

DISCLOSURE BROCHURE

(FORM ADV, PART II)

LJL FUNDING LLC

CRD #154340

JULY 2010

ADVISORY SERVICES AND FEES:

LJL Funding, LLC ("LJL Funding") is a California limited liability company based in San Diego, CA and founded in 2006. LJL Funding offers secured high yielding investment opportunities to high net worth and institutional investors through an actively managed portfolio of asset based single family residential mortgages.

LJL Funding's revenue model is based upon receiving a management fee of 1% of assets under management from the LJL Secured High Yield Income Fund I, LLC ("California Fund") and the LJL Mortgage Fund L.P. ("the Reg D Fund"). In addition, LJL Funding earns approximately 2.5% loan origination fee on mortgages originated which are paid by the borrower; a 6% loan acquisition fee on loans purchased, a profit share of 50% of the profit on loans sold at a premium, prepayment penalties and any late charges or forbearance fees which are paid by the Mortgage Pool.

TYPES OF CLIENTS

The investment vehicles that LJL Funding manages offer qualified individuals, high net worth individuals, pension plans/profit sharing plans, private pools and such clients of registered investment advisors the opportunity to invest in pools of single family residential mortgages,

Qualified individuals must represent in writing that such investor is either a bona fide resident of the State of California or a non-U.S. citizen who resides in a foreign nation (or if the investor is a trust, corporation or other entity, that the principal office of such trust, corporation or other entity is located in California or a foreign nation). In addition:

1. Each Investor must have either (a) a net worth (exclusive of home, furnishings and automobiles) of at least \$250,000 and an annual gross income of at least \$65,000; or (b) a net worth (exclusive of home, furnishings and automobiles) of at least \$500,000; and

2. The amount of each Investor's investment in Interests offered hereby must not exceed ten percent (10%) of such Investor's net worth (exclusive of home, furnishings and automobiles).

INVESTMENTS

LJL Funding will select loans for investment pursuant to a strict set of underwriting guidelines set forth below, which guidelines are designed to set standards for the quality of the real property security given for the loans.

1. **Priority of Mortgages.** The deeds of trust securing the Pool loans will be first trust deeds or mortgages.
2. **Loan-to-Value Ratios.** The amount of the Pool's loan generally will not exceed the percentages stated below, based on the value of the security property calculated using the lower of an appraisal by a independent certified appraiser, a broker priced opinion (BPO) for a 30 day sale value or a value determined by our in-house Chief Credit Officer. Notwithstanding the foregoing, the loan-to-value ratio for a Pool loan may exceed the foregoing percentages if, in the Manager's reasonable judgment, a higher loan amount is warranted by the circumstances of the particular loan, such as personal guaranties, prior loan history with the particular borrower, market conditions, or if mortgage insurance is obtained, etc. In such cases, the Manager will maintain a written record of the reason(s) that a higher loan-to-value ratio was justified. The Manager does not anticipate obtaining or requiring the borrowers to maintain mortgage insurance for loans made within the loan-to-value ratios described below.

<u>Type of Property/Loan</u>	<u>Loan to Value Ratio</u>
Single Family Residential Owner-Occupied Property	Maximum 70%
Single Family Residential Non-Owner Occupied Property	Maximum 70%

3. **Terms of Loans.** The term of the loans will typically be fully amortized 30 year loans with a 5 year fixed interest rate. In some cases, loans purchased from a third party may have terms that vary from this, however, the loan to value requirements and underwriting guidelines still apply.
4. **Escrow Conditions.** The loans will be funded through an escrow account handled by LJI Funding or a qualified title insurance or escrow company. The escrow agent will be instructed not to disburse any funds until the following conditions are met:
 - (a) Satisfactory title insurance coverage will be obtained for all loans, with the title insurance policy naming the LJI Mortgage Pool LLC ("Pool") as the insured and providing title insurance in an amount not less than the principal amount of the loan. Title insurance insures only the validity and priority of the Pool's deed of trust, and does not insure the Pool against loss by reason of other causes, such as diminution in the value of the security property, over-appraisals, borrower's defaults, etc.
 - (b) Satisfactory fire and casualty insurance will be obtained for all loans which insurance will name the Pool as loss payee in an amount equal to the value of

the improvements. In some cases, fire and casualty insurance will be obtained for the principal amount of the Pool's loan.

(c) LJI Funding does not intend to arrange for mortgage insurance, which would afford some protection against loss if the Pool foreclosed on a loan and there were insufficient equity in the security property to repay all sums owed.

(d) All loan documents (notes, deeds of trust, , etc.) and insurance policies will name the Pool as payee and beneficiary or additional loss insured, as is applicable. In the event the Pool purchases loans, the Pool shall receive assignments of all beneficial interest in any documents related to each Loan so purchased. Pool investments in Loans will not be held in the name of the Manager or any other nominee.

REQUIRED DOCUMENTATION

Prior to making an investment, all investors must receive, read and where necessary complete, an offering circular, operating agreement and a subscription agreement.

AUDITