsible for all such commissions payable to broker/dealers. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, pay such commissions itself or cause the Fund to pay for such commissions, and consider them as Fund expenses.

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

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

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

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF AUTHORIZED PERSONS INTERESTED IN THE OFFERING. IT CONTAINS CONFIDENTIAL INFORMATION AND MAY NOT BE DISCLOSED TO ANYONE OTHER THAN AUTHORIZED PERSONS SUCH AS ACCOUNTANTS, FINANCIAL PLANNERS OR ATTORNEYS RETAINED FOR THE PURPOSE OF RENDERING PROFESSIONAL ADVICE RELATED TO THE PURCHASE OF SECURITIES OFFERED HEREIN. IT MAY NOT BE REPRODUCED, DIVULGED OR USED FOR ANY OTHER PURPOSE UNLESS WRITTEN PERMISSION IS OBTAINED FROM THE FUND. THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANY PERSON EXCEPT THOSE PARTICULAR PERSONS WHO SATISFY THE SUITABILITY STANDARDS DESCRIBED HEREIN.

THE SALE OF MEMBERSHIP INTERESTS COVERED BY THIS MEMORANDUM HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS SET FORTH IN SECTION 4(A)(2) OF THE ACT AND RULE 506(C) OF REGULATION D PROMULGATED THEREUNDER. THESE SECURITIES HAVE NOT BEEN QUALIFIED OR REGISTERED IN ANY STATE IN RELIANCE UPON THE EXEMPTIONS FROM SUCH QUALIFICATION OR REGISTRATION UNDER STATE LAW. THESE SECURITIES ARE "RESTRICTED SECURITIES" AND MAY NOT BE RESOLD OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT COVERING DISPOSITION OF SUCH MEMBERSHIP INTERESTS IS THEN IN EFFECT OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THERE IS NO PUBLIC MARKET FOR THE MEMBERSHIP INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. ANY SUMS INVESTED IN THE FUND ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS UPON WITHDRAWAL AND TRANSFER. THE INTERESTS OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

DISTRIBUTIONS UNDER THIS OFFERING MIGHT RESULT IN A TAX LIABILITY FOR THE NON-U.S. INVESTORS. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS, HER OR ITS OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE HIS, HER OR ITS TAX LIABILITY.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THAT INFORMATION AND THOSE REPRESENTATIONS SPECIFICALLY CONTAINED IN THIS MEMORANDUM; ANY OTHER INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF THE MEMBERSHIP INTERESTS WHO RECEIVES ANY OTHER INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE FUND IMMEDIATELY TO DETERMINE THE ACCURACY OF SUCH INFORMATION AND REPRESENTATIONS. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND OR IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS PRIVATE PLACEMENT MEMORANDUM SET FORTH ABOVE.

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

THE PURCHASE OF MEMBERSHIP INTERESTS BY AN INDIVIDUAL RETIREMENT ACCOUNT (IRA), KEOGH PLAN OR OTHER QUALIFIED RETIREMENT PLAN INVOLVES SPECIAL TAX RISKS AND OTHER CONSIDERATIONS THAT SHOULD BE CAREFULLY CONSIDERED. INCOME EARNED BY QUALIFIED PLANS AS A RESULT OF AN INVESTMENT IN THE FUND MAY BE SUBJECT TO FEDERAL INCOME TAXES, EVEN THOUGH SUCH PLANS ARE OTHERWISE TAX EXEMPT. (SEE “INCOME TAX CONSIDERATIONS” AND “ERISA CONSIDERATIONS” BELOW).

THE MEMBERSHIP INTERESTS ARE OFFERED SUBJECT TO WITHDRAWAL OR CANCELLATION OF THE OFFERING AT ANY TIME FOR ANY REASON (OR NO REASON) AND WITHOUT ANY NOTICE THEREOF TO PROSPECTIVE INVESTORS. THE FUND RESERVES THE RIGHT, AT ITS SOLE AND ABSOLUTE DISCRETION, TO REJECT ANY SUBSCRIPTIONS IN WHOLE OR IN PART FOR ANY REASON (OR NO REASON) AT ANY TIME.

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

THIS OFFERING INVOLVES SIGNIFICANT RISKS WHICH ARE DESCRIBED IN DETAIL HEREIN. FEES WILL BE PAID TO THE MANAGER AND ITS AFFILIATES, WHO ARE SUBJECT TO CERTAIN CONFLICTS OF INTEREST. PROSPECTIVE PURCHASERS OF MEMBERSHIP INTERESTS SHOULD READ THIS PRIVATE PLACEMENT MEMORANDUM CAREFULLY AND IN ITS ENTIRETY.

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

FOR RESIDENTS OF ALL STATES.

THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THAT STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OR SALE MAY BE MADE IN ANY PARTICULAR STATE. THIS MEMORANDUM MAY BE SUPPLEMENTED BY ADDITIONAL STATE LEGENDS. IF YOU ARE UNCERTAIN AS TO WHETHER OR NOT OFFERS OR SALES MAY BE LAWFULLY MADE IN ANY GIVEN STATE, YOU ARE ADVISED TO CONTACT THE FUND FOR A CURRENT LIST OF STATES IN WHICH OFFERS OR SALES MAY BE LAWFULLY MADE. AN INVESTMENT IN THIS OFFERING IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF FINANCIAL RISK. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSIDER ALL OF THE RISK FACTORS DESCRIBED BELOW.

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

UNITED STATES TERRITORIES AND POSSESSIONS.

THESE SECURITIES ARE NOT AUTHORIZED FOR OFFERING OR SALE IN ANY TERRITORY OR POSSESSION OF THE UNITED STATES IN LIEU OF APPLICABLE SECURITIES LAWS TO THE CONTRARY. SECURITIES AND/OR CAPITAL GUARDIANSHIPS ARE NOT AUTHORIZED FOR SALE IN SUCH TERRITORIES OR POSSESSIONS.

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EXHIBITS

FORWARD LOOKING STATEMENTS

Investors should not rely on forward-looking statements because they are inherently uncertain. Investors should not rely on forward-looking statements in this Memorandum. This Memorandum contains forward-looking statements that involve risks and uncertainties. We use words such as "anticipated," "projected", "forecasted", "estimated", "prospective", "believes," "expects," "plans," "future," "intends," "should," "can," "could," "might," "potential," "continue," "may," "will," and similar expressions to identify these forward-looking statements. Investors should not place undue reliance on these forward-looking statements, which may apply only as of the date of this Memorandum.

SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this Private Placement Memorandum. This Private Placement Memorandum, together with the exhibits attached including, but not limited to, the Amended and Restated Limited Liability Company Operating Agreement of the Fund ("Operating Agreement"), a copy of which is attached hereto as Exhibit A-2, should be carefully read in its entirety before any investment decision is made. If there is a conflict between the terms contained in this Private Placement Memorandum and the Operating Agreement, the Operating Agreement shall prevail and control.

THE FUND AND ITS OBJECTIVES	ZINC Income Fund II, LLC is a California limited liability company located at 1525 E. Shaw Avenue, Fresno, CA 93710. The Fund has been organized to conduct the following business: to make, purchase, originate, fund, acquire and/or otherwise sell loans secured by interests in real or personal property located across the United States with a primary focus in California, Washington, Arizona, New Mexico, Texas, Colorado, Michigan, Indiana, Ohio, and Tennessee. The Fund may also manage, remodel, repair, lease and/or sell real properties acquired through the Fund's lending activities, including but not limited, properties acquired through foreclosure and REOs. In addition, the Fund intends to establish a REIT in the form of a Sub-REIT.
THE MANAGER	The Fund will be managed by ZINC Financial, Inc., a California corporation. The Manager is located at 1525 E. Shaw Avenue, Fresno, CA 93710.
THE OFFERING	The Fund is hereby offering to Investors an opportunity to purchase two classes of Membership Interests in the Fund in the maximum aggregate amount of Fifty Million Dollars ($50,000,000). The two classes of Membership Interests shall be identified as "Class A Membership Interests" and "Class B-1 Membership Interests" (collectively "Membership Classes" and each a "Membership Class"). As further explained in the Operating Agreement, Class A and Class B-1 Membership Interests shall be subject to different rights, preferences, returns, and benefits. (See "Exhibit A-2 – Amended and Restated Limited Liability Company Operating Agreement"). The minimum investment amount per Investor for Class A Membership Interests and Class B-1 Membership Interests is Fifty Thousand Dollars ($50,000 ("Minimum Investment Amount"). The Manager reserves the

	right to accept subscriptions in a lesser amount or require a higher amount than the Minimum Investment Amount stated herein. In addition, the Manager may, in its sole and absolute discretion, permit an Investor (or Member, as applicable) to purchase and/or convert any class of Membership Interests.
CONVERSION OF ALL EXISTING CLASS B MEMBERSHIP INTERESTS	All existing Class B Membership Interests will automatically be converted to Class A Membership Interests with a 1:1 ratio.
COMPENSATION TO MANAGER	The Manager and its Affiliates[1] will receive a variety of fees for managing the Fund. (See "Manager's Compensation" below).
FIRST LOSS COMMITMENT	The Manager shall bear the first Principal Loss of the Fund in an amount up to but not to exceed Five Hundred Thousand Dollars ($500,000). "Principal Loss" shall mean the principal exposure outlays minus all sums collected and any reserves of the Fund. This obligation shall be referred to herein as the Manager's "First Loss Commitment". The Manager's First Loss Commitment shall not exceed Five Hundred Thousand Dollars ($500,000) for the entire duration of the Fund, and shall be applied to the capital accounts of all Members.
PRIOR EXPERIENCE	The principal of the Manager has prior experience in the real estate and private lending industries. (See "The Manager" below).
SUITABILITY STANDARDS	Membership Interests are offered exclusively to certain individuals, Keogh plans, individual retirement accounts (IRAs) and other qualified investors who meet certain minimum standards of income and/or net worth. Each Investor must execute a Subscription Agreement and an Investor Questionnaire making certain representations and warranties to the Fund, including, but not limited to, such purchaser's qualifications as an "Accredited Investor" as defined by the Securities and Exchange Commission in Rule 501(a) of Regulation D. (See "Investor Suitability" below).
CAPITALIZATION	The Fund will be funded with equity of a maximum of Fifty Million Dollars ($50,000,000) ("Maximum Offering Amount"). The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Minimum Investment Amount and/or the Maximum Offering Amount.
COMMISSIONS FOR SELLING	Membership Interests will be offered and sold directly by the Fund, the Manager and the Fund's and Manager's respective officers and

[1] "Affiliates" shall mean any of the following: (1) a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Manager, (2) a Person who, directly or indirectly, owns or controls at least ten percent (10%) of the outstanding voting interests of the Manager, (3) a Person who is an officer, director, manager or member of the Manager, or (4) a Person who is an officer, director, manager, member, general partner, trustee or owns at least Ten Percent (10%) of the outstanding voting interests of a Person described in clauses (1) through (3) of this sentence. The term "Person" shall mean a natural person or Entity. The term "Entity" shall mean an association, relationship or artificial person through or by means of which an enterprise or activity may be lawfully conducted, including, without limitation, a partnership, trust, limited liability company, corporation, joint venture, cooperative or association.

MEMBERSHIP INTERESTS	employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. While most Membership Interests are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Membership Interests through the services of independent broker/dealers who are member firms of FINRA and who will be entitled to receive customary and standard commissions based on the gross proceeds received for the sale of Membership Interests. These commissions will be paid by the Investor admitted to the Fund through such broker/dealer (and such payment may reduce the capital account of the Investor). Although neither the Fund nor the Manager expects to make a large number of sales of Membership Interests through broker/dealers, each reserves the right in its respective sole discretion to make any or all offers and sales through broker/dealers. The amount and nature of commissions payable to broker/dealers is expected to vary in specific instances and will be agreed on a case-by-case basis by the Manager in its sole and absolute discretion. The Investor will be responsible for all such commissions payable to broker/dealers. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, pay such commissions itself or cause the Fund to pay such commissions, and treat them as Fund expenses.
NO LIQUIDITY	There is no public market for the Membership Interests and none is expected to develop in the future. Additionally, there are substantial restrictions on transferability of Membership Interests. (See "Risk Factors" below).
LOAN ORIGINATOR AND SERVICER	The Manager, the Fund and/or third-party broker may originate loans funded and/or otherwise acquired by the Fund. In addition, it is presently anticipated that all Fund loans will be serviced (i.e., loan payments collected and other services relating to the loan) by the Manager. Notwithstanding the foregoing, at its sole election, the Manager reserves the right to choose to appoint an Affiliate or retain the services of a third-party loan servicer, at any time for any reason (or no reason). The servicer, whether a third party or the Manager or an Affiliate, shall be herein referred to as the "Servicer." The Servicer will be compensated by the borrowers and/or Fund for such loan servicing activities, as is agreed upon by the Manager and Servicer. To the extent applicable, the Manager will oversee the activities and performance of the Servicer. (See "The Manager" below).
FUND ADMINISTRATION	The Fund intends to retain the services of a thirty-party fund administrator ("Fund Administrator") to perform back-office accounting and administrative services for the Fund. The Manager will oversee the activities and performance of the Fund Administrator, including, deployment of funds into loans. Notwithstanding the foregoing, the Manager reserves the right to serve as the Fund Administrator or appoint an Affiliate to serve as Fund Administrator, at the Manager's sole and absolute discretion. Any fees payable to the Fund Administrator shall be considered an expense to the Fund.

RECOVERY OF DEFERRED COMPENSATION	If the Manager or Servicer defers or assigns to the Fund any of their respective compensation, the Manager and/or Servicer may elect, in the sole and absolute discretion of the Manager, to recover the same at a later time within the same calendar year (or, if expressly approved by the Manager, in any subsequent calendar year). Notwithstanding the foregoing, the Manager and/or Servicer have no obligation to waive, defer, or assign to the Fund any portion of such compensation at any time.
SIDE LETTERS	The Manager may, without any further act, approval, or vote of any of the members, enter into side letters or other similar arrangements with one or more Members that have the effect of establishing rights, or altering, supplementing, or modifying the terms of the Operating Agreement, including, the rights and terms which are more favorable to the recipients of such side letters (each, a "Side Letter"). Side letter arrangements may vary depending on circumstances, economics, and agreements between the Fund and its Investors.
LEVERAGING THE PORTFOLIO	The Fund and/or Sub-REIT may borrow funds from third-party lenders, the Manager or its Affiliates, to fund the Fund's and/or Sub-REIT's investments; *provided, however*, that the Fund and/or Sub-REIT may limit such borrowing with a target debt-to-equity ratio of 0.5:1. Notwithstanding the foregoing, the Manager may borrow more than such ratio if it is in the best interest of the Fund and/or Sub-REIT. These loans may be secured by the assets, receivables, or contracts held by the Fund and/or Sub-REIT. Leveraging involves additional risks that are detailed later in this Memorandum. (See "Risk Factors – Business Risks – Risks of Leveraging the Fund" below).
REINVESTMENT	Members have the option of receiving cash or having their share of cash credited to their capital accounts and reinvested in the Fund, at the then current price of Membership Interests, for any distributable income, including Preferred Return. (See "Terms of the Offering – Preferred Return; Excess Cash Distributions; Election to Reinvest" below). No partial reinvestment is permitted. (See "ERISA Considerations" and "Summary of the Operating Agreement" below). However, the Manager reserves the right to commence making cash distributions at any time to any Member(s) in order for the Fund to remain exempt from the ERISA plan asset regulations. (See "ERISA Considerations" and "Summary of Operating Agreement" below).
RETURN OF CAPITAL	The Manager reserves the right to return part or all of the Member's capital investment to the Member at any time during the investment and/or to expel any Member for cause. (See "Summary of Operating Agreement – Redemption Policy and Other Events of Disassociation" below).
PREFERRED RETURN	Members will generally be entitled to receive a preferred return (the "Preferred Return") on their investment, calculated and payable monthly (and pro-rated as applicable for the amount of time that a Member was a member of the Fund). This Preferred Return will be payable prior to any

	profit participation by the Manager (however, all expenses and fees other than profit participation will be paid to the Manager prior to the Preferred Return). Each Class A Member will generally be entitled to receive a **cumulative** non-compounding Preferred Return of Six Percent (6%) on their investment and each Class B-1 Member will generally be entitled to receive a **non-cumulative** annualized Preferred Return of Six Percent (6%) of their unreturned capital contributions made by that Member.
DISTRIBUTION OF EXCESS CASH	Class A Members will be eligible for monthly distributions of the Fund's Excess Distributable Cash as set forth below. (See "Terms of the Offering – Preferred Return; Excess Cash Distributions; Election to Reinvest" below).
VALUATION ALLOWANCE	A valuation allowance may be maintained by the Fund. The valuation allowance will be evaluated and established on a case-by-case basis at the sole and absolute discretion of the Manager. This valuation allowance is intended to temporarily protect Members from potential unrecoverable losses from the Fund's business and operating activities. Although the valuation allowance will help reduce the impact of defaults temporarily, ultimate repayment/resale of the loans will be jeopardized to the extent that any loans are in default and are not eventually repaid or resold, whether by the applicable borrower or by the Fund, to protect available collateral. Depending on reserve overages and the weighted risk levels of the portfolio, reserve amounts may be reduced, eliminated or increased accordingly in the sole and absolute discretion of the Manager. The valuation allowance may initially be funded from the proceeds of the Offering, and thereafter may be funded from Offering proceeds or cash flow and/or profits of the Fund (as is determined by the Manager in its sole discretion).
WITHDRAWAL	Class A Members may not withdraw their capital from the Fund until they have been members of the Fund for at least Twelve (12) months. After Twelve (12) months, a Class A Member may request to withdraw from the Fund by providing the Fund with a Sixty (60) days' written request prior to expecting to be withdrawn from the Fund. Class B-1 Members may not withdraw their capital from the Fund until they have been members of the Fund for at least Six (6) months. After Six (6) months, a Class B-1 Member may request to withdraw from the Fund by providing the Fund with a Thirty (30) days' written request prior to expecting to be withdrawn from the Fund. Manager will return capital to Class B-1 Members within Ninety (90) days of the Effective Withdrawal Date. The withdrawal date shall be effective upon the date of receipt of the Member's withdrawal request by the Manager (the "Effective Withdrawal Date"). The Manager will use its best efforts to return capital on a first-come first-served basis subject to, among other things, the Fund's cash flow, financial condition, and prospective transactions in assets.

	The Fund and the Manager are not under any circumstances obligated to liquidate any assets, properties or loans in any efforts to accommodate or facilitate any Member(s)' request for withdrawal or redemption from the Fund. Each request of a Class A Member for a return of capital will be limited to Twenty-Five Percent (25%) of such Class A Member's capital account balance such that it will take at least Four (4) quarters for a Class A Member to withdraw his, her, or its total investment in the Fund; provided, however, that the maximum aggregate amount of capital that the Fund will return to the Class A Members each fiscal year is limited to Ten Percent (10%) of the total outstanding capital of the Fund, or Five Hundred Thousand Dollars ($500,000), whichever is less. Withdrawal requests will be processed by the Fund on a first-come, first-served basis. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, waive or modify such withdrawal requirements. Class A Members may request to withdraw from the Fund before they have been a Member for Twelve (12) months and Class B-1 Members may request to withdraw from the Fund before they have been a Member for Six (6) months (each, an "Early Withdrawal") upon a showing of undue hardship. Acceptability of the Member's hardship will be determined by the Manager, in its sole and absolute discretion. Members who are granted an Early Withdrawal will be subject to a penalty of Five Percent (5%) of the Member's withdrawal proceeds. The Manager may, at its sole discretion, waive the Early Withdrawal penalty. The Manager may at any time suspend the withdrawal of funds from the Fund, upon the occurrence of any of the following circumstances: (i) whenever, as a result of events, conditions or circumstances beyond the control or responsibility of the Manager or the Fund, disposal of the assets of the Fund is not reasonably practicable without being detrimental to the interests of the Fund or its Members, determined in the sole and absolute discretion of the Manager; (ii) it is not reasonably practicable to determine the net asset value of the Fund on an accurate and timely basis; or (iii) if the Manager has determined to dissolve the Fund. Notice of any suspension will be given within Ten (10) business days from the time the decision was made to suspend distributions to any Member who has submitted a withdrawal request and to whom full payment of the redemption proceeds has not yet been remitted. If a redemption request is not rescinded by a Member following notification of a suspension, the redemption will be effected as of the last day of the calendar month in which the suspension is lifted, on the basis of the net asset value of the Fund at that time and in the order determined by the Manager in its sole and absolute discretion. All prospective Investors should understand that the average term of loans is expected to range from Six (6) months and Sixty (60) months, and accordingly, the cash flow and access to cash availability of the Fund is likely to be limited on an ongoing basis (i.e., most of the Fund's available resources will be committed as invested in loans for significant periods of time). Further, prospective Investors should understand the loans are illiquid and the ability to sell loans or its assets (even if the Fund was

	inclined to do so) may be limited, and accordingly, any investment made in or through this Offering should be considered highly illiquid. (See "Summary of the Operating Agreement – Withdrawal" below).

TERMS OF THE OFFERING

This Offering is made to qualified investors to purchase Membership Interests in the Fund. The Minimum Investment Amount to purchase Class A Membership Interests and Class B-1 Membership Interests is Fifty Thousand Dollars ($50,000). (See "Investor Suitability" below).

While the Offering is still open, Members that have subscribed for at least the Minimum Investment Amount may purchase additional Membership Interests in increments of One Thousand Dollars ($1,000). The Manager reserves the sole right, but has no obligation, to adjust the purchase price for additional Membership Interest at any time and for any reason (or no reason) and thereby require either a higher or lesser amount. In addition, Members also have the option of receiving cash or having their share of cash credited to their capital accounts and reinvested in the Fund, at the then current price of Membership Interests.

This is an open-ended Fund. Accordingly, the Investor's funds may be deposited into the Fund's main operating bank account and the Offering will continue until (1) it is terminated by the Fund, or (2) Maximum Offering Amount has been reached. At such time, the Offering will be deemed closed; *provided, however,* that, the Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Minimum Investment Amount or the Maximum Offering Amount, and continue the Offering.

Subscription Agreements; Admission to the Fund

To subscribe with the Fund and purchase Membership Interests, an Investor must meet certain eligibility and suitability standards, some of which are set forth below. (See "Investor Suitability" below). Additionally, an Investor who wishes to become a Member of the Fund must sign and execute a Subscription Agreement in the form attached hereto as Exhibit B (together with a check in the amount of the purchase price payable to the Fund, or via automatic clearing house ("ACH") or a wire transfer), which shall be accepted or rejected by the Manager in its sole and absolute discretion. By executing the Subscription Agreement, an Investor makes certain representations and warranties upon which the Manager will rely on in accepting the Investor's subscription funds. Investors are encouraged to read the Subscription Agreement carefully and in its entirety. INVESTORS SHOULD CAREFULLY READ AND COMPLETE THE SUBSCRIPTION AGREEMENT (WITH POWER OF ATTORNEY) AND INVESTOR QUESTIONNAIRE.

The Manager may reject an Investor's Subscription Agreement for any reason or no reason at all. If accepted by the Manager, the Investor's capital contribution will be temporarily deposited into a call account ("Subscription Account"). While an Investor's contribution is held in the Subscription Account, the Investor will not be considered a Member of the Fund, and the Investor's contribution will not accrue any interest from the Fund. An Investor shall become a Member of the Fund when the Investor's contribution is deposited into the Fund's main operating account ("Operating Account") from the Subscription Account. In the event interest accrues on an Investor's capital contribution while being held in the Subscription Account, such interest shall be payable to the Investor. The Manager will transfer the Investor's contribution from the Subscription Account into the Fund's main Operating Account on a first in, first out basis when capital is needed by the Fund (in the Manager's sole and absolute discretion) to make or purchase loans.

Notwithstanding the previous paragraph, should the process from depositing an Investor's funds into the Subscription Account and admission as a Member take longer than Ninety (90) days, the Investor may request in writing to recover his, her or its investment funds. If, upon receipt of such request in writing, the Manager has not yet admitted the Investor as a Member, then Manager may, in its sole and absolute discretion, return the Investor's funds to the investor and revoke the Subscription Agreement within Ten (10) business days of receipt of such request from the Investor.

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

AN INVESTOR SHALL OWN MEMBERSHIP INTERESTS IN THE FUND AND BECOME A MEMBER IF AND ONLY IF THE INVESTOR'S SUBSCRIPTION FUNDS ARE TRANSFERRED INTO THE FUND'S MAIN OPERATING ACCOUNT.

Membership Classes

The Fund is hereby offering to Investors an opportunity to purchase Two (2) classes of Membership Interests in the Fund. The two classes of Membership Interests are Class A Membership Interests and Class B-1 Membership Interests. All existing Class B Membership Interests will automatically be converted to Class A Membership Interests with a 1:1 ratio. The Minimum Investment Amount to purchase Class A Membership Interests and Class B-1 Membership Interests will be Fifty Thousand Dollars ($50,000).

Each Investor contemplating such purchase must meet the qualifications of an "Accredited Investor." The Manager reserves the right to accept a lesser Minimum Investment Amount or require a higher Minimum Investment Amount than the ones stated herein.

Establishment of Real Estate Investment Trust

The Fund intends to establish a Sub-REIT, provided that the Sub-REIT qualifies and maintains its status as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Establishing a REIT will allow the Fund and certain Members to benefit from the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The Manager and the Fund have been advised that the Members will benefit from the provisions of the Tax Act that allow for the deduction of up to Twenty Percent (20%) of qualifying business taxable income from federal income tax. The Manager and the Fund have also been advised that the REIT structure to be utilized by the Sub-REIT may eliminate potential unrelated business taxable income ("UBTI") to the Members, and provide certain state and/or local tax advantages. (See "Income Tax Considerations" below).

To commence the Sub-REIT operations and achieve the intended benefits associated with the creation, the Fund intends to transfer or assign substantially all of the Fund's assets and liabilities to the Sub-REIT as of commencement of its operations. The commencement date of Sub-REIT is currently anticipated at January 1, 2021, which may be extended upon Manager's sole and absolute discretion. In addition, in the taxable year immediately following commencement of operations, the Sub-REIT intends to be owned by One Hundred (100) or more investors. The Fund expects to be the sole initial owner of the Sub-REIT until such time as One Hundred (100) or more investors become equity owners of the Sub-REIT. The Fund intends that the One Hundred (100) shareholder requirement will be satisfied by selling a nominal interest in the form of preferred membership interests or units to investors who will become equity owners of the Sub-REIT. These One Hundred (100) shareholders must be admitted to the Sub-REIT during the its second taxable year and must be present for at least 335 days of a taxable year of Twelve (12) months (or during a proportionate part of a taxable yar of less than Twelve (12) months). The proceeds of sale may be distributed to the Fund and its Members as a return of capital, or used by the Fund and/or Sub-REIT for their business

purposes. A copy of the private placement memorandum in connection offer for sale of securities to the One Hundred (100) shareholders is available for review upon the Member's request.

Upon commencement of operations of the Sub-REIT, it is intended that substantially all of the lending activity conducted by the Fund shall be conducted by the Sub-REIT. The Sub-REIT shall adhere to the lending policies and procedures of the Fund and shall be governed by the same internal compliance procedures as applicable to the Fund. (See "Lending Standards and Policies" below). Provisions described herein that restrict or govern the Fund's business operations shall apply jointly to the Fund and the Sub-REIT.

Like the Fund, the Sub-REIT will rely upon the Manager and its Affiliates, and their principals, officers, directors, managers, and other staff members, to carry out the Sub-REIT's business activities. Compensation to the Manager or an Affiliate shall be identical to compensation payable by the Fund for similar services, subject to requirements under the Code, including specifically, Sections 856 through 860. Expenses related to establishment of Sub-REIT will be paid by the Fund.

Although the risks associated with Sub-REIT are generally similar to that of the Fund, there are unique and additional risks in establishing and maintaining a REIT that are detailed later in this Memorandum. (See "Risk Factors – Risk Factors related to Real Estate Investment Trust" and "Income Tax Considerations" below). Distributions payable to Members are not expected to be adversely affected because the Sub-REIT expects to comply with REIT tax rules that require distribution of substantially all of its net income to its equity holders. After tax returns to taxable Members who are individuals, trusts or estates, and subject to US federal income tax, are expected to be greater following commencement of operations by the Sub-REIT than would be the case if the Sub-REIT did not exist.

Preferred Return; Excess Cash Distributions; Election to Reinvest

Preferred Return

Class A Members will generally be entitled to receive a **cumulative** non-compounding Preferred Return on their investment, calculated and payable monthly (and pro-rated as applicable for the amount of time that a Class A Member was a member of the Fund). Class A Members who acquire Class A Membership Interests and Members whose Class B Membership Interest have been converted to Class A Membership Interests shall generally be entitled to receive such annual cumulative non-compounding Preferred Return of Six Percent (6%) on their unreturned capital contributions made by the Members. Any unpaid Preferred Return on any given year will accumulate until distributed to the Class A Members. This Preferred Return will be payable after the payment of the Asset Management Fee but before any profit participation by the Manager. In addition, all expenses will be paid prior to the Preferred Return.

Class B-1 Members will generally be entitled to receive a **non-cumulative** annualized Preferred Return on their investment, calculated and payable monthly (and pro-rated as applicable for the amount of time that a Class B-1 Member was a member of the Fund). Class B-1 Members who acquire Class B-1 Membership Interests shall generally be entitled to receive such annual non-cumulative Preferred Return of Six Percent (6%) on their unreturned capital contributions made by the Class B-1 Members. This Preferred Return will be payable after the payment of the Asset Management Fee but before any profit participation by the Manager. In addition, all expenses will be paid prior to the Preferred Return. The annual Preferred Return of Six Percent (6%) to Class B-1 Members may be adjusted semi-annually by the Manager with advanced notice of Ninety (90) days to the Class B-1 Members, at Manager's sole and absolute discretion.

Distributions of the Preferred Return are not guaranteed and will be made subject to the sole and absolute discretion of the Manager, to the extent that cash is available and the distribution of the Preferred Return will not impact the continuing operations of the Fund.

Prospective Investors should understand that earnings, cash flow and distributions of the Fund may necessarily fluctuate in accordance with the business and operations of the Fund. For example, at the end of each fiscal month, the Manager will (as soon as reasonably practicable) review distributions paid during the prior monthly period and make ratable adjustments to the income distributions and Preferred Return distributions paid or payable to Members in order to ensure that Members receive accurate income and Preferred Return distributions. At the end of the fiscal year, the Fund will review all distributions paid during the year just ended and make ratable adjustments to the income distributions and Preferred Return distributions paid or payable to Members in order to ensure that Members receive accurate income and Preferred Return distributions for the annual year in accordance with the intent and provisions of the Operating Agreement and the Memorandum.

For purposes of illustration only, assume that a Class A Member received the full annualized amount of the Preferred Return for the first monthly distribution of a fiscal year. In the remaining monthly period of such fiscal year, if the Fund was unable to return to the Class A Member the full annualized amount of the Preferred Return, such amount would cumulate (but not compound) into the following fiscal year as a Preferred Return distribution owing or required to be distributed to the Class A Member in the succeeding fiscal year. On the other hand, assume that a Class B-1 Member received the full annualized amount of the Preferred Return for the first monthly distribution of a fiscal year. In the remaining monthly period of such fiscal year, if the Fund was unable to return to the Class B-1 Member the full annualized amount of the Preferred Return, such amount would not accumulate nor compound into the following fiscal year as a Preferred Return distribution owing or required to be distributed to the Class B-1 Member in the succeeding fiscal year.

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

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

Excess Cash Distributions

Any excess distributable cash ("Excess Distributable Cash" or "EDC") in excess of the Preferred Return shall be allocated to the Class A Members (and prorated as applicable for the amount of time that a Class A Member was a member of the Company) on a monthly basis, as follows: Eighty Percent (80%) of such EDC shall be distributed to the Class A Members on a pro-rata basis (based on the ownership interest owned by each Class A Member as compared to the total aggregate outstanding and issued Class A Membership

Interests) and Twenty Percent (20%) shall be distributed to the Manager. Class B-1 Members shall not be entitled to any distributions of EDC.

"Excess Distributable Cash" or "EDC" means the Fund's monthly gross income less (1) the Fund's expenses (including any interest and/or principal payment to a credit facility, bank, or other similar arrangements, any administrative costs, legal and accounting fees, Fund Administration fees, loan servicing fees, and other Fund expenses) and an allocation of income for a valuation allowance, (2) payment of the Asset Management Fee and other fees to the Manager, (3) payment of the Preferred Return to the Members, and (4) any applicable and eligible redemption of Member's Membership Interests.

More specifically, the Fund's cashflows shall be distributed as follows:

1. First, to pay for expenses (including any interest and/or principal payment to a credit facility, bank, or other similar arrangements, any administrative costs, legal and accounting fees, Fund Administration fees, loan servicing fees, and other Fund expenses), and an allocation of income for a valuation allowance;

2. Second, to pay the Manager its Asset Management Fee (as defined below) which is equal to an annualized rate of One-Half of One Percent (0.5%) of the Assets Under Management and any other applicable fees payable to the Manager;

3. Third, to distribute the Preferred Returns to Class A Members and Class B-1 Members (as defined above);

4. Fourth, to redeem any of the eligible Member's Membership Interests, as determined by the Manager, in its sole and absolute discretion, but subject to the terms and conditions set forth in the Memorandum; and

5. Thereafter, EDC shall be distributed to Class A Members and Manager based on the allocation stated above.

All EDC distributions will be made on a monthly basis, in arrears, and distributions to Class A Members shall be prorated as applicable for the amount of time that a Class A Member was a member of the Fund during such accounting period. EDC is a non-cumulative return and is not guaranteed. EDC shall only be distributed to the extent cash is available and provided that the income distributions will not impact the continuing operation of the Fund, subject to the sole and absolute discretion of the Manager.

Election to Reinvest

Each Member must elect to (a) receive cash distributions for his, her or its share distributions of the Fund that is payable to the Member, or (b) having such amount(s) credited to his, her or its capital accounts and reinvested in the Fund to purchase additional Membership Interests. Notwithstanding the foregoing, the Manager reserves the right to commence making cash distributions at any time to any Member(s) in order for the Fund to remain exempt from the ERISA plan asset regulations. Members must elect to receive cash or reinvest all of their income distributions. No partial reinvestment is permitted. (See "ERISA Considerations" and "Summary of the Operating Agreement" below).

An election to reinvest the income distribution and Preferred Return is revocable at any time upon a written request to revoke such election. If no election is made, then the income distribution and Preferred Return will be a cash disbursement. Members may change their election at any time upon Thirty (30) days written notice to the Fund. Upon receipt and after the Thirty (30) day notice has occurred, the Member's election

shall be changed and reflected on the following first day of the month in which the Member is entitled to receive a distribution. Notwithstanding the preceding sentences, the Manager may at any time immediately commence with income distributions in cash only (hence, suspending the reinvestment option for such Member(s)) to any Member(s) in order for the Fund to remain exempt from the ERISA plan asset regulations. (See "ERISA Considerations" and "Summary of the Operating Agreement" below).

The Fund shall allocate profits and losses to the Class A and Class B-1 Members' capital accounts in accordance with the Code, California Revised Uniform Limited Liability Company Act, and applicable federal and/or state securities laws.

First Loss Commitment

The Manager shall bear the first Principal Loss of the Fund in an amount up to but not to exceed Five Hundred Thousand Dollars ($500,000). "Principal Loss" shall mean the principal exposure outlays minus all sums collected and any reserves of the Fund. This obligation shall be referred to herein as the Manager's "First Loss Commitment". The Manager's First Loss Commitment shall not exceed the total aggregate amount of Five Hundred Thousand Dollars ($500,000) for the entire duration of the Fund, and shall be applied to the capital accounts of all Members.

Maximum Offering

The Maximum Offering Amount of the Offering is Fifty Million Dollars ($50,000,000). The Fund may, at its sole and absolute discretion, at any time during the period of the Offering, increase or decrease the Maximum Offering Amount or the Minimum Investment Amount.

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

Restrictions on Transfer

As a condition to this Offering, restrictions have been placed upon the ability of Members to resell or otherwise transfer any Membership Interests purchased hereunder. Specifically, no Member may resell or otherwise transfer any Interests without the satisfaction of certain conditions designed to ensure compliance with applicable tax and securities laws including, without limitation, the requirement that certain legal opinions be provided to the Fund with respect to such matters and the requirement that any transfer of shares to a transferee does not violate any state or federal securities laws. Notwithstanding the foregoing, no Member may resell or otherwise transfer any Membership Interests without the prior written consent of the Manager, whose consent may be withheld in its sole and absolute discretion. (See "Summary of Operating Agreement — Transfer Restrictions" below).

To the extent required by applicable law or in the sole and absolute discretion of the Manager, legends shall be placed on all instruments or certificates evidencing ownership of Membership Interests in the Fund stating that the Membership Interests have not been registered under the federal securities laws and setting forth limitations on resale, and notations regarding these limitations shall be made in the appropriate records of the Fund with respect to all Membership Interests offered through this Offering.

Any Member who transfers, upon the Manager's consent, any Membership Interests to another person shall pay the Manager a transfer fee of at least Five Hundred Dollars ($500) to cover administrative costs related

thereto. Notwithstanding the foregoing, the Manager may, at its sole and absolute discretion, increase, waive or reduce payment of such fee.

INVESTOR SUITABILITY

This investment is appropriate only for Investors who have no need for immediate liquidity in their investments and who have adequate means of providing for their current financial needs, obligations and contingencies, even if such investment results in a total loss. Investment in the Membership Interests involves a high degree of risk and is suitable only for an investor whose business and investment experience, either alone or together with a purchaser representative, renders the investor capable of evaluating each and every risk of the proposed investment. CAREFULLY READ THE ENTIRE "RISK FACTORS" SECTION OF THIS PRIVATE PLACEMENT MEMORANDUM.

Each Investor seeking to acquire Membership Interests will be required to represent that he, she or it is purchasing for his, her or its own account for investment purposes and not with a view to resale or distribution. The Fund will sell Membership Interests to an unlimited number of "Accredited Investors" only. To qualify as an "Accredited Investor" an investor must meet ONE of the following conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Verification

The Fund will require that the Investor verify the Investor's status as an Accredited Investor through any reasonable means and steps deemed necessary or suitable by the Fund. A non-exhaustive list of verification steps that the Fund may use for, or require from, an Investor is noted in the Subscription Agreement. Every Investor is required to cooperate in the Fund's verification steps and methods before being permitted to invest in the Offering. The Fund may use differing or varied verification steps or methods for each Investor

as the facts and circumstances surrounding any particular Investor's financial situation would likely be different from any other Investor.

USE OF PROCEEDS

	Maximum Offering Amount	Percentage of Gross Offering Proceeds
Gross Offering Proceeds	$50,000,000	100%
Commissions Payable by Fund[(1)]	$0	0%
Deployable Proceeds[(2)]	$50,000,000	100%

[(1)]Membership Interests will be offered and sold directly by the Fund, the Manager and the Fund's and Manager's respective officers and employees. No commissions for selling Membership Interests will be paid to the Fund, Manager or the Fund's or Manager's respective officers or employees. While most Membership Interests are expected to be offered and sold directly by the Fund, the Manager and their respective officers and employees, the Fund or Manager may also, in limited instances, offer and sell Membership Interests through the services of independent broker/dealers who are member firms of FINRA and who will be entitled to receive customary and standard commissions based on the gross proceeds received for the sale of Membership Interests. These commissions will be paid by the Investor admitted to the Fund through such broker/dealer (and such payment may reduce the capital account of the Investor). Although neither the Fund nor the Manager expects to make a large number of sales of Membership Interests through broker/dealers, each reserves the right in its respective sole discretion to make any or all offers and sales through broker/dealers. The amount and nature of commissions payable to broker/dealers is expected to vary in specific instances and will be agreed on a case-by-case basis by the Manager in its sole and absolute discretion. The Investor will be responsible for all such commissions payable to broker/dealers. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, pay such commissions itself or cause the Fund to pay for such commissions and consider them as Fund expenses.

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

LENDING STANDARDS AND POLICIES

General Standards for Mortgage Loans

The Fund will engage in the following business: to make, purchase, originate, fund, acquire and/or otherwise sell loans secured by interests in real or personal property located across the United States with a primary focus in California, Washington, Arizona, New Mexico, Texas, Colorado, Michigan, Indiana, Ohio, and Tennessee. The Fund may also manage, remodel, repair, lease and/or sell real properties acquired through the Fund's lending activities, including but not limited, properties acquired through foreclosure and real estate owned REOs.

The Fund anticipates a target annualized rate of return between Seven Percent (7%) and Nine and One-Half of One Percent (9.5%) from the Fund's lending and other activities set forth herein. Notwithstanding the foregoing, such target rate of return is not guaranteed and are subject to the Fund's ability to perform and invest in such loans. (See "Risk Factors – Business Risks" below).

The Fund's loans will not be guaranteed by any governmental agency or private entity but may be guaranteed by affiliates and associates of the underlying borrowers. The Fund will select loans according to the standards provided below:

1. Lien Priority. Loans will primarily be secured by senior deeds of trust or mortgages that are first lien positions. The Fund may fund loans secured by (a) second deeds of trust or mortgages, (b) a pledge of the ownership interest in the borrowing entity ("Mezzanine Loans"), and/or (c) a preferred equity interest in the borrowing entity ("Preferred Equity"), provided that, the aggregate Ratios in Section 3 below are met.

2. Location of Real Property Securing Loans. Deeds of trust and mortgages securing the Fund's loans will be secured by real property located across the United States with a primary focus in California, Washington, Arizona, New Mexico, Texas, Colorado, Michigan, Indiana, Ohio, and Tennessee.

3. Ratio. A loan from the Fund will generally not exceed the Loan-to-Value percentage ratios set forth below. The Fund will use Three (3) ratio metrics to value the underlying asset in which the Fund intends to lend: (1) Loan-to-Value ratio (based on after-repair value ("ARV Ratio"); (2) Loan-to-Value ratio (as-is); and (3) Loan-to-Purchase ratio (collectively, "Ratios"). In the event there is a discrepancy between the Loan-to-Value ratio (as-is) and Loan-to-Purchase ratio, the Fund will rely on the lower of the two when determining the Ratio(s).

The Ratios are calculated by taking the amount of the Fund's loan combined with the amount of outstanding debt secured by other liens on the property ("Loan"), dividing that by the value of the real property securing the deed of trust or mortgage and multiplying that figure by One Hundred (100) to come to a percentage. "Value" shall be determined by: (1) an independent appraiser doing an appraisal on the residential real property, (2) a commercial or residential real estate broker giving his, her, or its opinion of value of the real property, or (3) the Manager and/or Affiliate of the Fund.

Type of Real Property Securing Loan	Target and Maximum Loan-to-Value (as-is) Ratios	Target and Maximum Loan-to-Purchase Ratios	Target and Maximum ARV Ratios
Non-Owner-Occupied Single Family Residential and 1-4 Units	Target: 80% Maximum: 90%	Target: 80% Maximum: 90%	Target: 65% Maximum: 75%
Multi-Family Properties[1]	Target: 70% Maximum: 80%	Target: 70% Maximum: 80%	Target: 55% Maximum: 65%
Commercial[2]	Target: 70% Maximum: 80%	Target: 70% Maximum: 80%	Target: 55% Maximum: 65%
Construction loans	Target: 70% Maximum: 80%	Target: 70% Maximum: 80%	Target: 55% Maximum: 65%

1. Multi-family includes apartments, manufactured housing (aka mobile home parks), student housing, and senior apartments.
2. Commercial includes retail, office, industrial, self-storage, and specialized commercial properties (e.g. churches, synagogues, etc., if alternative use is viable).

Notwithstanding the foregoing, the Fund may exceed the below stated Ratio(s) if the Manager determines in its sole business judgment that a higher loan amount is warranted by the circumstances of that particular loan, such as being able to secure multiple properties, called "cross-collateralization", personal guaranties, prior loan history with the borrower, market conditions, if mortgage insurance is obtained, or other compensating factors that would support the Manager in making its decision in the best interest of the Fund.

In general, the Fund will seek to maintain a weighted Ratio for the Fund set forth above, unless the Manager determines in its sole discretion that it is in the best interests of the Fund to exceed such ratio in any single or multiple instances. From time to time, but upon analysis and approximately every Twenty-Four (24) months, the Manager may re-evaluate the portfolio and Ratio maximums set by the Fund, and may revise

the Ratio maximums at that time if it considers it to be in the best interests of the Fund. The Manager will inform Members of the new Ratios if the Manager re-evaluates them.

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

4. Debt-Service Coverage Ratio. In addition to the Ratios stated above, the Fund will also rely on measurements debt-service coverage ratio ("DSCR") when funding, making, originating, acquiring, or purchasing loans. DSCR is calculated by dividing the net income from the interest or fees generated from such loans with the debt service provided under the loan. The Fund will only make or acquire loans with a DSCR of at least 1.25. Notwithstanding the foregoing, the Fund may exceed or fall below the DSCR if the Manager determines in its sole business judgment that a higher or lower DSCR is warranted by the circumstances of such loan.

5. Terms of Fund Loans. The terms of the Fund loans will vary. Loans will generally have terms between Six (6) months and Sixty (60) months. A loan may, however, be shorter in term or exceed the foregoing terms if the Manager believes, in its sole and absolute discretion, that the loan is in the best interests of the Fund. Many loans that the Fund will originate or acquire may provide for interest-only payments followed by a balloon payment at the end of the term. For risk hedging purpose, borrowers may be required to make principal and interest payments. At the end of the term, the Fund will require the borrower to pay the loan in full, to refinance the loan, or to sell the real property to pay back the loan. The Fund may allow Six to Twelve (6-12) month extensions for a fee paid by Fund borrowers. Finally, the Fund may also charge exit fees on Loans based on the existing Loan balance at maturity. These exit fees may range from Zero Percent (0%) to Ten Percent (10%) of the remaining loan balance at maturity.

6. Title Insurance. Satisfactory title insurance coverage will be obtained for all loans and will usually be paid by the borrower. The title insurance policy will name the Fund as the insured and provide coverage in an amount not less than the principal amount of the loan unless there is multiple forms of security for the loan, in which case the Manager shall use its sole business judgment in determining whether and to what extent title insurance shall be required. Title insurance insures only the validity and priority of the Fund's deed of trust or mortgage and does not insure the Fund against loss from other causes, such as diminution in the value of the secured property, loan defaults, and other such losses.

7. Fire and Casualty Insurance. Satisfactory fire and casualty insurance will be obtained for all improved real property loans and will usually be paid by the borrower. The fire and casualty insurance will name the Manager as mortgagee and/or loss payee and provide coverage in an amount not less than the improvements on the real property. (See "Business Risks – Uninsured Losses" below). The Manager shall use its sole business judgment in determining the types, amounts and to what extent fire and casualty insurance shall be required.

8. Mortgage Insurance. The Manager does not intend to, but may if the property otherwise qualifies, arrange for mortgage insurance, which would afford some protection against loss if the Fund and/or Manager foreclosed on a loan and there existed insufficient equity in the security property to repay all sums owed.

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

10. Purchase of Loans from Affiliates. The Fund may purchase loans from the Manager or Affiliates so long as it meets the lending requirements set forth above.

11. Diversification of Fund's Capital in Loans. After the Fund has Fifteen Million Dollars ($15,000,000) in capital, no loan originated or acquired by the Fund shall exceed Twenty Percent (20%) of total Fund capital at the time of the loan. A loan may exceed the foregoing percentage if, in the Manager's believes, it its sole and absolute discretion, that the loan is in the best interest of the Fund.

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

13. Equity Participation and Mezzanine Positions. The Fund may fund Mezzanine loans as an alternative to loans secured by real property. Generally, a Mezzanine loan is a type of subordinate real estate financing that is secured by a pledge of One Hundred Percent (100%) of the equity ownership interests in the entity that owns the real property. The Fund may also make loans where it agrees to participate in the equity of the property securing the loan made by the Fund. Such equity participation may include, but is not limited to, sharing in the proceeds from the sale price of the property or properties securing the loan, or including additional exit fees upon loan repayment.

14. Financial Statements and CPA Audit. The Fund shall prepare its financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") or use any other method selected by the Manager in consultation with qualified accountants. The Manager shall also cause the Fund to have its financial statements audited on an annual basis by a qualified certified public accountant once the Fund has reached Ten Million Dollars ($10,000,000) in Assets Under Management (defined below), or as required by any particular state regulations. It is presently anticipated that the audit shall be conducted within Ninety (90) days after the end of the Fund's fiscal year. These statements shall be made available to Members.

15. Property Acquisition (REO). There may be certain limited instances in which the Fund or its Affiliates may acquire properties through the lending activities, including, properties acquired as a result of a borrower defaulting on a loan. The Fund or its Affiliates may establish limited liability companies that are wholly owned subsidiaries of the Fund or its Affiliates to own and hold title of a property which the Fund or its Affiliates has acquired and intends to improve, rent, and/or sell. These wholly owned subsidiaries will be single purpose entities ("SPE") created solely for the purpose of owning, improving, renting and/or selling the properties the Fund or its Affiliates acquires. The Manager (or an Affiliate) shall serve as the sole manager of these SPEs.

Credit Evaluations

The Manager may consider the income level and general creditworthiness of a borrower to determine his, her or its ability to repay the loan according to its terms in addition to considering the Ratios described above and secondary sources of security for repayment. The Fund may acquire loans made to borrowers who are in default under other obligations (e.g., to consolidate their debts) or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations.

Loan Servicing

It is presently anticipated that all Fund loans will be serviced (i.e., loan payments collected and other services relating to the loan) by the Manager. Notwithstanding the foregoing, at its sole election, the Manager reserves the right to choose to appoint an Affiliate or retain the services of a third-party loan servicer, at any time for any reason (or no reason). The servicer, whether a third party or the Manager or its Affiliate, shall be herein referred to as the "Servicer." The Servicer will be compensated by the borrowers

and/or Fund for such loan servicing activities, as is agreed upon by the Manager and Servicer. To the extent applicable, the Manager will oversee the activities and performance of the Servicer. (See "The Manager" below).

If the Manager appoints a third-party Servicer, then any loan servicing fee payable to the Servicer shall be calculated as an expense to the Fund. This fee may be expensed on a monthly basis from payments received by the Manager (on behalf of the Fund) from borrowers. The loan servicing fee may vary from loan to loan.

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

Sale of Loans

The Fund does not plan on investing in loans for the primary purpose of reselling such loans in the course of business. However, the Fund may sell loans, or fractional interests in such loans, when the Manager determines (in its sole and absolute discretion) that it appears to be advantageous for the Fund to do so, based upon then current interest rates, the length of time that the loan has been held by the Fund and the overall investment objectives of the Fund.

Leveraging the Fund / Borrowing / Note Hypothecation

The Fund and/or Sub-REIT may borrow funds for the purpose of making and purchasing loans and may assign all or a portion of its loans as security for such loans. The Fund anticipates engaging in this type of transaction when the interest rate at which the Fund and/or Sub-REIT can borrow funds is significantly less than the rate that can be earned by the Fund and/or Sub-REIT when using those funds to make or acquire loans, giving the Fund and/or Sub-REIT the opportunity to earn a profit as a "spread." For purposes of illustration, these transactions will typically be loans secured by the assets, receivables, or contracts held by the Fund and/or Sub-REIT. Such a transaction involves certain elements of risk and also entails possible adverse tax consequences. (See herein "Risk Factors", "Income Tax Considerations", and "ERISA Considerations" below).

The Fund and/or Sub-REIT may also in its sole discretion elect employ leverage and borrow funds from third party lenders, financial institutions, the Manager or its Affiliates, to finance the Fund's and/or Sub-REIT's investments in loans; *provided*, *however*, that the Fund and/or Sub-REIT may limit such borrowing with a target debt-to-equity ratio of 0.5:1. Notwithstanding the foregoing, the Manager may borrow more than such ratio if it is in the best interest of the Fund and/or Sub-REIT. Leverage usually involves a loan in which the entire asset portfolio, receivables, or contracts held by the Fund and/or Sub-REIT is provided as security to the lender for such loan(s). Leveraging involves additional risks that are detailed later in this Memorandum. (See "Risk Factors – Business Risks – Risks of Leveraging the Fund" below).

THE MANAGER

The Manager of the Fund is ZINC Financial, Inc., a California corporation. The Manager was formed under the laws of California on January 3, 2011. The Manager will manage and direct the affairs of the Fund. The principal, Todd Pigott, is an integral part of the Fund's investments and operations. The Fund's Operating Agreement shall contain a provision that, in the event of death or permanent disability of Todd (or other Key Person (as defined in the Operating Agreement), the Fund shall permanently cease to make new investments and proceed with an orderly liquidation of the Fund assets. (See "Risk Factors" below).

The principals, officers, and directors of the Manager, and their biographies, are as follows:

Todd Pigott, *President*

Todd is passionate about his involvement in the private money equity space. Previously, over an 18-year period, Todd held the position of President of one of the largest interior and exterior maintenance companies in the Central California Valley employing over 400 individuals. Sold in 2006 to a private equity firm from New York, Todd now devotes his full-time into ZINC Financial and its Affiliates.

To date, the Manager and its Affiliates have originated over a billion dollars in private money loans, with a loss ratio of less than One-Quarter of One Percent (0.25%). The Fund and its Affiliates oversee, originate, fund, manage, or invests in millions of dollars in private equity loans on a consistent basis.

John Evangelista, *Chief Financial Officer*

John joined the ZINC team in August 2012. John has over Seven (7) years of experience in accounting, financial and data analysis, and oversight of private money real estate loans. He acquired his license as a certified public accountant in the state of California in February 2012. Prior to joining ZINC, he practiced in public accounting for Six (6) years at CBIZ & Mayer Hoffman McCann, P.C., a national independent CPA firm, with his primary focus being on litigation and valuation services. In this capacity, he performed analyses on hundreds of litigation engagements involving marital dissolutions, fraud and fund tracings.

John is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

MANAGEMENT'S COMPENSATION

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

Form of Compensation	Estimated Amount or Method of Compensation
ASSET MANAGEMENT FEE	The Manager shall earn an asset management fee ("Asset Management Fee") equal to One-Half of One Percent (0.5%) of the Assets Under Management, calculated and payable monthly. "Assets Under Management" means the total Fund capital, including cash, notes (at book value), real estate owned (at the lower of cost or fair market value), accounts receivable, advances made to protect loan security, unamortized organizational expenses and any other Fund assets valued at fair market value. The Asset Management Fee will be calculated, prorated, and paid at the end of each calendar month with respect to Assets Under Management as of the first day of such month.

PROFIT PARTICIPATION	The Manager shall participate in the distribution of Excess Distributable Cash in accordance with the distribution stated above.
LOAN ORIGINATION FEES AND LENDER DISCOUNT POINTS	Loan origination fees, exit fees and lender discount points ("Loan Origination Fees") are generally collected from borrowers and will be collected by the Manager (on behalf of the Fund). Such fees and points average (in the aggregate) between One and Ten Percent (1-10%) but could be as low as Zero Percent (0%) or as high as Fifteen Percent (15%) depending on market conditions. One Hundred Percent (100%) of the Loan Origination Fees shall be payable to the Manager. Loan Origination Fees consist of loan processing fees, underwriting fees, document preparation fees, escrow fees, disbursement fees, warehousing fees, administration fees and other similar charges.
PURCHASE OF EXISTING LOANS	When the Fund purchases an existing loan (or pool of loans) from a third party, the Manager or Affiliate will be paid a fee comparable to a loan origination fee.
LOAN EXTENSION AND MODIFICATION FEES	Loan extension and modification fees are collected from borrowers by the Manager. Such fees are typically between One and Three Percent (1-3%) of the original loan amount, but could be higher or lower depending on market rates and conditions. Such fees collected by the Manager on the Fund's behalf and are considered a part of the Manager's compensation, as such fees are payable only to the Manager.
LOAN PROCESSING, LOAN DOCUMENTATION AND OTHER SIMILAR FEES	Loan processing, documentation and other similar fees are collected from the borrower and payable to the Manager at prevailing industry rates as part of the Manager's compensation.
OTHER LOAN FEES	All other fees paid by borrowers on account of the Fund loans will be shared between the Manager and the Fund as stated herein. Other fees in connection with the loans include, without limitation, all forbearance fees, late fees, late charges, collection fees, default interest, and all other similarly related fees incurred by borrowers (including, but not limited to, other fees authorized by loan documents for work performed regarding the subject loan). All other fees will be shared as follows: Fifty Percent (50%) of the other fees will be payable to the Manager, and the remaining Fifty Percent (50%) of such fees will be retained by the Fund; *except*, that, as it pertains to default interest, anything in excess of Fifteen

	Percent (15%) per annum of default interest, will be payable only to the Manager.
LOAN SERVICING FEE	The Manager shall serve as the Servicer for all loans the Fund invests in, and shall be entitled to receive a loan servicing fee ("Loan Servicing Fee") of up to but not to exceed the following: One Twelfth of One Percent (1/12 of 1%) of the principal amount of each loan, payable monthly (i.e., 1% per year). This fee shall be collected monthly from the payments received from borrowers. While the Loan Servicing Fee is listed above, this fee may vary from loan to loan. In addition, if the Manager appoints a third-party Servicer, the Loan Servicing Fee may vary from the one listed herein and shall be calculated as an expense to the Fund.
REO PROPERTIES	Any REOs acquired through the Fund's lending activities will be managed, remodeled, repaired, leased, and/or sold by the Fund, the Manager, and/or its Affiliates, as determined by the Manager in its sole and absolute discretion. Any cash flow derived from REOs, or profits gained from sale of such properties shall be retained by the Fund, including any real estate commissions, property management fees, and/or fees accrued in connection with the REOs.
FUND EXPENSES	Fund expenses shall include, without limitation, the following: Fund organizational costs, tax preparation, CPA fees, legal fees, Fund Administration fees, third-party custodian fees, capital acquisition fees and costs (including broker/dealers or registered investment advisers, as applicable), property improvement and/or rehabilitation costs not otherwise capitalized, sales commissions, taxes, insurance, utilities, and any other expenses associated with the operation of the Fund and management of its assets. It shall reimburse the Manager for any expenses incurred by the Manager stated herein, as well as those that are properly considered ordinary and reasonable business expenses of the Fund. These Fund expense reimbursements will be calculated as of the first day of the month with regards to the aggregate capital in the Fund as of that day and paid out as of the first day of the following month.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

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

and obligations of, and limitations on, the Manager set forth in the Operating Agreement of the Fund. Investors should consult with their own independent counsel in this regard.

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

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

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

RISK FACTORS

Although the Fund will attempt to comply with requests for the early withdrawal of the Membership Interests if the financial position of the Fund can accommodate it (See "Summary of Operating Agreement-Withdrawal" below), any investment in the Interests involves a significant degree of risk and is suitable only for investors who have NO NEED FOR LIQUIDITY in their investments. When analyzing this Offering, prospective investors should carefully consider each of the following risks and should also carefully consider the matters discussed herein under the captions "Manager's Compensation", "Conflicts of Interest," "Income Tax Considerations" and "ERISA Considerations."

INVESTMENT RISKS

No Registration: Limited Governmental Review

This Offering has not been registered with, or reviewed by, the U.S. Securities and Exchange Commission or any state agency or regulatory body, nor is registration contemplated.

Dilution

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

Limited Transferability of Membership Interests

Although the Fund will attempt to redeem Membership Interests when possible (see "Summary of Operating Agreement - Withdrawal" below), there is no public market for the Membership Interests and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of these Membership Interests is also restricted by the provisions of the Securities Act of 1933 and Rule 144 promulgated thereunder, and by the provisions of the Operating Agreement. Unless an exemption is available, these Membership Interests may not be sold or transferred without registration under the Securities Act of 1933 and the prior written consent of applicable state securities regulators and agencies. Any sale or transfer of these Membership Interests also requires the prior written consent of the Fund. (See herein "Summary of Operating Agreement" below). Members possess very limited rights to withdraw from the Fund or to otherwise recover any of their invested capital. (See "Summary of Operating Agreement – Withdrawal" below). Investors must be capable of bearing the economic risks of this investment with the understanding that these Membership Interests may not be liquidated by resale or redemption and should expect to hold their Membership Interests as a long-term investment.

Size of the Offering

There is no assurance that the Fund will obtain capital investments equal to the amount required to close the Offering. In addition, receipt of capital investments of less than the Maximum Offering Amount will reduce the ability of the Fund to spread investment risks through diversification of its investment portfolio.

Speculative Nature of Investment

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

Conflicts of Interest

There are several areas in which the interests of the Manager may conflict with those of the Fund. (See "Conflicts of Interest" below).

Investors and Fund Not Independently Represented

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

Investment Delays

There may be a delay between the time the Investor submits the Subscription Agreement to the Manager and admitted as a Member, and the time the proceeds of this Offering are invested in loans and investments by the Fund. During these periods, the Fund may invest these proceeds in short-term certificates of deposit, money-market funds or other liquid assets with FDIC-insured and/or NCUA-insured banking institutions

which will not yield a return as high as the anticipated return to be earned on Fund loans and property investments.

Side Letters

The Fund may from time to time enter into Side Letters with one or more Members which provide such Member(s) with additional and/or different rights (including, without limitation, with respect to access to information, incentive allocations, minimum investment amounts, and liquidity terms) than such Member(s) have pursuant to this Memorandum. As a result of such Side Letters, certain Members may receive additional benefits (including, but not limited to, reduced fee or incentive allocation obligations, the ability to withdraw Membership Interests on shorter notice, and/or expanded informational rights) which other Members will not receive. For example, a Side Letter may permit a Member to withdraw Membership Interests on less notice and/or at different times than other Members. As a result, should the Fund experience a decline in performance over a period of time, a Member that is party to a Side Letter that permits less notice and/or different withdrawal times may be able to withdraw Membership Interests prior to other Members. The Manager will not be required to notify any or all Members of any such Side Letters or any of the rights and/or terms or provisions thereof, nor will the Manager be required to offer such additional and/or different rights and/or terms to any or all Members. The Manager may enter into such Side Letters with any party as the Manager may determine in its sole and absolute discretion at any time. Members will have no recourse against the Fund, the Manager and/or any of their affiliates in the event that certain Members receive additional and/or different rights and/or terms as a result of such Side Letters.

Adverse Impact due to Economic Conditions

Generally, economic recessions or downturns may result in a prolonged period of market illiquidity, which could have an adverse effect on the Fund business, financial condition and results of operations. Periods of economic slowdown or recession, significantly rising interest rates, declining employment levels, decreasing demand for real estate, or the public perception that any of these events may occur, have resulted in and could result in a general decline in acquisition, disposition and leasing activity, as well as a general decline in the value of real estate and in rents. These events could adversely affect the demand among investors, which will impact the results of Fund operations.

During an economic downturn, it may also take longer for the Fund to dispose of real estate investments, or the disposition prices may be lower than originally anticipated. As a result, the carrying value of such real estate investments may become impaired and could record losses as a result of such impairment or could experience reduced profitability related to declines in real estate values. These events could adversely affect our performance and, in turn, our business, and negatively impact our results of operations.

Negative general economic conditions could continue to reduce the overall amount of sale and leasing activity in the commercial real estate industry, and hence the demand for our securities, which may in turn adversely affect our revenues. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions in the United States and other countries.

Lack of Regulation

The Manager and the Fund are not supervised or regulated by any federal or state authority, except to the extent that the Manager's lending and brokerage activities are regulated and supervised by applicable authorities in at least the State of California.

Reliance on Manager

The Manager (and/or its Affiliates) will participate in all decisions with respect to the management of the Fund, including (without limitation) determining which loans to purchase and originate, and the Fund is dependent to a significant degree on its continued services. However, in the event of the dissolution, death, retirement or other incapacity of the Key Person or the principals herein, the business and operations of the Fund will be significantly adversely affected, as the Fund will undergo liquidation of its assets or dissolution.

Requirement of Additional Capital

Future capital requirements depend on many factors, including the Fund's ability to successfully locate investments, and whether further investment in these opportunities becomes necessary to protect the Fund's existing positions in the loans. If further capitalization becomes necessary to stabilize, develop, or protect any of the Fund's assets, or if capitalization is needed for any other reason, any equity financing, if available at all, may not be on terms favorable to the Fund, and dilution to the Members could result, and in any case such securities may have rights, preferences and privileges that are senior to those of the Membership Interests offered herein. If adequate capital cannot be obtained, the Fund's business, operating results and financial condition could be adversely affected.

Tax and ERISA Risks

Investment in the Fund involves certain tax risks of general application to all Members in the Fund, and certain other risks specifically applicable to Keogh accounts, Individual Retirement Accounts and other tax-exempt investors. (See "Income Taxation Considerations" and "ERISA Considerations" below)

Anti-Money Laundering

The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "PATRIOT Act") requires that financial institutions establish and maintain compliance programs to guard against money laundering activities, and requires the Secretary of the U.S. Treasury ("Treasury") to prescribe regulations in connection with antimony laundering policies of financial institutions. The Financial Crimes Enforcement Network ("FinCEN"), an agency of the Treasury, has announced that it is likely that such regulations would subject certain pooled investment vehicles to enact anti-money laundering policies. It is possible that there could be promulgated legislation or regulations that would require the Fund or its service providers to share information with governmental authorities with respect to prospective investors in connection with the establishment of anti-money laundering procedures. Such legislation and/or regulations could require the Fund to implement additional restrictions on the transfer of the Membership Interests. The Fund reserves the right to request such information as is necessary to verify the identity of prospective Investors and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by FinCEN and/or the U.S. Securities and Exchange Commission. In the event of delay or failure by a prospective investor to produce any information required for verification purposes, an application for or transfer of the Membership Interests may be refused.

Risk related to 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 (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 Assets

Under Management, or have less than $150 million in such assets based on the fact that the investment adviser manages a real estate Fund that may qualify as 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.

Unidentified Assets

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

Price of Membership Interests Arbitrarily Determined

The purchase price of the Membership Interests offered through this Memorandum has been arbitrarily determined and may not reflect their actual value. The purchase price of the Membership Interests has been arbitrarily determined and is not the result of arm's-length negotiations. It bears no relationship to any established criteria of value such as book value or earnings per share, or any combination thereof. Further, the price is not based on past earnings of the Fund, nor does the price necessarily reflect the current market value of the Fund. No valuation or appraisal of the Fund or the Fund's potential business has been prepared.

Investment Company Act Risks

The Fund intends to avoid becoming subject to the Investment Company Act of 1940, as amended (the "1940 Act"); however, the Fund cannot assure prospective investors that under certain conditions, changing circumstances or changes in the law, the Fund may not become subject to the 1940 Act in the future as a result of the determination that the Fund is an "investment company" within the meaning of the 1940 Act that does not qualify for an exemption as set forth below. Becoming subject to the 1940 Act could have a material adverse effect on the Fund. Additionally, the Fund could be terminated and liquidated due to the cost of registration under the 1940 Act. In general, the 1940 Act provides that if there are 100 or more investors in a securities offering, then the 1940 Act could apply unless there is an exemption; however, the 1940 Act generally is intended to regulate entities that raise monies where the entity itself "holds itself out as being engaged primarily, or purposes to engage primarily, in the business of investing, reinvesting or trading in securities" (Section 3(a)(1)(A) of the 1940 Act).

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

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

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

BUSINESS RISKS

Limited Operating History of Operations

The Fund has a relatively limited history of operations. However, the principals have substantial experience in the lending industry. The Fund's projections are based upon the limited operating history, and limited publicly available information and industry knowledge. The Fund's projections may not be indicative of future prospects or performance, and ultimate operations expenses and potential losses cannot be projected with certainty. There can be no assurance that expenses and losses exceeding the Fund's total resources will not occur.

Competition

The Fund will be competing for loans, investment opportunities and property acquisitions with other mortgage funds, private investors, institutional lenders and investors and others engaged in the mortgage lending and property acquisition businesses. These other lenders and investors may have greater financial resources and experience than the Fund and the Manager.

Performance Projections

The Manager and its principals have experience in real estate investments, loans and related loan syndications, and the Manager, through its management of other funds and investment vehicles, has made other real estate investments and loans under other formats, but the performance of previous investments may not be indicative of the future performance of the investments relating to the Fund, and the Fund does not yet know what its long-term loan loss experience will be.

Fluctuations in Interest Rates

Interest rates are subject to abrupt and substantial fluctuations and the purchase of Membership Interests are a relatively illiquid investment. If prevailing interest rates rise above the average interest rate being earned by the Fund's portfolio, Members may wish to liquidate their investment to take advantage of higher available returns but may be unable to do so due to restrictions on transfer and withdrawal.

Dodd-Frank Wall Street Reform and Consumer Protection Act (amending the Federal Truth in Lending, Real Estate Settlement Procedures and Equal Credit Opportunity Acts)

Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") created the Consumer Financial Protection Bureau (the "CFPB") and transferred regulatory and rule making authority for the federal laws regulating consumer mortgage lending to the CFPB. Title XIV of Dodd-Frank, the Mortgage Reform and Anti-Predatory Lending Act, provides for substantial amendments to the statutes and regulations which govern consumer purpose loans secured by one to four residential properties.

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

Litigation Risks

The Manager will act in good faith and use reasonable judgment in selecting borrowers and making, purchasing, and managing the loans and investing in, purchasing and managing properties. However, as a lender, the Manager and the Fund are exposed to the risk of litigation by a borrower for any warranted or unwarranted allegations by a borrower regarding the terms of the loans or the actions or representations of the Manager in making, managing or foreclosing on subject properties. It is impossible to foresee the allegations borrowers will bring against the Manager or the Fund, but the Manager will use its best efforts to avoid litigation if, in the Manager's sole discretion, it is in the best interests of the Fund. If the Fund is required to incur legal fees and costs to respond to the lawsuit, the costs and fees could have an adverse impact on the Fund's profitability.

Loan Defaults and Foreclosures

The Fund will participate in loans and take the risk that borrowers will default on those loans and other risks that lenders typically face, many of which are detailed in this Offering. Commercial loans may be made to borrowers who do not qualify for loans from more traditional sources of financing, such as banks and savings and loans associations. Commercial loans may generally provide for a monthly payment from

the borrower followed by a "balloon" payment at the loan's maturity. Many borrowers may be unable to pay such a balloon payment and are compelled to refinance the balloon amount into a new loan. Fluctuations in the interest rates, unavailability of mortgage funds, and a decrease in the value of the real property securing the loan could adversely affect the borrower's ability to refinance their loans at maturity.

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

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

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

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

Finally, the recovery of sums advanced by the Fund in making or investing in loans and protecting its security may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the loan was made. Any borrower has the ability to delay a foreclosure sale for a period ranging from several months to several years by filing a petition in bankruptcy which automatically stays any actions to enforce the terms of the loan. It can be assumed that such delays and the costs associated therewith will reduce the Fund's profitability.

Speculative Value of Property and Notes

Some properties and/or notes may not sell for the anticipated value. This result may cause a loss or principal, and/or a reduction in or loss of profits and/or returns on investment for the Fund and its Members.

Risks Related to Rehabilitation Loans

Rehabilitation loans involve a number of particular risks, involving, among other things, the timeliness of the project's completion, the integrity of appraisal values, whether or not the completed property can be sold for the amount anticipated, and the length of ultimate sale process.

If rehabilitation work is not completed (due to contractor abandonment, unsatisfactory work performance, or various other factors) and all the Loan funds have already been expended, then in the event of a default the Fund may have to invest significant additional funds to complete rehabilitation work. Any such investment would be recuperated by the Fund prior to the Investor being paid back. If the value an uncompleted property is materially less than the amount of the loan, even if the work were completed, then upon a default the Fund might need to invest additional funds in order to recoup all or a portion of the investment. Default risks also exist where it takes a borrower longer than anticipated either to construct or

then resell the property, or if the borrower does not receive sufficient proceeds from the sale to repay the corresponding loan in full.

Participation in Other Loans

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

Risks of Government Action

While the Manager will use its best efforts to comply with all laws, including federal, state and local laws and regulations, there is a possibility of governmental action to enforce any alleged violations of mortgage lending laws which may result in legal fees and damage awards that would adversely affect the Fund.

Increase in Loss Rates

Loss rates on loans may be significantly affected by economic downturns or general economic conditions beyond the Fund's control and beyond the control of individual borrowers. In particular, loss rates on corresponding loans may increase due to factors such as (among other things) local real estate market conditions, prevailing interest rates, the rate of unemployment, the level of consumer confidence, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors.

Risks of Leveraging the Fund

The Fund and/or Sub-REIT may borrow funds from a third-party lender, the Manager and/or Affiliates, to make or acquire loans or fund its investments, although the borrowing will be limited as set forth in the Memorandum. These loans would be secured by the assets, including loans, receivables, or contracts held by the Fund and/or Sub-REIT, and are generally non-recourse to the Members. Nevertheless, in order to obtain such a loan, the Fund and/or Sub-REIT may assign part or its entire asset portfolio to the lender. Such borrowed money may bear interest at a variable rate, whereas the Fund and/or Sub-REIT may be making fixed rate loans. Therefore, if prevailing interest rates rise, the Fund's and/or Sub-REIT's cost of money could exceed the income earned from that money, thus reducing the profitability or causing losses. Furthermore, leveraging the Fund and/or Sub-REIT may also result in the receipt of some taxable income by investors (such as ERISA plans) that are otherwise tax-exempt. (See "Income Taxation Considerations" below).

Uninsured Losses

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

Possible Repeal of Usury Exemption

Loans arranged by or through a mortgage lending licensee are generally exempt from the otherwise applicable state's usury limitation. Should this exemption be repealed, the Fund may no longer be able to originate loans in excess of the usury limit, potentially reducing its return on investment or forcing it to limit its lending or investing activities.

Risks Associated with Fund Performance

The Fund anticipates a certain targeted rate of return related to its lending and related activities. However, if the Fund's investments in assets do not perform and generate income, the Fund may not be able to make expected distributions to its Members. Several factors may adversely affect the economic performance and value of the Fund's investments. These factors include but are not limited to, decrease in value of the loans, borrower non-performance, decrease in real estate or other asset values, increase in investor competition, lengthy legal proceedings, adverse legal judgments, changes in the national, regional and local economic climate, local conditions that may cause borrowers to not be able to make their interest payments, and which may devalue the Fund's collateral and other assets to the extent that exit strategies and liquidation of assets become unavailable. The Fund's performance would also depend on the Fund's ability to collect rent from tenants and to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which could increase over time. In addition, the expenses of owning and operating real property and other assets are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) and the possibility of bankruptcies of tenants or borrowers may adversely affect the Fund's financial condition and results of operations.

Diversification Risks

The Fund may participate in a limited number of loans and the Fund lending activities may not be widely diversified. As a consequence, the Fund's aggregate return may be substantially adversely affected by the unfavorable performance of even a single investment. The ability of the Fund to diversify the risks of making investments will depend upon a variety of factors, including the size, characteristics, type and class of the Investments being made, and with regard to short-term loans, the number and quality of borrowers in need of financing. The Fund may not be able to make investments that would provide a desired level of diversification.

General Risks of Commercial Real Estate Market

The Fund may participate in investment of commercial real estate market. Concentration in commercial real property entails risks that are specific to the industry. For example, the Fund may experience fluctuations in occupancy rates, rent schedules and operating expenses, among other factors, which can adversely affect operating results of the commercial real property and the borrower's ability to make payments on the loans. Operating performance will also depend on adverse changes in local population trends, market conditions, neighborhood values, national, regional or local economic and social conditions, federal, state or local regulations, controls or fiscal policies, including those affecting rents, prices of goods, fuel and energy consumption, environmental restrictions, real estate taxes, zoning and other factors affecting real property. Additionally, there may be a need for capital improvements and repairs, accounting for inflation, financial condition and profitability of tenants, uninsured losses, acts of nature such as floods and earthquakes, and other risks. Some or all of these factors may also affect the financial condition of borrower's on loans secured by commercial real property and thus their ability to make payments on these loans.

In addition, in the event a borrower defaults on a loan and lacks sufficient assets to satisfy our loan, we may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, the Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. If a borrower defaults on our loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt is paid in full. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through "standstill periods"), and control decisions made in bankruptcy proceedings relating to borrowers.

Risks Related to Sale of Loans

The Fund may participate in sale of loans with Affiliates or third-parties, including institutions. In certain sales contracts exists a buy-back clause which may be enforced by the purchaser of the loans, including, in the event if the Fund has breached a representation or warranty contained in such sale agreement. In that instance, the Fund may be forced to repurchase one or more loans sold to the purchaser. The breach of a representation or warranty by the Manager may impact the Fund's ability to originate new loans and collect fee and strip interest income which the Fund and Manager use to fund its operations and distribute return to the Members.

U.S. State Licensing Requirements

The Manager believes that the Fund or its Affiliates have either obtained the licenses necessary for (or are exempt from) participating lawfully in the business of business purpose lending in each state in which it plans to make loans prior to commencing operations, based on current assessment of the regulatory requirements of each such state. This means that while the Fund and Manager may believe that that the Fund's practices in a particular state are compliant with that state's current regime, it is possible that that regime might come under question from state or other regulatory authorities, and/or be changed in such a way as to adversely affect the Fund's ability to continue lending or conducting business in that state or may prohibit continuation of Fund's loans in that state. The Fund intends to monitor such regulatory activity closely, but may fail to correctly or adequately anticipate regulatory action in this developing arena.

Risks of Real Estate Ownership

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

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

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

Risks of Development, Renovation and Undeveloped Property

The Manager anticipates that the Fund may invest in existing properties that require varying degrees of development. In addition, some properties may be under construction or under contract to be developed or redeveloped. Properties that involve development or redevelopment will be subject to the general real estate risks described above and will also be subject to additional risks, such as unanticipated delays or excess costs due to factors beyond the control of the Manager and the Fund. These factors may include (without limitation):

- strikes;
- adverse weather;
- earthquakes and other "force majeure" events;
- changes in building plans and specifications;
- zoning, entitlement and regulatory concerns, including changes in laws, regulations, elected officials and government staff;
- material and labor shortages;
- increases in the costs of labor and materials;
- changes in construction plans and specifications;
- rising energy costs; and
- delays caused by the foregoing (which could result in unanticipated inflation, the expiration of permits, unforeseen changes in laws, regulations, elected officials and government staff, and losses due to market timing of any sale that is delayed).

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

Risks Associated with Buying Contaminated Properties

The Fund presently does not intend to originate and/otherwise invest in loans secured by properties with known environmental conditions. Notwithstanding the foregoing, in the event a property is found to have environmental conditions and/or is contaminated after the Fund has acquired such loan, the Fund may be required to take steps to complete the remediation of such property (or properties), in order to be able to sell the property to a third-party. The Manager would plan to use contractors, service providers and/or Affiliates to help the Manager in evaluating, servicing and managing issues associated with contaminated properties, who will be covered under their own insurance policies. However, costs related to remediating such properties will likely negative impact the Fund's business operations, as unanticipated costs may rise.

In addition, if toxic environmental contamination is discovered to exist on a property underlying a corresponding Loan, it might affect the borrower's ability to repay the corresponding Loan and the Fund could suffer from a devaluation of the loan security. To the extent that the Fund is forced to foreclose and/or operate such a property, potential additional liabilities include reporting requirements, remediation costs, fines, penalties and damages, all of which would adversely affect the likelihood that Investors would receive a return of capital on their Interests.

Of particular concern may be those properties that are, or have been, the site of manufacturing, industrial or disposal activity. These environmental risks may give rise to a diminution in value of the security property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the real property or the principal balance of the related mortgage loan. For this reason, the Fund may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

Under the laws of certain states, an owner's failure to perform remedial actions required under environmental laws may give rise to a lien on mortgaged property to ensure the reimbursement of remedial costs. In some states this lien has priority over the lien of an existing mortgage against the real property. Because the costs of remedial action could be substantial, the value of a mortgaged property as collateral for a mortgage loan could be adversely affected by the existence of an environmental condition giving rise to a lien.

The state of law is currently unclear as to whether and under what circumstances clean-up costs, or the obligation to take remedial actions, can be imposed on a secured lender. If a lender does become liable for cleanup costs, it may bring an action for contribution against the current owners or operators, the owners or operators at the time of on-site disposal activity or any other party who contributed to the environmental hazard, but these persons or entities may be bankrupt or otherwise judgment-proof. Furthermore, an action against the borrower may be adversely affected by the limitations on recourse in the loan documents.

Rise in Insurance Costs

Real estate properties are typically insured against risk of fire damage and other typically insured property casualties, but are sometimes not covered by severe weather or natural disaster events such as landslides, earthquakes, or floods. Changes in the conditions affecting the economic environment in which insurance companies do business could affect the borrower's ability to continue insuring the property at a reasonable cost or could result in insurance being unavailable altogether. Moreover, any hazard losses not then covered by the borrower's insurance policy would result in the corresponding Loan becoming significantly

undersecured or the property being at risk, and a Member could sustain a significant reduction, or complete elimination of, the return on investment.

Compliance with the Americans with Disabilities Act and Other Changes in Governmental Rules and Regulations

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

Risks Related to Tenancy and Leaseholds

The Fund does not intend to engage in any direct commercial real property acquisition. However, there may be instances in which the Fund may own and hold commercial real properties as a result of the Fund's lending activities, including REOs. Although the Fund intends to divest these properties as soon as practicable, that may not always be the case and the Manager (or an Affiliate or third party) may have to manage the property and lease to tenants until sold. In such instances, there are risks associated with certain aspects of leases, including, without limitation:

- Tenancy bankruptcy;
- Cost of unlawful detainer and lessor remedies, including, breach of lease agreement covenants;
- Risks of noncompliant eviction;
- Contest of leases related to businesses and/or franchisees;
- Unintended consequences of remedies provided under the lease agreements, including, in the event the borrower defaults; and
- Occupancy risks such that the real property may fail to stabilize and/or generate income.

All of the above risks will diminish the overall return to the Members.

Economic Conditions

Changes in national or local economic conditions (including economic recessions, as noted above) could result in unanticipated declines in real estate values. Any decline in real estate values could have an adverse effect upon the Fund and could result in losses to Members. No assurance exists that the Fund would be able to avoid losses if real estate assets decline materially.

Borrower Fraud

Borrowers and developers supply a variety of information regarding the current rental income, property valuations, market data, and other information. The Fund makes an attempt to verify may of the information

provided, but as a practical matter, cannot verify all of it, which may result as incomplete, inaccurate or intentionally false. Borrowers and developers may also misrepresent their intentions for the use of investment proceeds. The Fund may not verify any statements by applicants as to how proceeds are to be used. If a borrower or developer supplies false, misleading or inaccurate information, Members may lose all or a portion of the investment in the loans.

When the Fund finances a loan, its primary assurances that the financing proceeds will be properly spent by the borrower or developer are the contractual covenants agreed to by the borrower or developer, along with the their business history and reputation. Should the proceeds of a financing be diverted improperly, the borrower or developer might become insolvent, which could cause the Members to lose their entire investment.

Unforeseen Changes

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

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

Pandemic Risks

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

RISKS RELATED TO REAL ESTATE INVESTMENT TRUST

No Operating History of Sub-REIT

The Sub-REIT will be in its early stages of its development and has a limited operating history. Although the Fund and its Affiliates have experience in real estate investments and loans stated herein, the performance of previous investments may not be indicative of the future performance of investments related to the Sub-REIT (as well as the Fund and its Affiliates). The Sub-REIT does not yet know what its long-term loan loss experience will be.

Failure in Maintaining its Status as a REIT

In establishing the Sub-REIT, the Fund will expect to operate the Sub-REIT so as to maintain its qualification as a REIT under the Code. However, qualification as a REIT involves the application of highly technical and complex Code provisions for which only a limited number of judicial or administrative interpretations exist. Even a technical or inadvertent mistake could jeopardize the Sub-REIT's REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for the Sub-REIT to qualify as a REIT. If the Sub-REIT fails to qualify as a REIT in any tax year, then:

- the Sub-REIT would be taxed as a regular domestic corporation, which under current laws, among other things, means being unable to deduct distributions to its shareholders (including the Fund) in computing taxable income and being subject to federal income tax, and potentially state income tax, on its taxable income at regular corporate rates;

- unless the Sub-REIT was entitled to relief under applicable statutory provisions, it would be required to pay taxes, and thus, its cash available for distribution to the Fund and, consequently, the Members would be substantially reduced for each of the years during which the Sub-REIT did not qualify as a REIT; and

- the Sub-REIT may also be disqualified from re-electing REIT status for the four taxable years following the year during which it became disqualified. See "Failure to Qualify" below for further explanation.

Loss of Investment Opportunities as a REIT

In order to qualify a Sub-REIT as a REIT for federal income tax purposes, the Sub-REIT would be required to continuously satisfy tests concerning, among other things, its sources of income, the nature and diversification of its investments in commercial real estate and related assets, the amounts it distributes to its shareholders and the ownership of its stock. The Sub-REIT could also be required to make distributions to its shareholders at disadvantageous times or when it does not have funds readily available for distribution. The REIT provisions of the Code could limit the Fund's ability to hedge the Sub-REIT's financial assets and related borrowings. Thus, compliance with REIT requirements could hinder the Fund's ability to operate solely with the objective of maximizing profits.

REIT Compliance Risks

In order to qualify a Sub-REIT as a REIT, the Fund would need to ensure that at the end of each calendar quarter, at least Seventy Five Percent (75%) of the value of the Sub-REIT's assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of the Sub-REIT's investment in securities could not include more than Ten Percent (10%) of the outstanding voting securities of any one

issuer or Ten Percent (10%) of the total value of the outstanding securities of any one issuer. In addition, no more than Five Percent (5%) of the value of the Sub-REIT's assets may consist of the securities of any one issuer. If the Sub-REIT were to fail to comply with these requirements, it would be required to dispose of a portion of its assets within Thirty (30) days after the end of the calendar quarter in order to come back into compliance and avoid losing its REIT status and suffering adverse tax consequences.

Investing in Taxable TRS

To qualify as a REIT, a Sub-REIT must continually satisfy various tests regarding the sources of its income, the nature and diversification of its assets, the amounts it distributes to its shareholders and the ownership of its shares of beneficial interest. To meet these tests, a Sub-REIT may be required to forego investments it might otherwise make or may be required to hold certain investments through a taxable REIT subsidiary ("TRS"). Any TRS will be fully subject to U.S. federal corporate income tax (and any applicable state and local tax). Thus, compliance with the REIT requirements may hinder the investment performance of the Sub-REIT, and in turn, the Fund. However, the Fund would not be prohibited from executing such transactions at the Fund level rather than the subsidiary level. The Fund does not currently anticipate executing any such transactions that would cause the Sub-REIT to be unable to satisfy the applicable tests regarding its sources of income, the nature and diversification of its assets, or the amounts to be distributed to the Members.

CONFLICTS OF INTEREST

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

Loan Origination and Renewal Commissions and Forbearance Fees

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

Fund Management Not Required to Devote Full-Time

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

Competition with Affiliates of the Fund

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

the Fund and its affiliates, principals and management from any liability for investment opportunities given to other persons.

Loan Transactions by Manager

The Manager and/or its principals and Affiliates expect to routinely contribute loans to the Fund that otherwise meet the lending and underwriting criteria discussed herein. Such transactions would generally increase the Membership Interests or percentage ownership or interest of the Manager as a Member of the Fund, and correspondingly would dilute the ownership and percentage interests of other Members.

Loan Servicing by the Fund or Manager

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

Other Companies & Partnerships or Businesses

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

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

Purchase, Sale and/or Hypothecation of Loans

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

Lack of Independent Legal Representation

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

Conflict with Related Programs

The Manager and its managers, principals, directors, officers and/or affiliates may cause the Fund to join with other entities organized by the Manager for similar purposes as partners, joint venturers or co-owners under some form of ownership in certain loans or in the ownership of repossessed real property. The interests of the Fund and those of such other entities may conflict, and the Fund controlling or influencing all such entities may not be able to resolve such conflicts in a manner that serves the best interests of the Fund.

Other Services Provided by the Manager or its Affiliates

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

Sale of Real Estate to Affiliates

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

CERTAIN LEGAL ASPECTS OF FUND LOANS

Each of the Fund's loans will be secured by, among other things, a mortgage, deed of trust, leasehold deed of trust or leasehold mortgage, or security agreement. The deed of trust and the mortgage are the most commonly used real property security devices. In a mortgage loan, there are only two parties: the mortgagor (borrower) and the mortgagee (lender). Generally, a mortgage is both a contract and a conveyance of real estate. The borrower signs a promissory note agreeing to repay the borrowed money in accordance with the terms of the note. The borrower also signs a mortgage conveying to the lender an interest in the borrower's real estate. If the borrower fails to repay the loan, the lender can "foreclose" the borrower's right to redeem the property by taking possession of or selling the real estate. Certain states allow foreclose on a mortgage

loan through a non-judicial process under a statutory power of sale. Therefore, no court approval is required to initiate foreclosure.

A deed of trust has three parties: a debtor, referred to as the "trustor;" a third party, referred to as the "trustee;" and the lender, referred to as the "beneficiary." The trustor irrevocably grants the property until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary. The Fund will be the beneficiary under all deeds of trust securing Fund loans.

In the United States, each individual state law determines how a mortgage is foreclosed. The route usually requires a judicial process, but varies from state to state. Some states have a statute known as the "one form of action" rule, which requires the beneficiary of a collateral lien to exhaust the security under the security lien (i.e., foreclose on the property) before any personal action may be brought against the borrower.

Some states, however, allows a lender to foreclose and sue the borrower for any deficiency, if notice is given to the borrower Twenty (21) days prior to the foreclosure sale and an affidavit is executed after the sale of the property. The notice will inform the borrower of the lender's intention to foreclose on the property and seek any deficiency in the proceeds of sale from the borrower. If notice is properly given and all procedures are complied with, the lender will generally be able to foreclose on the property and seek a deficiency judgment against the borrower. Notwithstanding the foregoing, if the Fund decides to foreclose on a loan and simultaneously seeks a deficiency judgment against the borrower, but fails to provide proper notice or follow all procedures, the Fund may not be able to recover all amounts owed under the loan and may incur a loss. In addition, based on these grounds, a borrower may challenge a foreclosure proceeding in an independent action against the Fund resulting in substantial delays in the foreclosure process and/or incurring substantial legal fees in order to defend said action.

Foreclosure statutes vary from state to state. Fund loans secured by mortgages will be foreclosed in compliance with the laws of the state where the real property collateral is located.

Special Considerations in Connection with Junior Encumbrances

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

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

The Fund may also make wrap-around mortgage loans (sometimes called "all-inclusive loans"), which are junior encumbrances to which all the considerations discussed above will apply. A wrap-around loan is made when the borrower desires to refinance his, her, or its property but does not wish to retire the existing

indebtedness for any reason, e.g., a favorable interest rate or a large prepayment penalty. A wrap-around loan will have a principal amount equal to the outstanding principal balance of the existing secured loans plus the amount actually to be advanced by the Fund. The borrower will then make all payments directly to the Fund, and the Fund in turn will pay the holder of the senior encumbrance. The actual ultimate yield to the Fund under a wrap-around mortgage loan will likely exceed the stated interest rate on the underlying senior loan, since the full principal amount of the wrap-around loan will not actually be advanced by the Fund. State laws generally require that the Fund be notified when any senior lien holder initiates foreclosure.

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

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

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

California Foreclosure Example

In California, for example and illustration only, a statute known as the "one action" rule requires the beneficiary of a deed of trust to exhaust the security under the deed of trust (i.e., foreclose on the property) before any personal action may be brought against the borrower. There are Two (2) methods of foreclosing a deed of trust.

(a) Foreclosure of a deed of trust is accomplished in most cases by a non-judicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and send a copy to the trustor and to any person who has recorded a request for a copy of a notice of default, and to the successor in interest to the trustor and to the beneficiary of any junior deed of trust. The trustor or any person having a junior lien or encumbrance of record may, during a Three (3) month reinstatement period, cure the default by paying the entire amount of the debt then due, exclusive of principal due only because of acceleration upon default, plus costs and expenses actually incurred in enforcing the obligation and statutorily limited attorneys' and trustee's fees. Thereafter, and at least

Twenty-One (21) days before the trustee's sale, a notice of sale must be posted in a public place and published once a week over such period. A copy of the notice of sale must be posted on the property, and sent to the trustee, to each person who has requested a copy, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust, at least Twenty-One (21) days before the sale. Following the sale, neither the debtor/trustor nor a junior lien has any right of redemption, and the beneficiary may not obtain a deficiency judgment against the trustor.

(b) A judicial foreclosure (in which the beneficiary's purpose is usually to obtain a deficiency judgment where otherwise unavailable) is subject to most of the delays and expenses of other lawsuits, sometimes requiring up to several years to complete. Following a judicial foreclosure sale, the trustor or his, her, or its successors in interest may redeem for a period of One (1) year (or a period of only Three (3) months if the entire amount of the debt is bid at the foreclosure sale), and until the trustor redeems, foreclosed junior lien holder may redeem during successive redemption periods of Sixty (60) days following the previous redemption, but in no event later than One (1) year after the judicial foreclosure sale. The Fund generally will not pursue a judicial foreclosure to obtain a deficiency judgment, except where, in the sole discretion of the Manager, such a remedy is warranted in light of the time and expense involved.

California has four principal statutory prohibitions which limit the remedies of a beneficiary under a deed of trust. Two statutes limit the beneficiary's right to obtain a deficiency judgment against the trustor following foreclosure of a deed of trust - one based on the method of foreclosure and the other on the type of debt secured.

Under one statute, a deficiency judgment is barred where the foreclosure was accomplished by means of a non-judicial trustee's sale. If foreclosure becomes necessary, it is anticipated that all of the Fund's loans will be enforced by means of a non-judicial trustee's sale. Under the other statute, a deficiency judgment is barred in any event where the foreclosed deed of trust secured by a "purchase money obligation," i.e., a promissory note evidencing a loan used to pay all or part of the purchase price of a residential property occupied, at least in part, by the purchaser. This restriction may apply to a number of Fund loans.

The third statute is known as the "one action" rule, which requires the beneficiary to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the trustor on the promissory note. The fourth statute which limits any deficiency judgment obtained by the beneficiary following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of sale, thereby preventing a beneficiary from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale.

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

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

Bankruptcy Laws

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

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

"Due-on-Sale" Clauses

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

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

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

Prepayment Charges

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

LEGAL PROCEEDINGS

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

INCOME TAX CONSIDERATIONS

Federal Income Tax Aspects

The following discussion generally summarizes the material federal income tax consequences of an investment in the Fund based upon the existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury regulations thereunder, current administrative rulings and procedures and applicable judicial decisions. However, it is not intended to be a complete description of all tax consequences to prospective Investors with respect to their investment in the Fund. No assurance can be given that the Internal Revenue Service (the "IRS") will agree with the interpretation of the current federal income tax laws and regulations summarized below. In addition, the Fund or the Investors may be subject to state and local taxes in jurisdictions in which the Fund may be deemed to be doing business.

ACCORDINGLY, ALL PROSPECTIVE INVESTORS SHOULD INDEPENDENTLY SATISFY THEMSELVES REGARDING THE POTENTIAL FEDERAL AND STATE TAX CONSEQUENCES OF PARTICIPATION IN THE FUND AND ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS, ATTORNEYS OR ACCOUNTANTS IN CONNECTION WITH ANY INTEREST IN THE FUND. EACH PROSPECTIVE INVESTOR/SHAREHOLDER SHOULD SEEK, AND RELY UPON, THE ADVICE OF THEIR OWN TAX ADVISORS IN EVALUATING THE SUITABILITY OF AN INVESTMENT IN THE FUND IN LIGHT OF THEIR PARTICULAR INVESTMENT AND TAX SITUATION.

Tax Law Subject to Change

Frequent and substantial changes have been made, and will likely continue to be made, to the federal and state income tax laws. The changes made to the tax laws by legislation are pervasive, and in many cases, have yet to be interpreted by the IRS or the courts.

State and Local Taxes

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

In addition to the United States Federal Income tax considerations described herein, Members should consider the potential state and local tax consequences of a purchase of Membership Interests. In addition

to being taxed and subject to tax filling obligations in its own state or locality of residence or domicile, a Member may be subject to the 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 will not cause Members 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 owning Membership Interests. 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 Membership Interests.

Federal Partnership Treatment

The Fund is likely to be treated as a partnership under the Internal Revenue Code of 1986 (the "Code"). Assuming that the Fund has been properly formed under California law, is operated in accordance with applicable California corporate and business law and the terms of the Operating Agreement, it is the Fund's opinion (subject to the discussion regarding "Taxable Mortgage Pools" below) that, if the matter were litigated, it is more likely than not that the Fund would prevail as to its classification and would be taxed as a partnership for federal income tax purposes. If the IRS determined that the Fund was an association taxable as a corporation for federal income tax purposes, there would be significant adverse tax consequences to the Fund and possibly to its investors, including (without limitation) the Fund would have to pay tax on its net income and then the investor would have to pay tax on any distributions as dividends as opposed to interest income.

IRS Audits

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

If the IRS makes audit adjustments to the Fund's income tax returns, it may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustment directly from the Fund. Generally, the Fund may elect to have the Members take such audit adjustment into account in accordance with their interest in the Fund during the tax year under audit, but there can be no assurance that such election will be effective in all circumstances and the manner in which the election is made and implemented has yet to be determined. If the Fund is unable to have the Members take such audit adjustment into account in accordance with their interests in the Fund during the tax year under audit, current Members may bear some or all of the tax liability resulting from such audit adjustment, even if such Members did not own Membership Interests in the Fund during the tax year under audit. If, as a result of any such audit adjustment, the Fund is required to make payments of taxes, penalties and interest, cash available for distribution to Members might be substantially reduced. The Fund may, at any time, during the existence of the Fund or any predecessor of the Fund, directly seek reimbursement of underpaid taxes, penalties, and interest from the Members who held Membership Interests during the year which is under IRS, state, or local audit examination, even if such Member has since redeemed its Membership Interest and is no longer a Member of the Fund. The Fund will designate the Manager to act as the partnership representative who shall have the sole authority to act on behalf of the Fund with respect to dealings with the IRS under these

audit procedures. The acts of the Manager in its capacity as partnership representative, including the extension of statutes of limitation, will bind the Fund and all Members. The Members will not have a right to participate in the audit proceedings.

Profit Objective of the Fund

Deductions will be disallowed if they result from activities not entered into for profit to the extent that such deductions exceed an amount equal to the greater of: (a) the gross income derived from the activity; or (b) deductions (such as interest and taxes) that are allowable in any event. The applicable Treasury Department regulations indicate a transaction will be considered as entered into for profit where there is an expectation of profit in the future, either of a recurring type or from the disposition of property. In addition, the Code provides, among other things, an activity is presumed to be engaged for profit if the gross income from such activity for Three (3) of the Five (5) taxable years ending with the taxable year in question exceeds the deductions attributable to such activity. It is anticipated that the Fund will satisfy this test.

Property Held Primarily for Sale: Potential Dealer Status

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

Taxable Mortgage Pool Rules

Notwithstanding the check-the-box provisions, the IRS may still reclassify certain partnerships as corporations for federal income tax purposes, if they meet the definition of a "taxable mortgage pool" under Internal Revenue Code Section 7701(i)(2)(A)(ii). A taxable mortgage pool is any entity whose assets consist substantially of debt instruments, who is the obligor under debt obligations with Two (2) or more maturities, and where there is a relationship between the debt instruments and the debt obligations of the entity. The issue of what constitutes debt obligations with Two (2) or more maturities is unclear. The regulations state that "[T]he purpose of section 7701(i) is to prevent income generated by a pool of real estate mortgages from escaping Federal income taxation when the pool is used to issue multiple class mortgage-backed securities." The Fund has two classes of Membership Interests. A literal reading of this provision may lead to the conclusion that the Fund would be reclassified as a taxable mortgage pool and taxed as a corporation. In order to further explain any such interpretation, the Manager may seek, but shall not be required to, to the extent it leverages the Fund assets (i.e., borrows funds from another lender for purpose of making loans and pledges one or more loans of the Fund as collateral for such borrowing), to limit the number of lines of credit the Fund utilizes at a given time so that the IRS would find it difficult to make the argument that the Fund has debt obligations with two (2) or more maturities. However, due to the lack of clarity with respect to this provision, there is no assurance (and no opinion of any kind can be given) that the IRS would not

attempt to tax the Fund as a corporation and not a partnership. Any such taxation would have an adverse effect on the Fund and the return an Investor would receive on their investment in the Fund.

Portfolio Income

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

Understatement Penalties

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

Unrelated Business Taxable Income

The Fund may generate unrelated business taxable income for Members that are qualified plans such as self-directed IRA's, or tax exempt organizations such as pension/benefit plan investors, colleges, universities, private foundations and charitable remainder trusts. Particularly if the Fund pursues a credit facility or leverage, it is highly likely that the Fund may generate unrelated business taxable income for such Members. Investors should be aware also that the issue of how the unrelated business taxable income of a qualified plan or exempt organization should be taxed is regularly under discussion by one or more committees of Congress. The Fund advises that all Members, particularly Members with qualified plans or exempt organizations, consult with their own tax advisor to be sure they fully evaluate the impact of unrelated business taxable income for Members.

TAX CONSIDERATIONS RELATED TO REAL ESTATE INVESTMENT TRUST

Real Estate Investment Trusts

The Fund plans to hold all or substantially all of its assets through the Sub-REIT, an entity that intends to elect to be taxable as a REIT commencing with its taxable year beginning January 1, 2021. As a REIT, the Sub-REIT generally will not be subject to U.S. federal taxes on income to the extent it currently distributes all of its income to its shareholders (including the Fund) and maintains its qualification as a REIT.

Qualification and taxation as a REIT depends on the Sub-REIT's ability to meet on a continuing basis, through actual operating results, distribution levels and diversity of share ownership, various qualification requirements imposed upon REITs by the Code. The Sub-REIT's ability to qualify as a REIT also requires that it satisfy certain asset tests, some of which depend upon the fair market values of assets owned by the Sub-REIT. Such values may not be susceptible to a precise determination. Accordingly, no assurance can

be given that actual results of operations for any taxable year satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, qualification and taxation as a REIT depends upon the Sub-REIT's ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Code. The material qualification requirements are summarized below under "Real Estate Investment Trusts—Requirements for Qualification—General." While the Fund intends to operate the Sub-REIT so that it qualifies as a REIT, no assurance can be given that the IRS will not challenge its qualification, or that it will be able to operate in accordance with the REIT requirements in the future.

If the Sub-REIT qualifies as a REIT, it will generally be entitled to a deduction for dividends that it pays and therefore will not be subject to U.S. federal corporate income tax on taxable income that is currently distributed to its shareholders, including the Fund. This treatment substantially eliminates the "double taxation" at the corporate and shareholder levels that generally results from investment in a corporation. Rather, income generated by a REIT generally is taxed only at the shareholder level upon a distribution of dividends by the REIT.

If the Sub-REIT qualifies as a REIT, it will nonetheless be subject to U.S. federal tax in the following circumstances:

- It will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

- If the Sub-REIT has net income from prohibited transactions, which are, in general, sales or other dispositions of inventory or property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax. See "Prohibited Transactions" and "Foreclosure Property" below.

- If the Sub-REIT elects to treat property that it acquires in connection with a foreclosure of a mortgage loan or certain leasehold terminations as "foreclosure property," it may thereby avoid a One Hundred Percent (100%) tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), but the income from the sale or operation of the property may be subject to corporate income tax at the highest applicable rate (currently 21%).

- If the Sub-REIT should fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintain its qualification as a REIT because there is a reasonable cause for the failure and other applicable requirements are met, the Fund may be subject to a One Hundred Percent (100%) tax on an amount based on the magnitude of the failure adjusted to reflect the profit margin associated with its gross income.

- If the Subsidiary REIT should fail to satisfy the asset or other requirements applicable to REITs, as described below, yet nonetheless maintain its qualification as a REIT because there is reasonable cause for the failure and other applicable requirements are met, it may be subject to an excise tax. In that case, the amount of the tax will be at least Fifty Thousand Dollars ($50,000) per failure, and, in the case of certain asset test failures, will be determined as the amount of net income generated by the assets in question multiplied by the highest corporate tax rate (currently 21%) if that amount exceeds Fifty Thousand Dollars ($50,000) per failure.

- If the Fund should fail to distribute during each calendar year at least the sum of (a) 85% of its REIT ordinary income for such year, (b) 95% of its REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, it would be subject to a non-deductible Four Percent (4%) excise tax on the excess of the required distribution over the sum of (i) the amounts actually distributed, plus (ii) certain retained amounts.

- A One Hundred Percent (100%) tax may be imposed on transactions between a REIT and a "taxable REIT subsidiary" (as defined in the Code), or TRS, that do not reflect arm's length terms.

- If the Sub-REIT acquires appreciated assets from a C corporation that is not a REIT (i.e., a corporation taxable under subchapter C of the Code) in a transaction in which the adjusted tax basis of the assets in its hands is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, it may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if it subsequently recognizes gain on a disposition of any such assets during the five-year period following their acquisition from the subchapter C corporation.

In addition, the Sub-REIT may be subject to a variety of taxes, including payroll taxes and state, local and foreign income, property and other taxes on assets and operations. The Sub-REIT could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification—General

The Code defines a REIT as a corporation, trust or association:

(i) that is managed by one or more trustees or directors;

(ii) the beneficial ownership of which is evidenced by transferable shares of beneficial interest, or by transferable certificates of beneficial interest;

(iii) that would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;

(iv) that is neither a financial institution nor an insurance company subject to specific provisions of the Code;

(v) the beneficial ownership of which is held by 100 or more persons;

(vi) in which, during the last half of each taxable year, not more than 50% in value of the outstanding shares of beneficial interest is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Code to include specified tax-exempt entities);

(vii) that makes an election to be treated as a REIT for the current taxable year or has made an election for a previous taxable year which has not been terminated or revoked; and

(viii) which meets other tests described below, including with respect to the nature of its income and assets.

The Code provides that conditions (i) through (iv) must be met during the entire taxable year, and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Conditions (v) and (vi) need not be met during an entity's initial tax year as

a REIT. The Operating Agreement contains restrictions regarding the ownership and transfer of Membership Interests, which are intended to assist the Sub-REIT in satisfying the share ownership requirements described in conditions (v) and (vi) above.

An entity generally may not elect to become a REIT unless its taxable year is the calendar year. The Sub-REIT has adopted December 31 as its year end, and thereby satisfies this requirement.

Income Tests

To qualify as a REIT, the Sub-REIT annually must satisfy two gross income requirements. First, at least 75% of gross income for each taxable year, excluding gross income from sales of inventory or dealer property in "prohibited transactions," and certain hedging transactions generally must be derived from investments relating to real property or mortgages on real property, including interest income derived from mortgage loans collateralized by real property, "rents from real property," dividends received from other REITs, and gains from the sale of real estate assets, as well as "qualified temporary investment income." Second, at least 95% of gross income in each taxable year, excluding gross income from prohibited transactions and certain hedging transactions, must be derived from some combination of such income from investments in real property (i.e., income that qualifies under the 75% income test described above), as well as other dividends, interest and gain from the sale or disposition of stock or securities, none of which need have any relation to real property.

The Fund believes that the Sub-REIT's investments in mortgage loans will generate income that complies with both the 75% test and the 95% test, and it intends to monitor compliance on an ongoing basis. If the Sub-REIT fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may still qualify as a REIT for the year if it is entitled to relief under applicable provisions of the Code. These relief provisions will be generally available if the failure to meet the gross income tests was due to reasonable cause and not due to willful neglect and the Sub-REIT files a schedule of the source of its gross income in accordance with Treasury Regulations. It is not possible to state whether the Sub-REIT would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving the Sub-REIT, it would not qualify as a REIT. Even where these relief provisions apply, a tax would be imposed based upon the amount by which the Sub-REIT failed to satisfy the particular gross income test.

Asset Tests

At the close of each quarter of the taxable year, the Sub-REIT must satisfy seven tests relating to the nature of its assets.

(i) At least 75% of the value of its total assets must be represented by "real estate assets," cash, cash items and government securities, as such terms are defined in the Code.

(ii) Not more than 25% of the value of its total assets may be represented by securities, other than those in the 75% asset class.

(iii) Except for certain investments in REITs, TRSs and other securities in the 75% asset class, the value of any one issuer's securities owned by the Sub-REIT may not exceed 5% of the value of its total assets.

(iv) Except for certain investments in REITs, TRSs and other securities in the 75% asset class, the Sub-REIT may not own more than 10% of the total voting power of any one issuer's outstanding securities.

(v) Except for certain investments in REITs, TRSs and other securities in the 75% asset class, the Subsidiary REIT may not own more than 10% of the total value of the outstanding securities of any one issuer, other than securities that qualify for certain debt safe harbors.

(vi) The aggregate value of all securities of TRSs held by the Sub-REIT may not exceed 20% of the value of its gross assets.

(vii) No more than 25% of the value of the Sub-REIT's total assets may consist of debt instruments issued by "publicly offered REITs" (as defined in the I Code) to the extent such debt instruments are not secured by real property or interests in real property.

Certain relief provisions are available to REITs to satisfy the asset requirements or to maintain REIT qualification notwithstanding certain violations of the asset and other requirements. One such provision allows a REIT which fails one or more of the asset requirements to nevertheless maintain its REIT qualification if (a) it provides the IRS with a description of each asset causing the failure, (b) the failure is due to reasonable cause and not willful neglect, (c) the REIT pays a tax equal to the greater of (i) $50,000 per failure and (ii) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate (currently 21%), and (d) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time period.

In the case of de minimis violations of the 10% and 5% asset tests, a REIT may maintain its qualification despite a violation of such requirements if (a) the value of the assets causing the violation does not exceed the lesser of 1.0% of the REIT's total assets and $10,000,000, and (b) the REIT either disposes of the assets causing the failure within six months after the last day of the quarter in which it identifies the failure, or the relevant tests are otherwise satisfied within that time period.

The Fund believes that the Sub-REIT's holdings of securities and other assets will comply with the foregoing REIT asset requirements, and it intends to monitor compliance on an ongoing basis. No independent appraisals will be obtained, however, to support the Fund's or the Sub-REIT's conclusions as to the value of total assets, or the value of any particular security or securities. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Accordingly, there can be no assurance that the Service will not contend that the Subsidiary REIT's asset holdings do not meet one or more of the REIT asset tests.

Annual Distribution Requirements

To qualify as a REIT, the Sub-REIT is required to distribute dividends, other than capital gain dividends, to its shareholders (including the Fund) in an amount at least equal to:

- the sum of
  - 90% of the Sub-REIT's "REIT taxable income," computed without regard to net capital gains and the deduction for dividends paid, and
  - 90% of the Fund's net income, if any (after tax), from foreclosure property (as described below), minus
- the sum of specified items of non-cash income.

These distributions generally must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Sub-REIT timely file its tax return for the year and if paid with or before

the first regular dividend payment after such declaration. For distributions to be counted for this purpose, and to give rise to a tax deduction by the Sub-REIT, they must not be "preferential dividends." A dividend is not a preferential dividend if it is pro rata among all outstanding shares of Sub-REIT within a particular class, and is in accordance with the preferences among different classes of Sub-REIT shares as set forth in the Subsidiary REIT's organizational documents.

To the extent that the Sub-REIT distributes at least 90%, but less than 100%, of its "REIT taxable income," as adjusted, the Sub-REIT will be subject to tax at ordinary corporate tax rates on the retained portion. The Sub-REIT may elect to retain, rather than distribute, its net long-term capital gains and pay tax on such gains. In this case, the Sub-REIT could elect to have its shareholders (including the Fund) include their proportionate share of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax paid by the Sub-REIT. The shareholders (including the Fund) would then increase the adjusted basis of their Sub-REIT shares by the difference between the designated amounts of capital gains from the Sub-REIT that they include in their taxable income, and the tax paid on their behalf by the Sub-REIT with respect to that income.

If the Sub-REIT should fail to distribute during each calendar year at least the sum of (a) 85% of its REIT ordinary income for such year, (b) 95% of its REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, it would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed and (y) certain retained amounts.

It is possible that the Sub-REIT, from time to time, may not have sufficient cash to meet the distribution requirements due to timing differences between (a) the actual receipt of cash and (b) the inclusion of items in income by the Sub-REIT for U.S. federal income tax purposes. In the event that such timing differences occur, in order to meet the distribution requirements, it might be necessary to make distributions in the form of Sub-REIT shares or taxable in kind distributions of property.

The Sub-REIT may be able to rectify a failure to meet the distribution requirements for a year by paying "deficiency dividends" to its shareholders (including the Fund) in a later year, which may be included in the Sub-REIT's deduction for dividends paid for the earlier year. In this case, the Sub-REIT may be able to avoid losing its REIT qualification or being taxed on amounts distributed as deficiency dividends. However, the Sub-REIT will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If the Sub-REIT failed to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, it could avoid disqualification if the failure is due to reasonable cause and not to willful neglect and the Sub-REIT pays a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described above under "Income Tests" and "Asset Tests."

If the Sub-REIT failed to qualify for taxation as a REIT in any taxable year, and the relief provisions described above did not apply, it would be subject to tax on its taxable income at regular corporate rates (currently 21%). Distributions to shareholders of the Sub-REIT (including the Fund) in any year in which the Sub-REIT were not a REIT would not be deductible by it, nor would they be required to be made. In this situation, to the extent of current and accumulated earnings and profits, distributions to domestic shareholders of the Sub-REIT that are individuals, trusts and estates would generally be taxable at capital gains rates and, subject to limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless the Sub-REIT was entitled to relief under specific statutory provisions, it would

also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the taxable year during which qualification was lost. It is not possible to state whether, in all circumstances, the Sub-REIT would be entitled to this statutory relief.

Prohibited Transactions

Net income derived by a REIT from a prohibited transaction is subject to a One Hundred Percent (100%) tax. The term "prohibited transaction" generally includes a sale or other disposition of property (other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business. The Fund intends that the Sub-REIT will conduct its operations so that no asset owned by it will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of business. Whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the particular facts and circumstances. No assurance can be given that any property sold by the Sub-REIT will not be treated as property held for sale to customers, or that it can comply with certain safe harbor provisions of the Code that would prevent such treatment.

Foreclosure Property

Foreclosure property is real property and any personal property incident to such real property (i) that is acquired by a REIT as the result of the REIT having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and collateralized by the property, (ii) for which the related loan or lease was acquired by the REIT at a time when default was not imminent or anticipated, and (iii) for which such REIT makes a proper election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate rate (currently 21%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property in the hands of the selling REIT. To the extent that the Sub-REIT receives any income from foreclosure property that is not qualifying income for purposes of the 75% gross income test, it intends to make an election to treat the related property as foreclosure property.

Section 199A Deduction

In December 2017, as part of the Tax Act, Section 199A was added to the Code and became effective for tax years beginning after December 31, 2017 and before January 1, 2026. Under Section 199A of the Code, subject to certain limitations, an individual taxpayer and estates and trusts may deduct 20% of their aggregate "qualified business income" ("QBI"). In general, QBI is the net amount of income, gain, loss, and deduction (other than any items of capital gain or loss and certain other enumerated investment-type items of income or deduction) that is effectively connected with the conduct of a trade or business within the United States (other than certain service businesses enumerated in Section 199A of the Code) and included or allowed in determining taxable income for the taxable year. QBI also includes the combined qualified REIT dividends, including REIT dividends earned through a pass-through entity. Qualified REIT dividends include any dividend from a REIT received during the tax year that is not (i) a capital gain dividend or (ii) qualified dividend income.

If a taxpayer is permitted to take the full QBI deduction, the maximum effective tax rate on such income will be 29.6% (as opposed to the maximum 37% tax rate generally applicable to ordinary income). Because the Fund plans to operate a significant part of its business through the Sub-REIT, the qualified REIT

dividends from the Sub-REIT that are allocated to an Investor should generally be eligible for the 20% QBI deduction.

Net Investment Income Tax

In addition to all other taxes, there is imposed for each year beginning after December 31, 2012 a tax on the net investment income of every individual, other than nonresident aliens, estates and trusts. For individuals, the tax equals 3.8% of the lesser of an individual's net investment income for such taxable year or the excess, if any, of the modified adjusted gross income for such taxable year over the threshold amount. In the case of an estate or trust, the tax equals 3.8% on the lesser of the undistributed net investment income for such taxable year or the excess, if any, of the adjusted gross income over the dollar amount at which the highest tax bracket for estates and trusts begins. Generally, net investment income means the excess, if any, of gross income from interest, dividends, annuities, royalties and rents as well as trade or business income if such trade or business is a "passive activity" to the taxpayer over the deductions which are properly allocable to such gross income or net gain. Modified adjusted income means adjusted gross income increased by certain foreign earned income while threshold amount means $250,000 for taxpayers making a joint return or surviving spouse and $200,000 in any other case. Accordingly, each Investor should consult with his or her own personal tax advisor regarding the possible application of the net investment income tax.

ERISA CONSIDERATIONS

The following is a discussion of how certain requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code relating to Employee Benefit Plans and certain Other Benefit Arrangements (each as defined below) may affect an investment in the Membership Interests. It is not, however, a complete or comprehensive discussion of all employee benefits aspects of such an investment. If the Investors are trustees or other fiduciaries of an Employee Benefit Plan or Other Benefit Arrangement, before purchasing Membership Interests, they should consult with their own independent legal counsel to assure that the investment does not violate any of the applicable requirements of ERISA or the Code, including, without limitation, the ERISA fiduciary rules and the prohibited transaction requirements of ERISA and the Code.

ERISA Fiduciary Duties

Under ERISA, persons who serve as trustees or other fiduciaries of an Employee Benefit Plan have certain duties, obligations and responsibilities with respect to the participants and beneficiaries of such plans. Among the ERISA fiduciary duties are the duty to invest the assets of the plan prudently, and the duty to diversify the investment of plan assets so as to minimize the risk of large losses. An "Employee Benefit Plan" is a plan subject to ERISA that is an employee pension benefit plan (such as a defined benefit pension plan or a section 401(k) or 403(b) plan) or any employee welfare benefit plan (such as an employee group health plan).

Prohibited Transaction Requirements

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

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

(a) sales or exchanges of property;

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

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

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

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

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

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

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

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

(a) fiduciaries;

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

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

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

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

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

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

Certain transactions between Employee Benefit Plans or Other Benefit Arrangements and parties in interest or disqualified persons that would otherwise be prohibited transactions are exempt from the prohibited transaction rules due to the application of certain statutory or regulatory exemptions. In addition, the United States Department of Labor (the "DOL") has issued class exemptions and individual exemptions for certain types of transactions. Violations of the prohibited transaction rules may require the prohibited transactions to be rescinded and will cause the parties in interest or disqualified persons to be subject to excise taxes under Section 4975 of the Code.

Investments in the Fund

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

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

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

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

Special Limitations

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

SUMMARY OF OPERATING AGREEMENT

The following is a summary of the Operating Agreement, and is qualified in its entirety by the terms of the Operating Agreement itself. In the event of any conflict, misunderstanding or ambivalence between, or resulting from, the summary below and the actual terms of the Operating Agreement, the latter shall govern. Potential investors are urged to carefully read the entire Operating Agreement, which is set forth as Exhibit A-2 to this Private Placement Memorandum.

Accounting and Reports

Annual reports concerning the Fund's business affairs, including the Fund's annual income tax return, will be provided to Members who request them in writing. Each Member will receive his, her, or its respective K-1 Form as required by applicable law. The Manager may, at its sole and absolute discretion, designate any Person to provide tax and accounting advice to the Fund, at any time and for any reason.

The Manager presently intends to maintain the Fund's books and records on the accrual basis for bookkeeping and accounting purposes, and also intends to use the accrual basis method of reporting income and losses for federal income tax purposes. The Manager reserves the right to change such methods of accounting upon written notice to Members. Any Member may inspect the books and records of the Fund at reasonable times.

Adjustment of Membership Interest Holdings

Allocations of profit, gain and loss in the Fund are made, as required by law, in proportion to the Members' respective capital accounts. Member's voting rights will be limited and will be based upon the percentage of Membership Interests each Member owns. Because some Members may choose to reinvest their share of profits, gains and losses, it is likely that the value of their capital accounts will increase relative to the capital accounts of Members who take monthly income distributions of their share of profits, gains and losses. The Manager, at its discretion, may set the membership interest value for additional Membership Interests by adjusting the book value of the assets of the Fund to reflect the fair market value of those assets and determining the liabilities of the Fund.

Capital Distributions

The Fund may, in the sole and absolute discretion of the Manager, make distributions of capital to Members in proportion to their capital account balances as of the date the distribution is declared.

Compensation to Manager and Affiliates

The Fund will compensate the Manager and Affiliates as described in "Manager's Compensation" herein.

Manager's Interest

The Manager may withdraw from the management of the Fund at any time upon Ninety (90) days' written notice to all Members. A successor manager of the Fund may only be elected by the Members. In any such event, a majority of the Members, shall promptly elect a successor as Manager; provided, however if the then Manager desires to appoint an Affiliate as the new Manager, then such Affiliate may become the Manager without Member approval.

Cash Distributions

The Fund will make distributions to Members as described in the "Terms of the Offering" above.

Operating Expenses

Fund expenses shall include, without limitation, the following: Fund organizational costs, tax preparation, CPA fees, legal fees, Fund Administration fees, third-party custodian fees, capital acquisition fees and costs (including broker/dealers or registered investment advisers, as applicable), property improvement and/or

rehabilitation costs not otherwise capitalized, sales commissions, taxes, insurance, utilities, and any other expenses associated with the operation of the Fund and management of its assets.

It shall reimburse the Manager for any expenses incurred by the Manager stated herein, as well as those that are properly considered ordinary and reasonable business expenses of the Fund. These Fund expense reimbursements will be calculated as of the first day of the month with regards to the aggregate capital in the Fund as of that day and paid out as of the first day of the following month.

Profits and Losses

The Fund's profit or loss for any taxable year, including the taxable year in which the Fund is dissolved, will be allocated among the Members in proportion to their capital account balances that they held during the applicable tax reporting period.

Restrictions on Transfer

The Operating Agreement places substantial limitations upon transferability of Membership Interests. Any transferee must be a person that would have been qualified to purchase a Membership Interest in this offering. No Membership Interest may be transferred if, in the sole judgment of the Manager, a transfer would jeopardize the availability of exemptions from the registration requirements of federal securities laws, jeopardize the tax status of the Fund as a limited liability company taxed as a partnership, or cause a termination of the Fund for federal income tax purposes.

A transferee may not become a substitute Member without the consent of the Manager. Such consent may not be unreasonably withheld if the transferor and the transferee comply with all the provisions of the Operating Agreement and applicable law. A transferee who does not become a substitute Member has no right to vote in matters brought to a vote of the Members, or to receive any information regarding the Fund or to inspect the Fund books but is entitled only to the share of income or return of capital to which the transferor would be entitled.

Rights and Liabilities of Members

The rights, duties and powers of Members are governed by the Operating Agreement and applicable California corporate and business law, and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to them.

Investors who become Members in the manner set forth herein will not be responsible for the obligations of the Fund. They may be liable to repay capital returned to them plus interest if necessary to discharge liabilities existing at the time of such return. Any cash distributed to Members may constitute, wholly or in part, return of capital.

Rights, Powers and Duties of Manager

Subject to the right of the Members to vote on specific matters, the Manager will have complete charge of the business of the Fund. The Manager is not required to devote itself full-time to LLC affairs but only such time as is required for the conduct of LLC business. The Manager has the power and authority to act for and bind the Fund. The Manager is granted the special power of attorney of each Member for the purpose of executing any document which the Members have agreed to execute and deliver.

Fund Brought to Close

The Fund will not cease to exist immediately upon the occurrence of an event of dissolution but will continue to exist until its affairs have been brought to a close. Upon dissolution of the Fund, the Manager will bring to a close the Fund's affairs by liquidating the Fund's assets as promptly as is consistent with obtaining the fair market value thereof, either by sale to third parties or by collecting loan payments under the terms of the loan(s) until a suitable sale can be arranged. All funds received by the Fund shall be applied to satisfy or provide for Fund debts and liabilities and the balance, if any, shall be distributed to Members on a pro-rata basis.

Withdrawal

Class A Members may not withdraw their capital from the Fund until they have been members of the Fund for at least Twelve (12) months. After Twelve (12) months, a Class A Member may request to withdraw from the Fund by providing the Fund with a Sixty (60) days' written request prior to expecting to be withdrawn from the Fund. Class B-1 Members may not withdraw their capital from the Fund until they have been members of the Fund for at least Six (6) months. After Six (6) months, a Class B-1 Member may request to withdraw from the Fund by providing the Fund with a Thirty (30) days' written request prior to expecting to be withdrawn from the Fund. Manager will return capital to Class B-1 Members within Ninety (90) days of the Effective Withdrawal Date. The withdrawal date shall be effective upon the date of receipt of the Member's withdrawal request by the Manager (the "Effective Withdrawal Date"). The Manager will use its best efforts to return capital on a first-come first-served basis subject to, among other things, the Fund's cash flow, financial condition, and prospective transactions in assets.

The Fund and the Manager are not under any circumstances obligated to liquidate any assets, properties or loans in any efforts to accommodate or facilitate any Member(s)' request for withdrawal or redemption from the Fund. Each request of a Class A Member for a return of capital will be limited to Twenty-Five Percent (25%) of such Class A Member's capital account balance such that it will take at least Four (4) quarters for a Class A Member to withdraw his, her, or its total investment in the Fund; provided, however, that the maximum aggregate amount of capital that the Fund will return to the Class A Members each fiscal year is limited to Ten Percent (10%) of the total outstanding capital of the Fund, or Five Hundred Thousand Dollars ($500,000), whichever is less. Withdrawal requests will be processed by the Fund on a first-come, first-served basis. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, waive or modify such withdrawal requirements.

Class A Members may request to withdraw from the Fund before they have been a Member for Twelve (12) months and Class B-1 Members may request to withdraw from the Fund before they have been a Member for Six (6) months (each, an "Early Withdrawal") upon a showing of undue hardship. Acceptability of the Member's hardship will be determined by the Manager, in its sole and absolute discretion. Members who are granted an Early Withdrawal will be subject to a penalty of Five Percent (5%) of the Member's withdrawal proceeds. The Manager may, at its sole discretion, waive the Early Withdrawal penalty.

The Manager may at any time suspend the withdrawal of funds from the Fund, upon the occurrence of any of the following circumstances: (i) whenever, as a result of events, conditions or circumstances beyond the control or responsibility of the Manager or the Fund, disposal of the assets of the Fund is not reasonably practicable without being detrimental to the interests of the Fund or its Members, determined in the sole and absolute discretion of the Manager; (ii) it is not reasonably practicable to determine the net asset value of the Fund on an accurate and timely basis; or (iii) if the Manager has determined to dissolve the Fund. Notice of any suspension will be given within Ten (10) business days from the time the decision was made to suspend distributions to any Member who has submitted a withdrawal request and to whom full payment of the redemption proceeds has not yet been remitted. If a redemption request is not rescinded by a Member

following notification of a suspension, the redemption will be effected as of the last day of the calendar month in which the suspension is lifted, on the basis of the net asset value of the Fund at that time and in the order determined by the Manager in its sole and absolute discretion.

All prospective Investors should understand that the average term of loans is expected to range from Six (6) months and Sixty (60) months, and accordingly, the cash flow and access to cash availability of the Fund is likely to be limited on an ongoing basis (i.e., most of the Fund's available resources will be committed as invested in loans for significant periods of time). Further, prospective Investors should understand the loans are illiquid and the ability to sell loans or its assets (even if the Fund was inclined to do so) may be limited, and accordingly, any investment made in or through this Offering should be considered highly illiquid.

Redemption Policy and Other Events of Disassociation

The Manager may, at its sole and absolute discretion, cause the Fund to repurchase Membership Interests from Members desiring to resign from membership or as a part of a plan to reduce the outstanding capital of the Fund. There is no guarantee that the Fund will have sufficient funds to cause the redemption of any Membership Interests. Therefore, any investment in the Fund should be considered illiquid.

The Fund may also expel a Member for cause if the Member has materially breached or is unable to perform the Member's material obligations under the Operating Agreement. A Member's expulsion from the Fund will be effective upon the Member's receipt of written notice of the expulsion by the Fund.

Upon any expulsion, transfer of all of Membership Interests, withdrawal or resignation of any Member, an event of disassociation shall have occurred and (a) the Member's right to participate in the Fund's governance, receive information concerning the Fund's affairs and inspect the Fund's books and records will terminate and (b) unless such disassociation resulted from the transfer of the Member's Membership Interests, the Member will be entitled to receive the distributions to which the Member would have been entitled as of the effective date of the dissociation had the dissociation not occurred. The Member will remain liable for any obligation to the Fund that existed prior to the effective date of the dissociation, including, without limitation, any costs or damages resulting from the Member's breach of the Operating Agreement. Under most circumstances, the Member will have no right to any return of his or her capital prior to the termination of the Fund unless the Manager elects, at its sole and absolute discretion, to return capital to a Member.

The effect of redemption or disassociation on Members who do not sell or return their Membership Interests will be an increase in each Member's respective percentage interest in the Fund and therefore an increase in each Member's respective proportionate interest in the future earnings, losses and distributions of the Fund and an increase in the respective relative voting power of each remaining Member. Notwithstanding anything to the contrary herein, redemption shall be at the sole and absolute discretion of the Manager and the Manager shall not be compelled to redeem or repurchase Membership Interests at any time or for any reason.

The redemption of Membership Interests shall be subject to the Fund's availability of sufficient cash to pay the expenses of the Fund, maintain any valuation allowance and pay the redemption or withdrawal amounts to other Members who requested withdrawal or redemption in the order of the request. No redemption or withdrawal may be made that would render the Fund unable to pay its obligations as they become due. The Fund shall not be required to sell its assets to raise cash to effectuate any redemption or withdrawal.

A redeeming Member shall have the rights of a transferee until such time as the Fund has actually redeemed those Membership Interests, that is, the Member shall be entitled to receive distributions, but shall not be

entitled to vote. Redeemed Membership Interests revert to authorized but unissued Membership Interests and the former holder retains no interest of any kind in such Interests.

LEGAL MATTERS

The Fund has retained Geraci Law Firm of Irvine, California to advise it in connection with the preparation of this Offering, the Operating Agreement, the Subscription Agreement and any other documents related thereto. Geraci Law Firm has not been retained to represent the interests of any Investors or Members in connection with this Offering. Investors that are evaluating or purchasing Membership Interest should retain their own independent legal counsel to review this Offering, the Memorandum, the Operating Agreement, the Subscription Agreement and any other documents related to this Offering, and to advise them accordingly.

ADDITIONAL INFORMATION AND UNDERTAKINGS

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

EXHIBIT A-1

ARTICLES OF ORGANIZATION

California Secretary of State
Electronic Filing

FILED
Secretary of State
State of California

LLC Registration – Articles of Organization

Entity Name: ZINC Income Fund II, LLC

Entity (File) Number: 202009110039
File Date: 03/20/2020
Entity Type: Domestic LLC
Jurisdiction: California

Detailed Filing Information

1. Entity Name: ZINC Income Fund II, LLC

2. Business Addresses:
   a. Initial Street Address of Designated Office in California: 7815 North Palm Avenue, Suite 200
   Fresno, California 93711
   United States

   b. Initial Mailing Address: 7815 North Palm Avenue, Suite 200
   Fresno, California 93711
   United States

3. Agent for Service of Process: Todd Pigott
   7815 North Palm Avenue, Suite 200
   Fresno California 93711
   United States

4. Management Structure: One Manager

5. Purpose Statement: The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

Electronic Signature:

The organizer affirms the information contained herein is true and correct.

Organizer: Olivia Durnell

EXHIBIT A-2

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

SECOND AMENDED AND RESTATED

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

of

ZINC INCOME FUND II, LLC

a California limited liability company

This Second Amended and Restated Limited Liability Company Operating Agreement ("Agreement") of ZINC Income Fund II, LLC, a California limited liability company ("Company" or "Fund"), is by and among ZINC Financial Inc., a California corporation ("Initial Member" or "Manager"), and each of the additional Person who becomes a Member in accordance with the provisions of this Agreement. Any capitalized terms used herein but not defined herein shall have the meaning ascribed to them in the revised Private Placement Memorandum dated June 1, 2023, as amended ("Memorandum").

RECITALS

WHEREAS, the Company is a limited liability company formed under the California Revised Uniform Limited Liability Company Act, Cal. Corp Code §17701 Et Seq., as amended;

WHEREAS, the Manager now desires to amend and restate the First Amended and Restated Limited Liability Company Agreement (the "First Amended Agreement") in its entirety by entering into this Second Amended and Restated Limited Liability Company Operating Agreement, which shall supersede and replace the First Amended Agreement; and

WHEREAS, parties intend by this Agreement to define their rights and obligations with respect to the Company's governance and financial affairs and to adopt regulations and procedures for the conduct of the Company's activities.

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein and for good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the parties agree as follows:

ARTICLE 1: DEFINITIONS

1.1 **Scope**. For purposes of this Agreement, unless the language or context clearly indicates that a different meaning is expressed or intended, all capitalized terms used herein have the meanings specified in this Article 1.

1.2 **Defined Terms**.

(a) "Act" means the California Revised Uniform Limited Liability Company Act, Cal. Corp Code §17701 Et Seq., as amended.

(b) "Affiliate," with respect to a Person, means (1) a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Affiliate, (2) a Person who owns or controls at least Ten Percent (10%) of the outstanding voting interests of the Affiliate, (3) a Person who is an officer, director, manager or general partner of the Affiliate, or (4)

a Person who is an officer, director, manager, general partner, trustee or owner of at least Ten Percent (10%) of the outstanding voting interests of an Affiliate described in clauses (1) through (3) of this sentence.

(c) "Agreement" means this Agreement, including any subsequent amendments thereto.

(d) "Articles" means the Articles of Organization filed with the Secretary of State to organize the Company as a limited liability company, including any subsequent amendments thereto.

(e) "Assets Under Management" means the total Company capital, including cash, notes (at book value), real estate owned (at the lower of cost or fair market value), accounts receivable, advances made to protect loan security, unamortized organizational expenses, cash and any other Company assets valued at fair market value. The Asset Management Fee will be calculated, prorated, and paid at the end of each calendar month with respect to Assets Under Management as of the first day of such month.

(f) "Bankruptcy" means the filing of a petition seeking liquidation, reorganization, arrangement, readjustment, protection, relief or composition in any state or federal bankruptcy, insolvency, reorganization or receivership proceeding.

(g) "Capital Account" of a Member means the capital account maintained for such Member. The balance of the Capital Account of a Member, determined as set forth in Section 4.6 below, shall herein be referred to as the "Capital Account Balance."

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(i) "Contribution" means anything of value that a Member contributes to the Company as a prerequisite for, or in connection with, membership including (without limitation) any combination of cash, property, services rendered, a promissory note or any other obligation to contribute cash or property or render services.

(j) "Dissociation" means a complete termination of a Member's membership in the Company due to an event described in Article 3 hereof.

(k) "Distribution" means the Company's direct or indirect transfer of money or other property to a Member with respect to a Membership Interest.

(l) "Effective Date" means the date on which the Company's existence as a limited liability company begins, as prescribed by the Act.

(m) "Entity" means an association, relationship or artificial person through or by means of which an enterprise or activity may be lawfully conducted, including, without limitation, a partnership, trust, limited liability company, corporation, joint venture, cooperative or association.

(n) "Excess Distributable Cash" or "EDC" means the Company's monthly gross income less (1) the Company's expenses (including any interest and/or principal payment to a credit facility, bank, or other similar arrangements, any administrative costs, legal and accounting fees, Fund Administration fees, loan servicing fees, and other Company expenses) and an allocation of income for a valuation allowance, (2) payment of the Asset Management Fee and other fees to the Manager, (3) payment of the Preferred Return to the Members, and (4) any applicable and eligible redemption of Member's Membership Interests.

(o) "Family," with respect to a Member, means any individual(s) who are related to the Member by blood, marriage or adoption. For the purposes of this definition, an individual is related to the Member by marriage if the person is related by blood or adoption to the Member's current spouse.

(p) "Initial Member" means the persons identified above as the Initial Member.

(q) "Majority" means more than Fifty Percent (50%) of the outstanding Membership Interests in the Company.

(r) "Manager" means a Person who is vested with authority to manage the Company in accordance with Article 5 hereof.

(s) "Member" means any Initial Member or any Person who is admitted as an additional or a substitute Member after the Effective Date, in accordance with Article 3 hereof.

(t) "Membership Interest" means a Member's percentage interest in the Company, which consists of the member's right to share in profits, receive Distributions, participate in the Company's governance, participate in the designation and removal of the Manager and receive information pertaining to the Company's affairs. Changes in Membership Interests after the Effective Date, including those necessitated by the admission and Dissociation of Members, will be reflected in the Company's records. The allocation of Membership Interests as reflected in the Company's records from time to time is presumed to be correct for purposes of this Agreement and the Act. Membership Interests do not represent any fixed or absolute percentage interest representing ownership in the Company, but instead Membership Interests represent an interest in the Company and the amount of any Member's actual percentage interest representing ownership in the Company shall generally be determined by the number of Membership Interests that such Member owns divided by the total number of Membership Interests outstanding. There shall be two classes (each a "Class" and collectively referred to as "Classes" or "Membership Classes") of Membership Interests of the Company. The two classes of Membership Interests shall be defined and referred to herein as "Class A Membership Interests," and "Class B-1 Membership Interests," All existing Class B Membership Interests will be converted to Class A Membership Interests. Members who acquire Class A Membership Interests and Members whose Class B Membership Interests have been converted to Class A Membership Interests shall be referred as "Class A Member" or "Class A Members." Members who acquire Class B-1 Membership Interests shall be referred as "Class B-1 Member" or "Class B-1 Members." The members within Class A may have differing rights, preferences, and restrictions than the members within the Class B-1.

(u) "Memorandum" shall mean the Private Placement Memorandum of the Company, as amended from time to time.

(v) "Minimum Gain" means minimum gain as defined in Sections 1.704-2(b)(2) and 1.704-2(d) of the Regulations.

(w) "Permitted Transferee," with respect to a Member, means another Member, a member of the Member's Family, or a trust for the benefit of the Member or a member of the Member's Family.

(x) "Person" means a natural person or an Entity.

(y) "Profit," as to a positive amount, and "Loss," as to a negative amount, mean, for a Taxable Year, the Company's income or loss for the Taxable Year, as determined in accordance with accounting principles appropriate to the Company's method of accounting and consistently applied.

(z) "Regulations" means proposed, temporary or final regulations promulgated under the Code by the U.S. Department of the Treasury, as amended from time to time.

(aa) "Servicer" refers to the servicer of the Company loans.

(bb) "Subscription Agreement" means the Subscription Agreements for Class A and Class B Members attached as Exhibit B of the Memorandum.

(cc) "Taxable Year" means the Company's taxable year as determined in Article 6 hereof.

(dd) "Transfer," as a noun, means a transaction or event by which ownership of any Membership Interest is changed or encumbered, including, without limitation, a sale, exchange, abandonment, gift, pledge or foreclosure. "Transfer," as a verb, means to affect a Transfer.

(ee) "Transferee" means a Person who acquires any Membership Interest by Transfer from a Member or another Transferee not admitted as a Member in accordance with Article 3 hereof.

ARTICLE 2: THE COMPANY

2.1 **Status.** The Company is a limited liability company organized in the State of California under the Act.

2.2 **Name.** The name of the Company is ZINC Income Fund II, LLC.

2.3 **Term.** The Company's existence as a limited liability company will commence on the Effective Date and continue until dissolved herein pursuant to Article 7 below, unless sooner dissolved or terminated under the Act or as described herein.

2.4 **Purpose.** The purpose of the Company is to engage in any lawful act or activity for which a limited liability company may be organized under the Act; provided that, subject to the foregoing, the Company presently intends to raise money through the offering of Membership Interest ("Offering") in order to: to make, purchase, originate, fund, acquire and/or otherwise sell loans secured by interests in real or personal property located across the United States with a primary focus in California, Washington, Arizona, New Mexico, Texas, Colorado, Michigan, Indiana, Ohio, and Tennessee. The Company may also manage, remodel, repair, lease and/or sell real properties acquired through the Company's lending activities, including but not limited, properties acquired through foreclosure and real estate owned ("REOs").

2.5 **Principal Place of Business.** The Company's principal place of business is located at: 1525 E. Shaw Avenue, Fresno, CA 93710.

2.6 **Registered Agent and Registered Office.** The Company's registered office in the State of California is located at: 1525 E. Shaw Avenue, Fresno, CA 93710, and its registered agent at that location is Todd Pigott. The Company may change its registered agent or registered office at any time for any reason (or no reason).

ARTICLE 3: MEMBERSHIP

3.1 **Identification.**

(a) Members. The Manager will be the Initial Member of the Company. The Manager may choose to invest capital into the Company. Nothing contained herein shall be deemed to prohibit the Manager from increasing its interest in the Company on the same basis as any other person.

(b) Membership Classes. The Company has authorized two classes of Membership Interests identified as Class A Membership Interests and Class B-1 Membership Interests. All existing Class B Membership Interests will be converted to Class A Membership Interests with a 1:1 ratio. The Minimum Investment Amount to purchase Class A Membership Interests and Class B-1 Membership Interests will be Fifty Thousand Dollars ($50,000). Each Investor contemplating such purchase must meet the qualifications of an "Accredited Investor." The members within Class A and Class B-1 shall be entitled to vote in accordance with Article 3.

(c) Additional and Substitute Members. The Company may admit additional or substitute Members with the sole approval of the Manager. Except as set forth herein, the Manager may withhold approval of the admission of any Person for any or no reason. The Manager will not permit any person to become a member until such person has agreed to be bound by all the provisions of this Operating Agreement as amended as of the date of the proposed admission, and the terms of the Memorandum, and has delivered to the Company a completed Subscription Agreement along with payment in the amount of such investment.

(d) Rights of Additional or Substitute Members. A Person admitted as an additional or substitute Member has all the rights and powers, and is subject to all the restrictions and obligations of a Member under this Agreement and the Act.

3.2 **Withdrawal.** Class A Members may not withdraw their capital from the Fund until they have been members of the Fund for at least Twelve (12) months. After Twelve (12) months, a Class A Member may request to withdraw from the Fund by providing the Fund with a Sixty (60) days' written request prior to expecting to be withdrawn from the Fund. Class B-1 Members may not withdraw their capital from the Fund until they have been members of the Fund for at least Six (6) months. After Six (6) months, a Class B-1 Member may request to withdraw from the Fund by providing the Fund with a Thirty (30) days' written request prior to expecting to be withdrawn from the Fund. Manager will return capital to Class B-1 Members within Ninety (90) days of the Effective Withdrawal Date. The withdrawal date shall be effective upon the date of receipt of the Member's withdrawal request by the Manager (the "Effective Withdrawal Date"). The Manager will use its best efforts to return capital on a first come first served basis subject to, among other things, the Fund's cash flow, financial condition, and prospective transactions in assets.

The Fund and the Manager are not under any circumstances obligated to liquidate any assets, properties or loans in any efforts to accommodate or facilitate any Member(s)' request for withdrawal or redemption from the Fund. Each request of a Class A Member for a return of capital will be limited to Twenty-Five Percent (25%) of such Class A Member's capital account balance such that it will take at least Four (4) quarters for a Class A Member to withdraw his, her, or its total investment in the Fund; provided, however, that the maximum aggregate amount of capital that the Fund will return to the Class A Members each fiscal year is limited to Ten Percent (10%) of the total outstanding capital of the Fund, or Five Hundred Thousand Dollars ($500,000), whichever is less. Withdrawal requests will be processed by the Fund on a first-come,

first-served basis. Notwithstanding the foregoing, the Manager may, in its sole and absolute discretion, waive or modify such withdrawal requirements.

Class A Members may request to withdraw from the Fund before they have been a Member for Twelve (12) months and Class B-1 Members may request to withdraw from the Fund before they have been a Member for Six (6) months (each, an "Early Withdrawal") upon a showing of undue hardship. Acceptability of the Member's hardship will be determined by the Manager, in its sole and absolute discretion. Members who are granted an Early Withdrawal will be subject to a penalty of Five Percent (5%) of the Member's withdrawal proceeds. The Manager may, at its sole discretion, waive the Early Withdrawal penalty.

The Manager may at any time suspend the withdrawal of funds from the Fund, upon the occurrence of any of the following circumstances: (i) whenever, as a result of events, conditions or circumstances beyond the control or responsibility of the Manager or the Fund, disposal of the assets of the Fund is not reasonably practicable without being detrimental to the interests of the Fund or its Members, determined in the sole and absolute discretion of the Manager; (ii) it is not reasonably practicable to determine the net asset value of the Fund on an accurate and timely basis; or (iii) if the Manager has determined to dissolve the Fund. Notice of any suspension will be given within Ten (10) business days from the time the decision was made to suspend distributions to any Member who has submitted a withdrawal request and to whom full payment of the redemption proceeds has not yet been remitted. If a redemption request is not rescinded by a Member following notification of a suspension, the redemption will be effected as of the last day of the calendar month in which the suspension is lifted, on the basis of the net asset value of the Fund at that time and in the order determined by the Manager in its sole and absolute discretion.

All prospective Investors should understand that the average term of loans is expected to range from Six (6) months and Sixty (60) months, and accordingly, the cash flow and access to cash availability of the Fund is likely to be limited on an ongoing basis (i.e., most of the Fund's available resources will be committed as invested in loans for significant periods of time). Further, prospective Investors should understand the loans are illiquid and the ability to sell loans or its assets (even if the Fund was inclined to do so) may be limited, and accordingly, any investment made in or through this Offering should be considered highly illiquid.

3.3 **Restrictions on Transfer.**

(a) Restrictions on Transfer. A Member may Transfer his, her or its Membership Interest only in compliance with this Article 3. Restrictions have been placed upon the ability of all Members to resell or otherwise dispose of any Membership Interest obtained or acquired hereunder including, without limitation, the following:

(1) The Membership Interests have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended ("Act"), in reliance upon the exemptions provided for under Section 4(A)(2) and Regulation D thereunder.

(2) There is no public market for the Membership Interests and none is expected to develop in the future. Even if a potential buyer could be found, Membership Interests may not be resold or transferred without satisfying certain conditions designed to comply with applicable tax and securities laws, including, without limitation, provisions of the Act, Rule 144 thereunder, and the requirement that certain legal opinions be provided to the Manager with respect to such matters. A transferee must meet the same investor qualifications as the Members admitted during the Offering Period. Any potential buyer must be capable of bearing the economic risks of this investment with the

understanding that Membership Interests may not be liquidated by resale or redemption and should expect to hold their Membership Interests as a long-term investment.

(3) A legend will be placed upon all instruments evidencing ownership of Membership Interests in the Company stating that the Membership Interests have not been registered under the Securities Act of 1933, as amended, and set forth the foregoing limitations on resale. Notations regarding these limitations shall be made in the appropriate records of the Company with respect to all Membership Interests offered hereby. Any Member who transfers, upon the Manager's consent, any Membership Interests to another Person shall, subject to the sole and absolute discretion of the Manager, pay the Manager a transfer fee of at least Five Hundred Dollars ($500) to cover administrative costs related thereto. If a Member transfers Membership Interests to more than one person, except transferees who will hold title together, the transfer to each person will be considered a separate transfer.

(b) Null and Void. An attempted Transfer of all or a portion of a Membership Interest that is not in compliance with this Article will be null and void. No Membership Interest may be transferred if, in the judgment of the Manager, a transfer would jeopardize the availability of exemptions from the registration requirements of federal securities laws, jeopardize the tax status of the Company as a limited liability company or, cause a termination of the Company for federal income tax purposes.

(c) Permitted Transfers. A Member may at any time Transfer one or more Membership Interests to a Permitted Transferee if, as of the date the Transfer takes effect, the Company is reasonably satisfied that all of the following conditions are met:

(1) the conditions listed above have been met;

(2) the Transferee is a person with the same qualifications as the original Member;

(3) the Transfer, alone or in combination with other Transfers, will not result in the Company's termination for federal income tax purposes;

(4) the Transfer is the subject of an effective registration under, or exempt from the registration requirements of, applicable state and federal securities laws;

(5) the Company receives from the Transferee the information and agreements reasonably required to permit it to file federal and state income tax returns and reports; and

(6) the Manager receives payment from the Transferee of a transfer fee of Five Hundred Dollars ($500) for each Transferee.

(d) Transferor's Membership Status. If a Member Transfers less than all of his, her, or its Membership Interest, the Member's rights with respect to the transferred portion of the Membership Interest, including the right to vote or otherwise participate in the Company's governance and the right to receive Distributions, will terminate as of the effective date of the Transfer. However, the Member will remain liable for any obligation with respect to the transferred portion that existed prior to the effective date of the Transfer, including (without limitation) any costs or damages resulting from the Member's breach of this Agreement. If the Member Transfers all of his, her or its Membership Interest, the Transfer will constitute an event of Dissociation.

(e) Transferee's Status.

(1) Admission as a Member. A Member who Transfers one or more Membership Interests has no power to confer on the Transferee the status of a Member. A Transferee may be admitted as a Member only in accordance with the provisions of this Article. A Transferee who wishes to become a Member must make application in writing to the Company and provide evidence, as requested by the Company, of compliance with all conditions to admission, as set forth above. Prior to admission, each proposed member must execute and deliver a counterpart of this Agreement, as amended to date, or a separate written agreement to be bound hereby. The Company shall not without cause refuse the application for membership of a Transferee who has complied with all the provisions of this Agreement.

(2) Rights of Non-Member Transferee. A Transferee who is not admitted as a Member in accordance with the provisions of this Article: (i) has no right to vote or otherwise participate in the Company's governance; (ii) is not entitled to receive information concerning the Company's affairs or inspect the Company's books and records; (iii) with respect to the transferred Membership Interests, is entitled to receive the Distributions to which the Member would have been entitled had the Transfer not occurred; and (iv) is subject to the restrictions imposed by this Article to the same extent as a Member. Any provision of the Agreement permitting or requiring the Members to take action by vote or written approval of a specified percentage of the Membership Interests shall be deemed to mean only Membership Interests then owned by Members.

3.4 **Expulsion of a Member.** At any time there are more than Two (2) Members, the Company may expel a Member, but only for cause. Cause for expulsion exists if the Member has materially breached this Agreement, is unable to perform the Member's material obligations under this Agreement, or if the Manager suspects the Member has violated federal or state law, rules, and regulations or the Member is under investigation by the federal, state, and/or local authorities, subject to the sole and absolute discretion and notwithstanding any of the withdrawal restrictions described herein. If a Member is expelled, that Member forfeits any and all rights to any accrued distribution during the interim quarter whether or not the withdrawal is partial or total. A Member's expulsion from the Company will be effective upon the Member's receipt of written notice of the expulsion.

3.5 **Return of Capital.** Subject to the terms contained herein, the Company may return all or a portion of a Member's capital at the Manager's discretion. Any such return of capital would not be considered a Distribution and would not be included in the determination of such Member's return on investment. However, any such return of capital would reduce the Member's Membership Interest in the Company. Thus, if Manager elects to return all of Member's capital, Member shall no longer be a Member in the Company and the Member would be considered to have withdrawn or to have elected redemption from the Company.

3.6 **Upon Dissociation.** Dissociation from the Company occurs upon a Member's expulsion, transfer or redemption of all of the Member's Membership Interests, withdrawal, or resignation (an "Event of Dissociation"). Upon the occurrence of an Event of Dissociation: (1) the Member's right to participate in the Company's governance, receive information concerning the Company's affairs and inspect the Company's books and records will terminate; and (2) unless the Dissociation resulted from the Transfer of the Member's Membership Interests, the Member will be entitled to receive the Distributions to which the Member would have been entitled as of the effective date of the Dissociation had the Dissociation not occurred until the Member has fully redeemed or withdrawn its Membership Interests in accordance with the terms herein. The Member will remain liable for any obligation to the Company that existed prior to the effective date of the Dissociation, including any costs or damages resulting from the Member's breach of this Agreement. Under most circumstances, the Member will have no right to any return of his or her capital prior to the termination of the Company unless the Manager elects to return capital to a Member.

The effect of such Dissociation on the remaining Members who do not sell will be to increase their percentage share of the remaining assets of the Company, and thus their proportionate share of its future earnings, losses and Distributions. The reduction in the outstanding Membership Interests will also increase the relative voting power of remaining Members.

3.7 **Verification of Membership Interest.** Within Thirty (30) days after receipt of a Member's written request, the Company will provide such Member with a statement evidencing his, her, or its Membership Interest in the Company.

3.8 **Manner of Action by Members.**

(a) Meetings.

(1) Right to Call. The Manager, or any combination of Members holding in the aggregate more than Twenty-Five Percent (25%) of the total outstanding Membership Interest, may call a meeting of Members by giving written notice to all Members not less than Thirty (30), or more than Sixty (60) days prior to the date of the meeting. The notice must specify the date, time and place of the meeting and the nature of any business to be transacted. A Member may waive notice of a meeting of Members orally, in writing, or by attendance at the meeting.

(2) Time and Place. Unless otherwise specified in the notice of meeting, all meetings shall be held at 2:00 p.m. on a regular business day of the Company, at the Company's principal place of business. No meeting may be held on a Sunday or legal holiday; at a time that is before 7:30 a.m. or after 9:00 p.m.; or at a place more than Sixty (60) miles from the Company's principal place of business.

(3) Proxy Voting. A Member may act at a meeting of Members through a Person authorized by signed proxy.

(4) Quorum. Members whose aggregate holdings exceed a Majority of the outstanding Membership Interest will constitute a quorum at a meeting of Members. No action may be taken in the absence of a quorum.

(5) Required Vote. Except with respect to matters for which a greater minimum vote is required by the Act or this Agreement, the vote of Members present whose aggregate holdings exceed a Majority of the outstanding Membership Interests will constitute the act of the Members at a meeting of Members.

(b) Written Consent. The Members may act without a meeting by written consent describing the action and signed by Members whose aggregate holdings of the Membership Interest equal or exceed the minimum that would be necessary to take the action at a meeting at which all Members were present.

3.9 **Limitation on Individual Authority.** A Member who is not also the Manager has no authority to bind the Company. A Member whose unauthorized act obligates the Company to a third party will indemnify the Company for any costs or damages the Company incurs as a result of the unauthorized act.

3.10 **Negation of Fiduciary Duties.** A Member who is not also the Manager owes no fiduciary duties to the Company or to the other Members solely by reason of being a Member.

ARTICLE 4: FINANCE

4.1 **Contributions.**

(a) Initial Member. The Manager will be the Initial Member of the Company. Nothing contained herein shall be deemed to prohibit the Manager from increasing or decreasing its interest in the Company on the same basis as any other person or entity.

(b) Additional Members. The Company may admit additional or substitute Members with the sole approval of the Manager. Except as set forth herein, the Manager may withhold approval of the admission of any Person for any or no reason. The Manager will not permit any person to become a member until such person has agreed to be bound by all the provisions of this Agreement as amended as of the date of the proposed admission, and the terms of the Memorandum, and has delivered to the Company a completed Subscription Agreement along with payment in the amount of such investment. Members' subscription funds will be released to the operating bank account of the Company and Class A Membership Interests or Class B Membership Interests will be issued to such Members.

(c) Additional Contributions. The Company may authorize additional Contributions at such times and on such terms and conditions as it determines to be in its best interest. Absent the Company's authorization, no Member is permitted to make additional Contributions.

(d) Contributions Not Interest Bearing. A Member is not entitled to interest or other compensation with respect to any cash or property the Member contributes to the Company.

(e) Conversion Option. A Class B Member may convert his, her, or its entire Class B Membership Interests to Class A Membership Interests once the Class B Member holds a Capital Account Balance of Five Hundred Thousand Dollars ($500,000) or more. Upon reaching or passing the threshold of Capital Account Balance of Five Hundred Thousand Dollars ($500,000) or more, the Class B Member's Class B Membership Interests will automatically be converted to Class A Membership Interests with a 1:1 ratio, effective on the next monthly distribution period.

4.2 **Allocation of Profit and Loss.** After giving effect to special allocations, if any, the Company's Profit or Loss for a Taxable Year, including the Taxable Year in which the Company is dissolved, will be allocated among the Members in proportion to their Capital Account Balances during the applicable tax reporting period.

4.3 **Tax Allocations.** For federal income tax purposes, unless the Code otherwise requires, each item of the Company's income, gain, loss or deduction will be allocated to the Members in proportion to their allocations of the Company's Profit or Loss.

4.4 **Distributions.**

(a) The Preferred Return. Members will generally be entitled to receive a preferred return ("Preferred Return") on their investment, calculated and payable monthly (and pro-rated as applicable for the amount of time that a Member was a member of the Fund). Class A Members will generally be eligible to receive a **cumulative** non-compounding preferred return on their investment, calculated and payable on a monthly basis (and prorated as applicable for the amount of time that a Class A Member was a member of the Company). Class A Members who acquire Membership Interests and Members whose Class B Membership Interest have been converted to Class A Membership Interests shall generally be entitled to receive such annual cumulative non-compounding Preferred Return of Six Percent (6%) on their unreturned capital contributions made by the Members. Any unpaid Preferred Return on any

given year will accumulate until distributed to the Class A Members. This Preferred Return will be payable after the payment of the Asset Management Fee but before any profit participation by the Manager. In addition, all expenses will be paid prior to the Preferred Return.

Class B-1 Members will generally be entitled to receive a **non-cumulative** annualized Preferred Return on their investment, calculated and payable monthly (and pro-rated as applicable for the amount of time that a Class B-1 Member was a member of the Fund). Class B-1 Members who acquire Class B-1 Membership Interests shall generally be entitled to receive such annual non-cumulative Preferred Return of Six Percent (6%) on their unreturned capital contributions made by the Class B-1 Members. This Preferred Return will be payable after the payment of the Asset Management Fee but before any profit participation by the Manager. In addition, all expenses will be paid prior to the Preferred Return. The annual Preferred Return of Six Percent (6%) to Class B-1 Members may be adjusted semi-annually by the Manager with advanced notice of Ninety (90) days to the Class B-1 Members, at Manager's sole and absolute discretion.

Distributions of the Preferred Return are not guaranteed and will be made subject to the sole and absolute discretion of the Manager, to the extent that cash is available and the distribution of the Preferred Return will not impact the continuing operations of the Fund.

(b) Excess Cash Distributions. Any Excess Distributable Cash in excess of the Preferred Return shall be allocated to the Class A Members (and prorated as applicable for the amount of time that a Class A Member was a member of the Company) on a monthly basis, as follows: Eighty Percent (80%) of such EDC shall be distributed to the Class A Members on a pro-rata basis (based on the ownership interest owned by each Class A Member as compared to the total aggregate outstanding and issued Class A Membership Interests) and Twenty Percent (20%) shall be distributed to the Manager. Class B-1 Members shall not be entitled to any distributions of EDC.

(c) Waterfall. In accordance with the Distribution set forth in Section 4.4 herein, the Company's cashflows shall be distributed as follows:

(1) First, to pay for expenses (including any interest and/or principal payment to a credit facility, bank, or other similar arrangements, any administrative costs, legal and accounting fees, Fund Administration fees, loan servicing fees, and other Company expenses), and an allocation of income for a valuation allowance;

(2) Second, to pay the Manager its Asset Management Fee (as defined below) which is equal to an annualized rate of One-Half of One Percent (0.5%) of the Assets Under Management and any other applicable fees payable to the Manager;

(3) Third, to distribute the Preferred Returns to Class A Members and Class B-1 Members (as defined above);

(4) Fourth, to redeem any of the eligible Member's Membership Interests, as determined by the Manager, in its sole and absolute discretion, but subject to the terms and conditions set forth in the Memorandum and this Agreement, including Section 3.2; and

(5) Thereafter, EDC shall be distributed to Class A Members and Manager based on the allocation stated in Section 4.4(b).

All EDC distributions will be made on a monthly basis, in arrears, and distributions to Class A Members shall be prorated as applicable for the amount of time that a Class A Member was a member of the Company during such accounting period. EDC is a non-cumulative return and is not guaranteed. EDC shall only be

distributed to the extent cash is available and provided that the income distributions will not impact the continuing operation of the Company, subject to the sole and absolute discretion of the Manager.

(d) Each Member has the option of receiving cash distributions for his, her or its share of the earnings of the Company that is payable to the Member, or having such amount(s) credited to his, her or its Capital Account and reinvested in the Company to increase such Member's Membership Interest. However, notwithstanding the foregoing, the Manager reserves the right to commence making cash distributions at any time to any Member(s) in order for the Company to remain exempt from the ERISA plan asset regulations.

(e) By the end of the Company's fiscal year, the Manager will make every effort to have distributed to each Member the amount of Profit or Loss that will be allocated to that Member on the Schedule K-1 that he, she, or it receives for income tax reporting. However, the amount of income reported to each Member on his, her, or its Schedule K-1 may differ somewhat from the actual cash Distributions made during the fiscal year covered by the Schedule K-1 due to, among other things the valuation allowance and factors unique to the tax accounting of limited liability companies, such as the treatment of investment expense.

4.5 **Reinvestment Election.** Each Member must elect to (a) receive cash distributions for his, her or its share distributions of the Company that is payable to the Member, or (b) having such amount(s) credited to his, her or its capital accounts and reinvested in the Company to purchase additional Membership Interests. Notwithstanding the foregoing, the Manager reserves the right to commence making cash distributions at any time to any Member(s) in order for the Company to remain exempt from the ERISA plan asset regulations. Members must elect to receive cash or reinvest all of their income distributions. No partial reinvestment is permitted.

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

The Company shall allocate profits and losses to the Class A and Class B Members' capital accounts in accordance with the Code, California Revised Uniform Limited Liability Company Act, and applicable federal and/or state securities laws.

4.6 **Capital Accounts.**

(a) General Maintenance. The Company will establish and maintain a Capital Account for each Class A Member and Class B Member. A Member's Capital Account Balance will be:

(1) increased by: (i) the amount of any money the Member contributes to the Company's capital; and (ii) the Member's share of the Company's Profits and any separately stated items of income or gain; and

(2) decreased by: (i) the amount of any money the Company distributes to the Member; and (ii) the Member's share of the Company's Losses and any separately stated items of deduction or loss.

(b) Transfer of Capital Account. A Transferee of Membership Interests succeeds to the portion of the transferor's Capital Account that corresponds to the portion of the Membership Interest that is the subject of the Transfer.

(c) Compliance with Code. The requirements of this Article are intended and will be construed to ensure that the allocations of the Company's income, gain, losses, deductions and credits have substantial economic effect under the Regulations promulgated under Section 704(b) of the Code.

4.7 **First Loss Commitment.** The Manager shall bear the first Principal Loss of the Fund in an amount up to but not to exceed Five Hundred Thousand Dollars ($500,000). "Principal Loss" shall mean the principal exposure outlays minus all sums collected and any reserves of the Fund. This obligation shall be referred to herein as the Manager's "First Loss Commitment". The Manager's First Loss Commitment shall not exceed the total aggregate amount of Five Hundred Thousand Dollars ($500,000) for the entire duration of the Fund, and shall be applied to the capital accounts of all Members.

ARTICLE 5: MANAGEMENT

5.1 **Representative Management.** The Company will be managed by One (1) Manager. By execution of this Agreement, and without prejudice to the right of the Members to remove the Manager as set forth in Article 5, the Initial Members and each Person hereafter admitted as a Member, other than Transferees, shall be deemed to have elected such Manager. The initial manager of the Company shall be: ZINC Financial Inc., a California corporation.

5.2 **Time Devoted to Business.** The Manager will devote to the Company's activities the amount of time reasonably necessary to discharge the Manager's responsibilities.

5.3 **Powers and Authority.**

(a) General Scope. Except for matters on which the Members' approval is required by the Act or this Agreement, the Manager has full power, authority and discretion to manage and direct the Company's business, affairs and properties, including the specific powers referred to in paragraph (b), below.

(b) Specific Powers.

(1) The Manager is authorized on the Company's behalf to make all decisions as to (i) the development, sale, lease or other disposition of the Company's assets; (ii) the origination and purchase of loans or any other assets of all kinds; (iii) the acquisition, purchase, leasing, and/or sale of properties or any other assets of all kinds; (iv) the management of all or any part of the Company's assets and business; (v) the borrowing of money and the granting of security interests in the Company's assets (including loans from Members) as, and only if, provided for in the Memorandum; (vi) the prepayment, refinancing or extension of any mortgage affecting the Company's assets; (vii) the compromise or release of any of the Company's claims or debts; (viii) the employment of Persons for the operation and management of the Company's business; and (ix) all elections available to the Company under any federal or state tax law or regulation.

(2) The Manager on the Company's behalf may execute and deliver (i) all contracts, conveyances, assignments, leases, subleases, franchise agreements, licensing agreements,

management contracts and maintenance contracts covering or affecting the Company's assets; (ii) all checks, drafts and other orders for the payment of the Company's funds; (iii) all loan documents including, without limitation, promissory notes, mortgages, deeds of trust, security agreements and other similar documents; (iv) all articles, certificates and reports pertaining to the Company's organization, qualification and dissolution; (v) all tax returns and reports; and (vi) all other instruments of any kind or character relating to the Company's affairs.

5.4 **Required Member Approval.** Except as specifically provided herein, without the approval of the Members holding a Majority of the issued and outstanding Membership Interests, the Company may not take any action with respect to: (a) the Company's merger with or conversion into another Entity; (b) causing the Company to incur debt which would exceed the amount provided for in the Memorandum; or (c) a transaction, not expressly permitted by this Agreement or Memorandum, involving a conflict of interest between the Manager and the Company.

5.5 **Duties of Manager.**

(a) Fiduciary Duty. The Manager shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, whether or not in the Manager's possession or control. Except as expressly permitted herein, or by subsequent approval of the Members, the Manager shall not employ, or permit another to employ Company funds or assets in any manner except for the exclusive benefit of the Company.

(b) Standard of Care.

(1) Exculpation. The Manager will not be liable to the Company or any Member for an act or omission done in good faith to promote the Company's best interests, unless the act or omission constitutes gross negligence, fraud, bad faith, intentional misconduct, or a knowing violation of law.

(2) Justifiable Reliance. The Manager may rely on the Company's records maintained in good faith and on information, opinions, reports or statements received from any Person pertaining to matters the Manager reasonably believes to be within the Person's expertise or competence.

(c) Competing Activities. The Manager may participate in any business or activity without accounting to the Company or the Members. Each Member waives the benefit of the corporate opportunity doctrine, on his or her own behalf and on behalf of the Company, and agrees that the Manager may deal in other real estate transactions for its own account and/or for the accounts of others without any requirement to account to the Company for such dealings.

(d) Self-Dealing. In addition to the transactions expressly permitted by this Agreement, the Manager may enter into business transactions with the Company if the terms of the transaction are no less favorable to the Company than those of a similar transaction with an independent third party, including without limitation selling loans to, and buying loans from, the Company.

(e) Specific Transactions. Without limiting the generality of the foregoing, it is hereby acknowledged and agreed that the Manager shall be permitted to bargain for and accept the following transactions connected with the business of the Company, subject to the terms of any other agreement among the Members.

(1) Loan Origination Fees, Exit Fees, and Lender Discount Points. Loan origination fees, exit fees, and lender discount points ("Loan Origination Fees") are generally collected

from borrowers by the Manager on behalf of the Company. Loan Origination Fees will be payable to the Manager, as further outlined below. Loan Origination Fees consist of loan processing fees, underwriting fees, document preparation fees, escrow fees, disbursement fees, warehousing fees, administration fees and other similar charges.

(2) Loan Servicing. It is presently anticipated that all Company loans will be serviced by the Manager who shall be entitled to a fee for servicing the loans ("Loan Servicing Fee"). Notwithstanding the foregoing, the Manager reserves the right to retain the services of a third party or appoint an Affiliate to serve as loan Servicer. To the extent that it is applicable, the Manager will oversee the activities and performance of the Servicer.

(3) Purchase of Existing Loans. When the Company purchases an existing loan (or pool of loans) from a third party, the Manager or Affiliate will be paid a fee comparable to a loan origination fee.

(4) Loan Extension and Modification Fees. Loan extension and modification fees are collected by the Manager from borrower on behalf of the Company and are considered a part of the Manager's compensation, as such fees are payable only to the Manager.

(5) Loan Processing, Loan Documentation, and Other Similar Fees. Loan processing, documentation and other similar fees are collected from the borrower and payable to the Manager at prevailing industry rates as part of the Manager's compensation.

(6) Other Loan Fees. All other fees paid by borrowers on account of loans will be collected by the Manager on behalf of the Company. These fees will be shared between the Manager and the Company, as further described in Section 5.7 below. These fees may include, without limitation, the following: all forbearance fees, late fees, late charges, collection fees, default interest, and all other similarly related fees incurred by borrowers (including, but not limited to, other fees authorized by loan documents for work performed regarding the subject loan).

(7) REO Properties. Any REOs acquired through the Company's lending activities will be managed, remodeled, repaired, leased, and/or sold by the Company, the Manager, and/or its Affiliates, as determined by the Manager in its sole and absolute discretion. Any cash flow derived from REOs, or profits gained from sale of such properties shall be retained by the Company, including any real estate commissions, property management fees, and/or fees accrued in connection with the REOs.

(8) Company Expenses. Company expenses shall include, without limitation, the following: Company organizational costs, tax preparation, CPA fees, legal fees, Fund Administration fees, third-party custodian fees, capital acquisition fees and costs (including broker/dealers or registered investment advisers, as applicable), property improvement and/or rehabilitation costs not otherwise capitalized, sales commissions, taxes, insurance, utilities, and any other expenses associated with the operation of the Company and management of its assets. It shall reimburse the Manager for any expenses incurred by the Manager stated herein, as well as those that are properly considered ordinary and reasonable business expenses of the Company. These Company expense reimbursements will be calculated as of the first day of the month with regards to the aggregate capital in the Company as of that day and paid out as of the first day of the following month.

5.6 **Indemnification of Manager.** Except as limited by law, the Company shall indemnify the Manager for all expenses (including, without limitation, legal fees and costs), losses, liabilities and damages the Manager actually and reasonably incurs in connection with the defense or settlement of any action arising out of or relating to the conduct of the Company's activities, except an action with respect to which

the Manager is adjudged to be liable for fraud, bad faith, willful misconduct, and/or breach of a fiduciary duty owed to the Company or the Members under the Act or this Agreement. Therefore, Members may have a more limited right of action than they would have absent these provisions in the Operating Agreement. The Company shall advance the costs and expenses of defending actions against the Manager arising out of or relating to the management of the Company, provided it first receives the written undertaking of the Manager to reimburse the Company if ultimately found not to be entitled to indemnification. A successful indemnification of the Manager or any litigation that may arise in connection with the Manager's indemnification could deplete the assets of the Company. Members who believe the Manager has engaged in conduct resulting in fraud, willful misconduct, bad faith, or breach of the Manager's fiduciary duty, should consult with their own legal counsel.

5.7 **Compensation to Manager and Affiliates.** The Company will compensate the Manager as follows for services rendered to or on behalf of the Company:

(a) Asset Management Fee. The Manager shall earn an annual asset management fee ("Asset Management Fee") of One-Half of One Percent (0.5%) of Assets Under Management, calculated and payable monthly. The Asset Management Fee will typically be paid on the last day of each calendar month with respect to the Assets Under Management as of last day of such month.

(b) Profit Participation. The Manager shall participate in the distribution of any Excess Distributable Cash as follows: after distribution of the Preferred Return to the Members, the Manager shall receive Twenty Percent (20%) of the EDC on a monthly basis.

(c) Loan Origination Fees, Exit Fees, and Lender Discount Points. Loan Origination Fees are generally collected from borrowers by the Manager (on behalf of the Company). Such fees and points average (in the aggregate) between One and Ten Percent (1-10%) but could be as low as Zero Percent (0%) or as high as Fifteen Percent (15%) depending on market conditions. One Hundred Percent (100%) of the Loan Origination Fees shall be payable to the Manager.

(d) Purchase of Existing Loans. When the Company purchases an existing loan (or pool of loans) from a third party, the Manager or Affiliate will be paid a fee comparable to a loan origination fee.

(e) Loan Extension and Modification Fees. Loan extension and modification fees are collected from borrowers and payable to the Manager on the Company's behalf. Such fees are typically between One and Three Percent (1-3%) of the original loan amount but could be higher or lower depending on market rates and conditions.

(f) Loan Processing, Loan Documentation, and other Similar Fees. Loan processing fees, document preparation fees and other similar fees collected from the borrower shall be payable to the Manager at prevailing industry rates as part of the Manager's Compensation.

(g) Loan Servicing Fee. The Manager shall serve as the Servicer for all loans the Company invests in, and shall be entitled to receive a Loan Servicing Fee of up to but not to exceed the following: One Twelfth of One Percent (1/12 of 1%) of the principal amount of each loan, payable monthly (i.e., 1% per year). This fee shall be collected monthly from the payments received from borrowers. While the Loan Servicing Fee is listed above, this fee may vary from loan to loan. In addition, if the Manager appoints a third-party Servicer, the Loan Servicing Fee may vary from the one listed herein and shall be calculated as an expense to the Company.

(h) Other Loan Fees. All other fees paid by borrowers on account of loans will be shared between the Company and the Manager as follows: Fifty Percent (50%) of the other fees will be payable to the Manager, and the remaining Fifty Percent (50%) of such fees will be retained by the Company; *except*, that, as it pertains to default interest, anything in excess of Fifteen Percent (15%) per annum of default interest, will be payable only to the Manager. These fees will include, without limitation, all forbearance fees, late fees, late charges, collection fees, default interest, and all other similarly related fees incurred by borrowers (including, but not limited to, other fees authorized by loan documents for work performed regarding the subject loan).

(i) REO Properties. Any REOs acquired through the Company's lending activities will be managed, remodeled, repaired, leased, and/or sold by the Company, the Manager, and/or its Affiliates, as determined by the Manager in its sole and absolute discretion. Any cash flow derived from REOs, or profits gained from sale of such properties shall be retained by the Company, including any real estate commissions, property management fees, and/or fees accrued in connection with the REOs.

(j) Company Expenses. Company expenses shall include, without limitation, the following: Company organizational costs, tax preparation, CPA fees, legal fees, Fund Administration fees, third-party custodian fees, capital acquisition fees and costs (including broker/dealers or registered investment advisers, as applicable), property improvement and/or rehabilitation costs not otherwise capitalized, sales commissions, taxes, insurance, utilities, and any other expenses associated with the operation of the Company and management of its assets. It shall reimburse the Manager for any expenses incurred by the Manager stated herein, as well as those that are properly considered ordinary and reasonable business expenses of the Company. These Company expense reimbursements will be calculated as of the first day of the month with regards to the aggregate capital in the Company as of that day and paid out as of the first day of the following month.

(k) The Company will bear the cost of the annual tax preparation of the Company's tax returns, any state and federal income tax due, and any required independent audit reports required by agencies governing the business activities of the Company.

(l) The definition of Manager's Fees includes all the fees described in "Compensation to Manager and Affiliates".

(m) The Manager may, but has no obligation to, defer all or a portion of the Manager's Fees. In such event, the Manager will be entitled to recover the deferred fees at a later time.

5.8 **Tenure.**

(a) Term. The Manager will serve until the earlier of (1) the Manager's resignation; (2) the Manager's removal; (3) as to a Manager who is a natural person, the Manager's death or adjudication of incompetency; and (4) as to a Manager that is an Entity, the Manager's dissolution. In any such event, Members representing a Majority of the Membership Interest outstanding shall promptly elect a successor as Manager; provided, however if the then Manager desires to appoint an Affiliate as the new Manager, then such Affiliate may become the Manager without Member approval.

(b) Resignation. The Manager at any time may resign by written notice delivered to the Members at Thirty (30) days prior to the effective date of the resignation. Members may elect a replacement Manager with a Majority vote, provided, however if the then Manager desires to appoint an Affiliate as the new Manager, then such Affiliate may become the Manager without Member approval.

(c) Removal. The Members may remove the Manager if: (1) the Manager is convicted or found liable for an act of gross negligence or fraud which materially lowers the net asset value of the Company, or (2) the holders of at least a Majority of the outstanding Membership Interests vote in favor of such removal. A successor manager of the Company may only be elected by the Members, provided that if the then-current Manager appoints an Affiliate as the successor Manager then no vote or consent of the Members shall be required unless expressly mandated by applicable California law.

ARTICLE 6: RECORDS AND ACCOUNTING

6.1 Maintenance of Records.

(a) Required Records. The Company will maintain, at its registered office in California, such books, records and other materials as are reasonably necessary to document and account for its activities, including without limitation, those required to be maintained by the Act.

(b) Member Access. A Member and the Member's authorized representative will have reasonable access to, and may inspect and copy, all books, records and other materials pertaining to the Company or its activities so long as it does not violate another member’s right to privacy or confidentiality. The exercise of such rights will be at the requesting Member's expense.

(c) Confidentiality. No Member or Manager will disclose any information relating to the Company or its activities to any unauthorized person or use any such information for his or her or any other Person's personal gain.

6.2 Financial Accounting.

(a) Accounting Method. The Company will account for its financial transactions using the accrual basis method of accounting. The Manager reserves the right to change such methods of accounting upon written notice to Members.

(b) Taxable Year. The Company's Taxable Year is the calendar year.

6.3 Reports.

(a) Members. Annual reports concerning the Company’s business affairs, including the Company’s annual income tax return, will be provided to Members who request them in writing. Each Member will receive his, her, or its respective K-1 Form as required by applicable law. The Manager may, at its sole and absolute discretion, designate any Person to provide tax and accounting advice to the Company, at any time and for any reason.

(b) Periodic Reports. The Company will complete and file any periodic reports required by the Act or the law of any other jurisdiction in which the Company is qualified to do business.

6.4 Tax Compliance.

(a) Withholding. If the Company is required by law or regulation to withhold and pay over to a governmental agency any part or all of a Distribution or allocation of Profit to a Member:

(1) the amount withheld will be considered a Distribution to the Member; and

(2) if the withholding requirement pertains to a Distribution in kind or an allocation of Profit, the Company will pay the amount required to be withheld to the governmental agency and promptly take such action as it considers necessary or appropriate to recover a like amount from the Member, including offset against any Distributions to which the Member would otherwise be entitled.

6.5 **Partnership Representative.**

(a) The Members hereby agree that: (i) the Manager (or an individual designated by the Manager) will be designated the initial "partnership representative" within the meaning of Section 6223(a) of the Code (the "Partnership Representative") and the Manager shall be authorized to take any actions necessary under Treasury Regulations or other guidance to cause such person to be designated as such; (ii) if an entity is designated as Partnership Representative, the Manager shall simultaneously designate an individual who will act for the entity Partnership Representative; (iii) the Partnership Representative may be removed and replaced at any time by the Manager; (iv) the Company and each Member agree that they shall be bound by the actions taken by the Partnership Representative, as described in Section 6223(b) of the Code; (v) the Members hereby consent to the election set forth in Section 6226(a) of the Code and agree to take any action, and furnish the Partnership Representative with any information necessary, to give effect to such election if the Manager decides to make such election; (vi) any imputed underpayment of tax imposed on the Company pursuant to Section 6232 of the Code (and any related interest, penalties or other additions to tax) that the Manager reasonably determines is attributable to one or more Members (including any former Member) in the Manager's sole discretion; and (vii) the Partnership Representative will be considered indemnified and the provisions of Section 5.6 shall apply to the Partnership Representative. The Partnership Representative shall be authorized to take any of the foregoing actions (or any similar actions), to the extent necessary to allow the Company to comply with the partnership audit provisions of the Bipartisan Budget Act of 2015.

(b) Regarding the potential obligation of a former Member under this paragraph, the following shall apply: (i) each Member agrees that notwithstanding any other provision in this Agreement if it is no longer a Member it shall nevertheless be obligated for any responsibilities under Section 6.5, as if it were a Member prior to withdrawal from the Company and/or transfer of its interest; and (ii) as applicable, the Manager will not be required to consent to the transfer of interest of any Member unless the transferee receiving such interest agrees that in the event the transferor of such interest does not fulfill its obligation under the preceding clause (i) within 20 business days following written demand by the Manager, such transferee shall be jointly and severally liable with such transferor for such obligation and the Manager may thereafter treat the transferee as the relevant Member for purposes of this Subsection. The Partnership Representative will provide prompt written notification to each Member in the event of any audit of the Company by the United States Internal Revenue Service and provide all information reasonably requested by any Member regarding such audit and associated proceedings. The provisions of this Section 6.5 will not apply to any taxable year of the Company for which the Company has made a valid election out of Subchapter C of Chapter 63 of the Code pursuant to Section 6221 of the Code.

ARTICLE 7: DISSOLUTION

7.1 **Events of Dissolution.** The Company will continue until (a) dissolved herein pursuant to Article 7 below, unless sooner dissolved or terminated under the Act or as described herein; (b) the sale or other disposition of all or substantially all the assets of the Company; (c) any event that makes the Company ineligible to conduct its activities as a limited liability company under the Act; or (d) otherwise by operation of law.

7.2 **Effect of Dissolution.**

(a) Appointment of Liquidator. Upon the Company's dissolution, the Manager (unless unwilling or unable to serve as such) shall serve as liquidator, and as such will wind up and liquidate the Company in an orderly, prudent and expeditious manner in accordance with the following provisions of this Article. While serving as liquidator, the Manager shall have the same authority, powers, duties and compensation as before dissolution, except that the liquidator shall not acquire any additional assets for the Company, and shall use its best efforts to liquidate the Company's existing assets as rapidly as is consistent with receiving the fair market value thereof. If the Manager is unwilling or unable to serve as liquidator, or has resigned or been removed, the Members shall elect another person, who may be a Member, to serve as liquidator.

(b) Distributions Upon Dissolution. The Company will not cease to exist immediately upon the occurrence of an event of dissolution, but will continue until its affairs have been wound up. Upon dissolution of the Company, the Manager will wind up the Company's affairs by liquidating the Company's assets as promptly as is consistent with obtaining the fair market value thereof, either by sale to third parties or by collecting loan payments under the terms of the loan(s) until a suitable sale can be arranged. All funds received by the Company shall be applied to satisfy or provide for Company debts and liabilities and the balance, if any, shall be distributed to Members on a pro-rata basis.

(c) Time for Liquidation. The Company will not immediately cease to exist upon the occurrence of an event causing its dissolution, but will continue until its affairs have been wound up. It is acknowledged and agreed that the assets of the Company are illiquid, and will take time to sell. The liquidator shall liquidate the Company's assets as promptly as is consistent with obtaining the fair market value thereof, either by sale to third parties or by collecting loan payments under the terms of the loans. Due to high prevailing interest rates or other factors, the Company could suffer reduced earnings (or losses) if a substantial portion of its loan portfolio remains and must be liquidated quickly during the winding up period. Members who sell their Membership Interests prior to any such liquidation will not be exposed to this risk. Conversely, if prevailing interest rates have declined at a time when the loan portfolio must be liquidated, unanticipated profits could be realized by those Members who remained in the Company until its termination.

(d) Final Accounting. The liquidator will make proper accountings, (1) to the end of the month in which the event of dissolution occurred, and (2) to the date on which the Company is finally and completely liquidated.

(e) Duties and Authority of Liquidator. The liquidator will make adequate provision for the discharge of all of the Company's debts, obligations and liabilities. The liquidator may sell, encumber or retain for distribution in kind any of the Company's assets. Any gain or loss recognized on the sale of assets will be allocated to the Members' Capital Accounts in accordance with the provisions of Article 4. With respect to any asset the liquidator determines to retain for distribution in kind, the liquidator will allocate to the Members' Capital Accounts the amount of gain or loss that would have been recognized had the asset been sold at its fair market value.

(f) Final Distribution. The liquidator will distribute any assets remaining after the discharge or accommodation of the Company's debts, obligations and liabilities to the Members in proportion to their Capital Accounts. The liquidator will distribute any assets distributable in kind to the Members in undivided interests as tenants in common. A Member whose Capital Account is negative will have no liability to the Company, the Company's creditors or any other Member with respect to the negative balance.

(g) Required Filings. The liquidator will file with the appropriate Secretary of State such statements, certificates and other instruments, and take such other actions, as are reasonably necessary or appropriate to effectuate and confirm the cessation of the Company's existence.

ARTICLE 8: GENERAL PROVISIONS

8.1 **Amendments.** Except as otherwise provided herein, the Manager or any Member may propose, for consideration and action, an amendment to this Agreement or to the Articles. Except as otherwise provided herein, a proposed amendment will become effective at such time as it is approved by the Members holding a Majority of the outstanding Membership Interests. Notwithstanding the foregoing, the Company, the Manager will execute and file any amendment to the Articles required by the Act. If any such amendment results in inconsistencies between the Articles and this Agreement, this Agreement will be considered to have been amended in the specifics necessary to eliminate fine inconsistencies.

8.2 **Power of Attorney.** Each Member appoints the Manager, with full power of substitution, as the Member's attorney-in-fact, to act in the Member's name to execute and file (a) all certificates, applications, reports and other instruments necessary to qualify or maintain the Company as a limited liability company in the states and foreign countries where the Company conducts its activities, (b) all instruments that effect or confirm changes or modifications of the Company or its status, including, without limitation, amendments to the Articles, and (c) all instruments of transfer necessary to effect the Company's dissolution and termination. The power of attorney granted by this Article is irrevocable, coupled with an interest and shall survive the death of the Member.

8.3 **Binding Arbitration.** ANY DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION, ENFORCEMENT, INTERPRETATION OR VALIDITY THEREOF, INCLUDING (WITHOUT LIMITATION) THE DETERMINATION OF THE SCOPE OR APPLICABILITY OF THIS AGREEMENT TO ARBITRATE, OR ANY OTHER DISPUTE, CLAIM OR CONTROVERSY ARISING OUT OF ANY INTERACTION BETWEEN THE COMPANY AND A MEMBER, SHALL BE BROUGHT WITHIN ONE YEAR OF ITS ACCRUAL AND BE DETERMINED BY ARBITRATION IN THE COUNTY OF FRESNO, STATE OF CALIFORNIA, BEFORE ONE ARBITRATOR. THE ARBITRATION SHALL BE ADMINISTERED BY JAMS PURSUANT TO ITS COMPREHENSIVE ARBITRATION RULES AND PROCEDURES (IF THE AMOUNT IN CONTROVERSY EXCEEDS TWO HUNDRED AND FIFTY THOUSAND DOLLARS ($250,000)) OR ITS STREAMLINED ARBITRATION RULES AND PROCEDURES (IF THE AMOUNT IN CONTROVERSY IS LESS THAN OR EQUAL TWO HUNDRED AND FIFTY THOUSAND DOLLARS ($250,000)). IF THE ARBITRATION IS A CLASS ARBITRATION, THE AGGREGATE AMOUNT, OF THE PURPORTED CLAIMS OF ALL PUTATIVE CLASS MEMBERS, SHALL BE USED TO DETERMINE WHICH RULES APPLY. JUDGMENT ON THE AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THIS CLAUSE SHALL NOT PRECLUDE PARTIES FROM SEEKING PROVISIONAL REMEDIES IN AID OF ARBITRATION FROM A COURT OF APPROPRIATE JURISDICTION. THE PREVAILING PARTY IN ANY DISPUTE, CLAIM OR CONTROVERSY HEREUNDER SHALL BE ENTITLED TO RECOVER ITS COSTS OF ARBITRATION AND REASONABLE ATTORNEYS' FEES THEREOF.

8.4 **Notices.** Notices contemplated by this Agreement may be sent by any commercially reasonable means, including hand delivery, first class mail, facsimile, e-mail or private courier. The notice must be prepaid and addressed as set forth in the Company's records. The notice will be effective on the date of receipt or, in the case of notice sent by first class mail, the Fifth (5^{th}) day after mailing.

8.5 **Resolution of Inconsistencies.** If there are inconsistencies between this Agreement and the Articles, the Articles will control. If there are inconsistencies between this Agreement and the Act, this

Agreement will control, except to the extent the inconsistencies relate to provisions of the Act that the Members cannot alter by agreement. If there are inconsistencies between this Agreement and the Memorandum, this Agreement will control. Without limiting the generality of the foregoing, unless the language or context clearly indicates a different intent, the provisions of this Agreement pertaining to the Company's governance and financial affairs and the rights of the Members upon Dissociation and dissolution will supersede the provisions of the Act relating to the same matters.

8.6 **Provisions Applicable to Transferees.** Each Member will execute and deliver any document or statement necessary to give effect to the terms of this Agreement or to comply with any law, rule or regulation governing the Company's formation and activities.

8.7 **Additional Instruments.** Each Member will execute and deliver any document or statement necessary to give effect to the terms of this Agreement or to comply with any law, rule or regulation governing the Company's formation and activities.

8.8 **Computation of Time.** In computing any period of time under this Agreement, the day of the act or event from which the specified period begins to run is not included. The last day of the period is included, unless it is a Saturday, Sunday or legal holiday, in which case the period will run until the end of the next day that is not a Saturday, Sunday or legal holiday. For purposes of this paragraph, a day shall be deemed to end at 5:00 p.m. in the time zone where the Company then maintains its principal place of business.

8.9 **Entire Agreement.** This Agreement and the Articles comprise the entire agreement among the parties with respect to the Company. This Agreement and the Articles supersede any prior agreements or understandings with respect to the Company. No representation, statement, or condition not contained in this Agreement or the Articles has any force or effect. Notwithstanding the provisions of this Agreement, including Section 8.1 or of any subscription agreement, it is hereby acknowledged and agreed that the Manager, on its own behalf or on behalf of the Company, without the approval of any Members or any other person, may enter into a side letter or similar agreement to or with a Member that has the effect of establishing rights under, or altering or supplementing the terms of this Agreement or of any subscription agreement. The parties hereto agree that any terms contained in a side letter or similar agreement to or with a Member shall govern with respect to Member notwithstanding the provisions of this Agreement or of any subscription agreement.

8.10 **Waiver.** No right or remedy under this Agreement may be waived, except by an instrument in writing signed by the party sought to be charged with the waiver.

8.11 **General Construction Principles.** Words in any gender are deemed to include the other genders. The singular is deemed to include the plural and vice versa. The headings and underlined paragraph titles are for guidance only and have no significance in the interpretation of this Agreement.

8.12 **Binding Effect.** Subject to the provisions of this Agreement relating to the transferability of Membership Interests and the rights of Transferees, this Agreement is binding on and will inure to the benefit of the Company, the Members and their respective distributees, successors and assigns.

8.13 **Governing Law**. California law governs the construction and application of the terms of this Agreement.

8.14 **Severability**. If any provision of this Agreement shall be deemed invalid, unenforceable or illegal, then notwithstanding such invalidity, unenforceability or illegality, the remainder of this Agreement shall continue in full force and effect.

8.15 **Counterparts; Facsimile.** This Agreement may be executed in counterparts, each of which will be considered an original as to the party signing it. Facsimile signatures shall have the same legal effect as original signatures.

[*Signature Page to the Limited Liability Company Operating Agreement Follows]*

[*Signature Page to the Limited Liability Company Operating Agreement*]

ZINC INCOME FUND II, LLC,
a California limited liability company

By:_____
Todd Pigott, President of ZINC Financial Inc.,
a California corporation, Manager

BY PURCHASING A MEMBERSHIP INTEREST IN THE COMPANY AND EXECUTING A SUBSCRIPTION AGREEMENT, EACH MEMBER AGREES TO THE TERMS AND PROVISIONS OF THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT, THE SUBSCRIPTION AGREEMENT AND THE MEMORANDUM.

EXHIBIT B

SUBSCRIPTION AGREEMENT

ZINC INCOME FUND II, LLC

a California limited liability company

SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY

THE MEMBERSHIP INTERESTS OF THE COMPANY SUBJECT TO THIS SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY ("SUBSCRIPTION AGREEMENT") ARE SECURITIES WHICH HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"). SUCH MEMBERSHIP INTERESTS MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME IN: (A) THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH MEMBERSHIP INTERESTS UNDER THE ACT; OR (2) AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED; OR (B) A MANNER INCONSISTENT WITH THE TERMS OF THE MEMBERSHIP INTERESTS OR THE COMPANY ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT, ALL OF WHICH ARE INCORPORATED HEREIN BY THIS REFERENCE.

1. SUBSCRIPTION.

AMOUNT OF INVESTMENT: _____

MEMBERSHIP CLASS:

☐ CLASS A MEMBERSHIP INTERESTS

☐ CLASS B-1 MEMBERSHIP INTERESTS

DISTRIBUTION ELECTION (*please select one*)**:**

☐ CASH

☐ REINVESTMENT

PLEASE DELIVER PAYMENT TO ZINC INCOME FUND II, LLC, AND DELIVER THIS COMPLETED AND SIGNED SUBSCRIPTION AGREEMENT TO: ZINC INCOME FUND II, LLC, 1525 E. SHAW AVENUE, FRESNO, CA 93710.

EXACT NAME OF PURCHASER: _____
(List only one name and one tax ID number in this section. If there are multiple purchasers – See Section 8 below)

TAX ID NUMBER OF PURCHASER: _____

_____
Mailing Address of Purchaser

_____
City, State, and Zip Code of Purchaser

Phone Number / E-mail address of Purchaser

The undersigned ("Purchaser") hereby subscribes to become a holder ("Member") of membership interests ("Membership Interests") in **ZINC INCOME FUND II, LLC,** a California limited liability company ("Company"), and to purchase Membership Interests in the amount and class indicated above, all in accordance with the terms and conditions of this Subscription Agreement, the Articles of Organization ("Articles"), Second Amended and Restated Operating Agreement ("Operating Agreement") of the Company, and the revised Private Placement Memorandum dated June 1, 2023 ("Memorandum").

(a) The Purchaser acknowledges and agrees that this subscription cannot be withdrawn, terminated, or revoked. The Purchaser agrees to become a Member and to be bound by all the terms and conditions of the Operating Agreement. This subscription shall be binding on the heirs, executors, administrators, successors and assigns of the Purchaser. This subscription is not transferable or assignable by the Purchaser, except as is provided in the Memorandum or Subscription Agreement.

(b) This subscription may be rejected as a whole or in part by the Company in its sole and absolute discretion. If this subscription is rejected, the Purchaser's funds shall be returned to the extent of such rejection. This subscription shall be binding on the Company only upon its acceptance of the same.

(c) By executing this Subscription Agreement, a Purchaser: (1) makes certain representations and warranties ZINC Financial Inc., a California corporation ("Manager"), will rely on in accepting Purchaser's subscription funds; and (2) unconditionally and irrevocably agrees to purchase the Membership Interests in the amount shown above, and thereby makes a commitment to contribute capital in accordance with the terms set forth in this Subscription Agreement, the Memorandum, and the Operating Agreement.

(d) Neither the execution nor the acceptance of this Subscription Agreement constitutes the Purchaser as a Member, shareholder, owner or creditor of the Company. If accepted by the Manager, the Purchaser's capital contribution will be temporarily deposited into a call account ("Subscription Account"). This Subscription Agreement is only an agreement to purchase the Membership Interests on a when issued basis; and the Purchaser will become a Member only after the Purchaser's funds are duly transferred to the operating bank account of the Company ("Operating Account") and the Membership Interests are issued thereupon to the Purchaser in conjunction with the provisions of the Operating Agreement (which Purchaser would become a signatory to). Until such time, the Purchaser shall have only those rights as may be set forth in this Subscription Agreement.

(e) The Purchaser's rights and responsibilities will be governed by the terms and conditions of this Subscription Agreement, the Memorandum, the Articles and the Operating Agreement. The Company will rely upon the information provided in this Subscription Agreement to confirm that the Purchaser is an "Accredited Investor" as defined in Regulation D promulgated under the Act.

(f) If a Purchaser has not been admitted as a Member within Ninety (90) days of signing this Subscription Agreement and depositing funds into the Subscription Account, the Purchaser may send a written notice to the Manager asking the Manager to either admit Purchaser as a Member or return Purchaser's funds and revoke the Subscription Agreement. Within Ten (10) business days of receipt of such written request from the Purchaser, Manager shall, in its sole and absolute discretion, either accept Purchaser as a Member and transfer Purchaser's funds to the Company's operating account, or return the Purchaser's funds to the Purchaser and revoke the Subscription Agreement.

(g) The Purchaser agrees that the subscription for Membership Interests, or portions thereof, will become effective (subject to acceptance of the same by the Company, in its sole and absolute discretion)

following acceptance of the subscription and the transfer of the Purchaser's subscription funds into the Operating Account.

2. REPRESENTATIONS AND WARRANTIES BY THE PURCHASER. The Purchaser hereby represents, warrants, and agrees as follows:

(a) Purchaser has received and read the Memorandum and its Exhibits, including the Articles and the terms and conditions of the Operating Agreement, and Purchaser is thoroughly familiar with the proposed business, operations, properties and financial condition of the Company. Purchaser has relied solely upon the Memorandum and independent investigations made by Purchaser or Purchaser's representative with respect to the investment in Membership Interests. No oral or written representations beyond the Memorandum have been made or relied upon.

(b) Purchaser has read and understands the Articles and Operating Agreement and understands how the Company functions as a corporate entity. By purchasing the Membership Interests and executing this Subscription Agreement, Purchaser hereby agrees to the terms and provisions of the Articles and the Operating Agreement.

(c) Purchaser understands that the Company has limited financial and operating history. Purchaser has been furnished with such financial and other information concerning the Company, its management, and its business, as Purchaser considers necessary in connection with the investment in Membership Interests. Purchaser has been given the opportunity to discuss any questions and concerns with the Company.

(d) Purchaser is purchasing Membership Interests for Purchaser's own account (or for a trust if Purchaser is a trustee), for investment purposes and not with a view or intention to resell or distribute the same. Purchaser has no present intention, agreement, or arrangement to divide Purchaser's participation with others or to resell, assign, transfer, or otherwise dispose of all or part of the Membership Interests.

(e) Purchaser or Purchaser's investment advisors have such knowledge and experience in financial and business matters that will enable Purchaser to utilize the information made available to evaluate the risks of the prospective investment and to make an informed investment decision. Purchaser has been advised to consult Purchaser's own attorney concerning this investment and to consult with independent tax counsel regarding the tax considerations of investing in the Membership Interests and becoming a Member of the Company.

(f) Purchaser has carefully reviewed and understands the risks of investing in the Membership Interests, including those set forth in the Memorandum and the terms and conditions of the Membership Interests. Purchaser has carefully evaluated Purchaser's financial resources and investment position and acknowledges that Purchaser is able to bear the economic risks of this investment. Purchaser further acknowledges that Purchaser's financial condition is such that Purchaser is not under any present necessity or constraint to dispose of the Membership Interests to satisfy any existent or contemplated debt or undertaking. Purchaser has adequate means of providing for Purchaser's current needs and possible contingencies, has no need for liquidity in Purchaser's investment, and can afford to lose some or all of Purchaser's investment.

(g) If a Purchaser has not been admitted as a Member within Ninety (90) days of signing this Subscription Agreement and depositing funds into the Subscription Account, the Purchaser may send a written notice to the Manager asking the Manager to either admit Purchaser as a Member or return Purchaser's funds and revoke the Subscription Agreement. Within Ten (10) business days of receipt of such written request from the Purchaser, Manager shall, in its sole and absolute discretion, either accept

Purchaser as a Member and transfer Purchaser's funds to the Company's operating account, or return the Purchaser's funds to the Purchaser and revoke the Subscription Agreement.

(h) Purchaser has been advised that the Membership Interests have not been registered under the Securities Act of 1933, as amended ("Act"), or qualified under any State Securities Laws ("Law"), on the ground, among others, that no distribution or public offering of the Membership Interests is to be effected and the Membership Interests will be issued by the Company in connection with a transaction that does not involve any public offering within the meaning of section 4(A)(2) of the Act or of the Law, under the respective rules and regulations of the Securities and Exchange Commission.

(i) Purchaser has previously furnished the Company a completed and signed Investor Questionnaire or has completed and signed the attached Investor Questionnaire. All information which Purchaser has furnished in this Subscription Agreement and the Investor Questionnaire, concerning his/her/itself, financial position, and knowledge of financial and business matters is correct, current, and compete.

(j) All information which Purchaser has furnished in this Subscription Agreement concerning Purchaser, Purchaser's financial position, and Purchaser's knowledge of financial and business matters is correct, current, true and complete.

(k) The Purchaser understands that the Company intends to hold substantially all of its investments, and originate substantially all of its loans, through a subsidiary, ZINC REIT, LLC, a Delaware limited liability company (the " REIT Subsidiary"), that intends to be classified as a "real estate investment trust" (a "REIT") under section 856(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The Purchaser understands that, in order for the REIT Subsidiary to qualify as a REIT, Membership Interests must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made by the REIT Subsidiary) or during a proportionate part of a shorter taxable year, and not more than 50% of the value of the Membership Interests may be owned, directly or indirectly, by five or fewer individuals during the last half of a taxable year. The Membership Interests are subject to restrictions on ownership and transfer intended to assist the REIT Subsidiary to qualify as a REIT. The Purchaser has read and understands the description of these and other restrictions on ownership and transfer of Membership Interests set forth in this Agreement, the Operating Agreement and the Memorandum.

(l) Upon the Purchaser's acquisition of the Membership Interests, no more than fifty percent (50%) in value of the Membership Interests will be owned, directly or indirectly, by five or fewer individuals, as determined by applying section 856(h) of the Code (including all applicable attribution, constructive ownership and other rules). The Purchaser will not in the future acquire any additional Membership Interests such that more than fifty percent (50%) in value of the Membership Interests will be owned, directly or indirectly, by five or fewer individuals, as determined by applying section 856(h) of the Code (including all applicable attribution, constructive ownership, and other rules). An individual may be deemed to own (i) Membership Interests owned by the individual's brothers and sisters (whole and half siblings included), spouse, lineal descendants and ancestors, (ii) a proportionate share of any Membership Interests owned by or for a corporation, partnership, estate or trust of which the individual is an shareholder, partner or beneficiary, and (iii) any Membership Interests that the individual has the option to acquire. The Purchaser understands that the foregoing description of the ownership attribution rules is not complete and the Purchaser should seek the advice of an attorney regarding whether the Purchaser, or any other individual, may, as a result of the Purchaser's acquisition of Membership Interests, directly or indirectly own Membership Interests in violation of the limitations imposed by the Operating Agreement and the Code.

3. INVESTOR SUITABILITY STANDARDS. The Company intends to sell the Membership Interests to an unlimited number of "Accredited Investors." To qualify as an Accredited Investor, an investor must meet any of the following:

(a) Any bank as defined in section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; any investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; any investment adviser relying on the exemption from registering with the Commission under section 203(l) or (m) of the Investment Advisers Act of 1940; any insurance company as defined in section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; any Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000.00; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered adviser, or if the employee benefit plan has total assets in excess of $5,000,000.00 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

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

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

(d) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

(e) Any natural person whose individual net worth, or joint net worth with that person's spouse or spousal equivalent, at the time of his purchase exceeds $1,000,000.00 (excluding the value of such person's primary residence);

(f) Any natural person who had an individual income in excess of $200,000.00 in each of the two most recent years or joint income with that person's spouse or spousal equivalent in excess of $300,000.00 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(g) Any trust, with total assets in excess of $5,000,000.00, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in § 230.506(B)(b)(2)(ii); or

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

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

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

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

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

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

(n) Any entity in which all of the equity owners are accredited investors.

4. AGREEMENT TO REFRAIN FROM RESALE. The Purchaser agrees not to pledge, hypothecate, sell, transfer, assign or otherwise dispose of any Membership Interests, nor receive any consideration for Membership Interests from any person, unless and until prior to any such action:

(a) A registration statement on a form appropriate for the purpose under the Act with respect to the Membership Interests proposed to be so disposed of shall be then effective and such disposition shall have been appropriately qualified in accordance with applicable securities laws; or

(b) All of the following shall have occurred: (i) the Purchaser shall have furnished the Company with a detailed explanation of the proposed disposition, (ii) the Purchaser shall have furnished the Company with an opinion of the Purchaser's counsel in form and substance satisfactory to the Company to the effect that such disposition will not require registration of such Membership Interests under the Act or qualification of such Membership Interests under any other securities law, and (iii) counsel for the Company shall have concurred in such opinion and the Company shall have advised the Purchaser in writing of such concurrence.

5. POWER OF ATTORNEY.

(a) The Purchaser irrevocably constitutes and appoints the Company with full power of substitution as his/her true and lawful attorney-in-fact and agent, to execute, acknowledge, verify, swear to, deliver, record, and file, in the Purchaser's name or his/her assignee's name, place, and stead, all instruments, documents, and certificates that may from time to time be required by the laws of the United States of America, the state of California, and any other state in which the Company conducts or plans to conduct business, or any political subdivision or agency of the government, to effectuate, implement, and

continue the valid existence of the Company, including, without limitation, the power of attorney and authority to execute, verify, swear to, acknowledge, deliver, record and file the following:

(i) the Membership Interests, the Operating Agreement, the Articles and all other instruments (including amendments thereto) that the Company deems appropriate to form, qualify or continue the Company as a limited liability company in the State of California and all other jurisdictions in which the Company conducts or plans to conduct business;

(ii) all instruments that the Company deems appropriate to reflect any amendment to the Articles or Operating Agreement, or modification of the Company, made in accordance with the terms of the Articles or Operating Agreement;

(iii) a fictitious business name certificate and such other certificates and instruments as may be necessary under the fictitious or assumed name statute from time to time in effect in the State of California and all other jurisdictions in which the Company conducts or plans to conduct business;

(iv) all instruments relating to the admission of any additional Members or other shareholders, owners or creditors, whether secured or unsecured; and

(v) all conveyances and other instruments that the Company deems appropriate to reflect the dissolution and termination of the Company pursuant to the terms of the Articles and the Operating Agreement.

(b) The power of attorney granted is a special power of attorney and shall be deemed to be coupled with an interest, shall be irrevocable, shall survive the death, dissolution, bankruptcy, or legal disability of the Purchaser, and shall extend to the Purchaser's heirs, successors, and assigns. The Purchaser agrees to be bound by any representations made by the Company acting in good faith under such power of attorney, and each Member waives any and all defenses that may be available to contest, negate, or disaffirm any action of the Company taken in good faith under such power of attorney.

6. MISCELLANEOUS.

(a) CHOICE OF LAWS: This Subscription Agreement will be governed by and construed in accordance with the laws of the state of California, without giving effect to its choice of laws rules.

(b) ENTIRE AGREEMENT: This Subscription Agreement, the Operating Agreement, and any side letters or similar agreements between the Member and the Manager, constitutes the full, complete, and final agreement of the Members between the Members and the Manager (as the Initial Member of the Company) and supersedes all prior written or oral agreements between the Members with respect to the Company. Notwithstanding the foregoing or any provisions in the Operating Agreement, the Manager on its own behalf or on behalf of the Company, without the approval of any Members or any other person, may enter into a side letter or similar agreement to or with a Member which has the effect of establishing rights under, or altering or supplementing the terms of this Subscription Agreement or of any Operating Agreement. The Member and the Manager agree that any terms contained in a side letter or similar agreement to or with a Member shall govern with respect to such Member notwithstanding the provisions of this Subscription Agreement or any provisions in the Operating Agreement.

(c) BINDING ARBITRATION: Any dispute, claim or controversy arising out of, relating to, in connection with or under this Subscription Agreement, or the breach or threatened breach thereof, will be resolved through confidential binding arbitration under the then prevailing rules of the American Arbitration Association in the county of Fresno, state of California (or as close thereto as possible, in the

event that such venue is not available for the arbitration), and any party making a claim hereunder in whatever form hereby submits to jurisdiction and venue in that forum for any and all purposes. The decision of the arbitrator shall be final and judgment on any award thereupon may be entered in any court having jurisdiction thereof. This paragraph 6(c) shall not preclude either party from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction.

(d) TERMINATION OF AGREEMENT: If this subscription is rejected by the Company, then this Subscription Agreement shall be null and void and of no further force and effect and no party shall have any rights against any other party hereunder and the Company shall promptly return the funds delivered with this Subscription Agreement.

(e) TAXES. The discussion of the federal income tax considerations arising from investment in the Company, as set forth in the Memorandum, is general in nature and the federal income tax considerations to the Purchaser of investment in the Membership Interests will depend on individual circumstances. The Memorandum does not discuss state income tax considerations, which may apply to all or substantially all Purchasers. There can be no assurance that the Internal Revenue Code or the Regulations under the Code will not be amended in a manner adverse to the interests of the Purchaser or the Company.

(f) DULY AUTHORIZED. If the Purchaser is a corporation, partnership, trust, or other entity, the individual(s) signing in its name is (are) duly authorized to execute and deliver this Subscription Agreement on behalf of such entity, and the purchase of the Membership Interests by such entity will not violate any law or agreement by which it is bound.

(g) MEMBERSHIP INTERESTS WILL BE RESTRICTED SECURITIES. The Purchaser understands that the Membership Interests will be "restricted securities" as that term is defined in Rule 144 under the Act and, accordingly, that the Membership Interests must be held indefinitely unless they are subsequently registered under the Act and any other applicable securities law or exemptions from such registration is available. The Purchaser understands that the Company is under no obligation to register Membership Interests under the Act, to qualify Membership Interests under any federal or state securities law, or to comply with Regulation A or any other exemption under the Act or any other law.

(h) MEMBERSHIP INTERESTS CONTAIN RESTRICTIVE LEGEND. Any documents or certificates issued to evidence ownership of the Membership Interests will bear restrictive legends notifying prospective purchasers of the transfer restrictions set forth above, and the Company will not permit transfer of any Membership Interests on the books of the Company in violation of such restrictions.

(i) SUCCESSORS. The representations, warranties and agreements contained in this Subscription Agreement shall be binding on the Purchaser's successors, assigns, heirs and legal representatives and shall inure to the benefit of the respective successors and assigns of the Company and its directors and officers. If the Purchaser is more than one person, the obligations of all of them shall be joint and several, and the representations and warranties contained herein shall be deemed to be made by, and to be binding upon, each such person and his heirs, executors, administrators, successors, and assigns.

(j) ELECTRONIC SIGNATURE. This Subscription Agreement may hereby be executed and delivered in counterparts by electronic signature with the same effect as if the parties executing the counterparts had all executed one counterpart. Counterparts may be delivered via facsimile, electronic mail (including .pdf or any electronic signature complying with the U.S. Federal ESIGN Act of 2000, e.g., clicking "I agree" or use of www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Each party consents and agrees that its electronic signature meets the requirements of an

original signature as if actually signed by such party in writing. Further, each party agrees that no certification authority or other third-party verification is necessary to the enforceability of its signature. No party hereto may raise the use of an electronic signature as a defense to the enforcement of this Agreement or any amendment or other document executed in compliance with this Section.

(k) INDEMNIFICATION. The Purchaser shall indemnify and defend the Company and its directors and officers from and against any and all liability, damage, cost, or expense (including attorneys' fees) arising out of or in connection with:

(i) Any inaccuracy in, or breach of, any of the Purchaser's declarations, representations, warranties or covenants set forth in this document or any other document or writing delivered to the Company;

(ii) Any disposition by the Purchaser of any Membership Interests in violation of this Agreement, the Articles or the Operating Agreement, or any applicable law; or

(iii) Any action, suit, proceeding or arbitration, whether threatened, pending or actual, alleging any of the foregoing.

7. FORM OF OWNERSHIP. Please indicate the form in which Purchaser will hold title to the Membership Interests. Please consider this election carefully. Once the subscription is accepted, a change in the form of title constitutes a transfer of the Membership Interests and will therefore be restricted by the terms of the Operating Agreement and the Act. Purchaser should seek the advice of an attorney in deciding in which of the forms to take ownership of the Membership Interests as different forms of ownership can have substantially varying gift tax, estate tax, income tax and other consequences.

( ) INDIVIDUAL OWNERSHIP (one signature required).

( ) COMMUNITY PROPERTY (one signature required if Membership Interests held in one name, i.e., managing spouse; two signatures required if Membership Interests held in both names).

( ) JOINT TENANTS WITH RIGHT TO SURVIVORSHIP (not as tenants in common)(both or all parties must sign).

( ) TENANTS IN COMMON (both or all parties must sign).

( ) GENERAL PARTNERSHIP (fill out all documents in the name of the partnership by a partner authorized to sign)

( ) LIMITED PARTNERSHIP (fill out all documents in the name of the limited partnership by a general partner authorized to sign, and include a copy of the Certificate of Limited Partnership – LP1).

( ) LIMITED LIABILITY COMPANY (fill out all documents in the name of the limited liability company by the manager authorized to sign, and include a copy of the Articles of Organization – LLC-1.)

( ) CORPORATION (fill out all documents in the name of the corporation, by the President and Secretary, and include a certified corporate resolution authorizing the signature).

( ) TRUST (fill out all documents in the name of the trust, by the trustee, and include a copy of the instrument creating the trust and any other documents necessary to show that the investment by the trustee is authorized). The date of the trust must appear on the notarial where indicated.

( ) IRA or KEOGH plan (fill out all documents in the name of the IRA or Keogh plan, by the beneficiary). The documents must also be executed by the custodian of the plan.

Please print in the space below the EXACT name the Purchaser desires on the account and the address for any correspondence and notices.

_____
Exact Name(s)

_____
Street Address

_____
City, State, and Zip Code

_____
E-mail address

_____
Phone number

8. IDENTIFYING INFORMATION.

Additional Individual Purchaser(s):

Name of Purchaser: _____

Social Security No.: _____ - _____ - _____

Name of Co-Purchaser: _____

Social Security No.: _____ - _____ - _____

Name of Co-Purchaser: _____

Social Security No.: _____ - _____ - _____

Corporate Purchaser:

Name of Corporation: _____

State and date of incorporation: _____

Partnership or other business entity Purchaser: _____

Name of Partnership or other business entity: _____

_____

State and date of organization: _____

For corporation, business trust, investment company, partnership or other business entity:

Fiscal year end: _____

Principal place of business: _____

Phone number of business: _____

What is the entity's net worth, on a consolidated basis, according to its most recent audited financial statement? _____

Company Pension or Profit Sharing Plan Purchaser:

Exact Name of the Plan: _____

_____

Name(s) of the Trustee(s): _____

_____

Trustee's State Residency: _____

State and date of organization: _____

Describe and set forth the value of the assets of the Plan or Trust: _____

_____

Please identify the person(s) with investment control over the Plan or Trust assets and that person's state of residence.

_____

_____

Please identify the person(s) responsible for the ministerial duties of administering the Plan or Trust (the Trustee) and that person's state of residence.

_____

_____

9. SPECIFIC INFORMATION REQUIRED FROM ENTITIES.

(INDIVIDUALS: SKIP TO SECTION 10 BELOW)

ACCREDITED INVESTOR STATUS OF THE ENTITY. Please select a category for the entity:

_____ (1) A bank as defined in section 3(a)(2) of the Act, or a savings and loan association or other institution as defined in section 3(a)(5)(a) of the Act, whether acting in its individual or fiduciary capacity;

_____ (2) A broker or dealer registered pursuant to section 15 of the Act;

_____ (3) An investment adviser registered pursuant to section 203 of the Investment Advisers Act of 1940 or registered pursuant to the laws of a state; any investment adviser relying on the exemption from registering with the Commission under section 203(l) or (m) of the Investment Advisers Act of 1940;

_____ (4) An insurance company as defined in section 2(13) of the Act;

_____ (5) An investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act;

_____ (6) A Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;

_____ (7) A Rural Business Investment Company as defined in section 384A of the Consolidated Farm and Rural Development Act;

_____ (8) Any plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000;

_____ (9)* An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) thereof, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

_____ (10) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

_____ (11) Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

_____ (12)** A trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities of the Company being offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment in the Company;

_____ (13)*** An entity in which all the equity owners are accredited investors;

_____ (14) Any family office, as defined in rule 202(a)(11)(G)-1under the Investment Advisers Act of 1940: with assets under management in excess of $5,000,000, that is not formed for the specific purpose of acquiring the securities offered, and whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risk of the prospective investment;

_____ (15) Any family client, as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940, of a family office meeting the requirements in paragraph (a)(12) of this section and whose prospective investment in the issuer is directed by such family office pursuant to paragraph (a)(12)(iii);

_____ (16) Any entity not listed above which was not formed for the specific purpose of acquiring the securities offered, owning investments in excess of $5,000,000.

***Note for Certain Employee Benefit Plans:** If you are a self-directed plan that believes it is an Accredited Investor because investment decisions are made solely by persons that are Accredited Investors, please complete the information for individuals pursuant to Section 11 with respect to you and each such person participating in making the investment decision.
****Note for Trusts:** If you are a trust that believes it is an Accredited Investor, please complete the information for individuals pursuant to Section 11 with respect to you and each person participating in making the investment decision.

*****Note for Certain Entities:** If you are an entity that believes it is an Accredited Investor" by virtue of the accredited investor status of each equity owner thereof, please complete the information for individuals pursuant to Section 11 with respect to you and each such equity owner.

10. FURTHER REPRESENTATIONS AND COVENANTS. Purchaser (whether an individual or entity) understands that the Company will be relying on the accuracy and completeness of the statements and responses contained in this Subscription Agreement. Purchaser represents, warrants, and covenants to the Company as follows:

(a) Purchaser's statements and responses contained in this Subscription Agreement are complete and correct and may be relied on by the Company for the purpose of complying with all applicable security laws and to determine whether the Purchaser is a suitable investor.

(b) Purchaser will notify the Company immediately of any material change in any statement or response made in this Subscription Agreement before acceptance by the Company of this subscription.

(c) Purchaser has sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of the prospective investment, or the Purchaser has consulted with professional advisors who have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of prospective investment.

(d) Purchaser is able to bear the economic risk of an investment in the Membership Interests for an indefinite period of time and understand that an investment in the Membership Interests is illiquid and may result in a complete loss of such investment.

(e) Purchaser understands and agrees that the Company is relying upon the truthfulness of the certification being made by Purchaser as to Purchaser's status as an Accredited Investor for the reason checked in Section 9 above or Section 11 below. Purchaser further understands and agrees that the Company may request to be shown, in confidence, documentation reasonably satisfactory to the Company supporting the certification by the Purchaser as to the Purchaser's status as an Accredited Investor (as applicable). The Company reserves the right to refuse to accept any subscription as to which the Company is not reasonably satisfied that the Purchaser is an Accredited Investor.

(f) Purchaser agrees and understands that in making this investment, Purchaser: (a) must have sufficient knowledge and experience in such financial and business matters to be capable of evaluating the merits and risks of a purchase of the Membership Interests; or (b) must retain the services of an "Investment Advisor" (who may be an attorney, accountant, or other financial adviser unaffiliated with, and who is not compensated by, the Company or any affiliate or selling agent of the Company, directly or indirectly) for the purpose of aiding in the evaluation of this particular transaction.

(g) Purchaser acknowledges and understands that the Purchaser must be an Accredited Investor as defined under the 17 C.F.R. § 230.501. If Purchaser is certifying that Purchaser is an Accredited Investor, Purchaser represents and warrants that Purchaser has not heretofore directly or indirectly provided any information or documents to the Company that, in any manner, may suggest, imply, and demonstrate or otherwise evidence, that the Purchaser is not an Accredited Investor (as applicable).

11. SPECIFIC INFORMATION REQUIRED FROM INDIVIDUALS.

ACCREDITED INVESTOR STATUS OF INDIVIDUAL. Please select a category for the individual:

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

_____ (2) Any natural person whose individual net worth or joint net worth, with that person's spouse or spousal equivalent, at the time of their purchase exceeds One Million Dollars ($1,000,000.00) (excluding the value of such person's primary residence).

_____ (3) A director or executive officer of the Company.

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

_____ (5) A natural person holding one or more professional certifications or designations administered by the Financial Regulatory Authority, Inc., and in good standing: the Licensed General Securities Representative (Series 7), Licensed Investment Adviser Representative (Series 65), and Licensed Private Securities Offering Representative (Series 82).

_____ (6) A natural person who is considered a "knowledgeable employee" of a private fund as defined by Rule 3c-5(a)(4) under the Investment Company Act of 1940, including trustees and advisory board members, or person serving in a similar capacity of a fund relying on an exemption under Investment Company Act of 1940 Section 3(c)(1) or 3(c)(7), or an affiliated person of the fund that oversees the fund's investments, and employees of the private fund (other than employees performing solely clerical, secretarial, or administrative functions).

12. INVESTMENT EXPERIENCE OF PURCHASER.

ALL PURCHASERS SHOULD COMPLETE THIS SECTION

Purchaser must provide the following information on each officer, general partner, and/or other person who will participate in the decision to purchase the Membership Interests.

PURCHASER INFORMATION (INCLUDING IRA ACCOUNT HOLDER, AS APPLICABLE):
Educational background (name of college attended, major, degree obtained, if any, and year):

_____

Investing courses attended (list the name of each, sponsor, and date of attendance):

_____

Any professional licenses or registrations, including bar admissions, accounting certifications, real estate brokerage licenses, and SEC or state broker/dealer registrations held:

_____

Has Purchaser had the following investment experience? Check all that apply:

- ❑ Stock Market investing for at least Two (2) years in self-managed accounts.
- ❑ Real Estate investing for at least Two (2) years.
- ❑ Investing in trust deeds for at least Two (2) years.
- ❑ Bond investing in self-managed accounts.
- ❑ Mutual Fund investing.

Do you have an "Investment Advisor" in order to meet the requirement under Section 10(f) above		
YES _____ (If yes, the information below must be completed)		NO _____
Name of Advisor(s) and Relationship:		
Advisor's Address:		
City:	State:	Zip Code:
Advisor's Phone Number:	( ) -	
Qualifications of the Advisor(s):		

13. VERIFICATION OF ACCREDITED INVESTOR STATUS. Purchaser agrees that Purchaser must provide any and all documentation and information (to the satisfaction of the Company) to verify the Purchaser's status as an Accredited Investor. The Company may conduct such verification through any reasonable means and steps deemed necessary or suitable by the Company. A non-exhaustive list of verification steps that the Company may use for, or require from, the Purchaser to complete such verification is noted directly below. The Purchaser is required to fully cooperate in the Company's verification steps and methods (including but not limited to, the non-exhaustive list set forth below, before being permitted to invest in the Membership Interests). Further, the Purchaser expressly and irrevocably consents and authorizes the Company to utilize any reasonable means of verifying the Purchaser's status as an Accredited Investor (including, but not limited to, one or more of the non-exclusive methods and steps set forth below).

Purchaser acknowledges and agrees that the following constitutes a non-exhaustive and non-exclusive list of verification methods that may be used by the Company to verify the Purchaser's status as an Accredited Investor:

(a) Reviewing any Internal Revenue Service form that reports the Purchaser's income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) and obtaining a written representation from the Purchaser that the Purchaser has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year;

(b) Reviewing one or more of the following types of documentation dated within the prior three months and obtaining a written representation from the Purchaser that all liabilities necessary to make a determination of net worth have been disclosed:

(1) with respect to assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties; and

(2) with respect to liabilities: a consumer report from at least one of the nationwide consumer reporting agencies;

(c) Obtaining a written confirmation from one of the following persons or entities that such person or entity has taken reasonable steps to verify that the Purchaser is an Accredited Investor within the prior three months and has determined that the Purchaser is an Accredited Investor:

(1) A registered broker-dealer;

(2) An investment adviser registered with the Securities and Exchange Commission;

(3) A licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law; or

(4) A certified public accountant who is duly registered and in good standing under the laws of the place of his or her residence or principal office.

(d) Reviewing registration and licensing information of individuals though FINRA's BrokerCheck, the Commission's Investment Adviser Public Disclosure database, or other publicly available and verifiable self-regulatory organization or other industry body approved by the Commission.

With respect to the above as pertaining to a natural person who is married, the verification noted above would typically be required of both persons in the married couple (i.e. the Company would review information and documents about both the natural person and his or her spouse, and both married persons would be required to provide any written representations or statements that are required by the Company as part of its verification process).

[*Signature Page to the Subscription Agreement on Following Page*]

FOR GOOD AND VALID CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the Purchaser, intending to be legally bound, has executed this Subscription Agreement this _____ day of _____, 20_____.

BY PURCHASING MEMBERSHIP INTERESTS AND EXECUTING THIS SUBSCRIPTION AGREEMENT, EACH PURCHASER HEREBY AGREES, UPON ACCEPTANCE BY THE COMPANY, TO BE LEGALLY BOUND BY THE TERMS OF THE OPERATING AGREEMENT, THE SUBSCRIPTION AGREEMENT, AND MEMORANDUM.

PURCHASER:

_____

Signature of Purchaser

_____

Print Name and Title of Purchaser

_____

Signature of Additional Individual Purchaser, if Applicable

_____

Print Name and Title of Additional Individual Purchaser, if Applicable

_____

Signature of Additional Individual Purchaser, if Applicable

_____

Print Name and Title of Additional Individual Purchaser, if Applicable

ACCEPTANCE: (NOT VALID UNTIL ACCEPTED BY MANAGER)

The Company has accepted this Subscription Agreement as of this ___day of _____, 20___, by the signature of a duly authorized representative of the Manager of the Company.

ZINC INCOME FUND II, LLC,
a California limited liability company

By:_____
Todd Pigott, President of ZINC Financial Inc.,
a California corporation, Manager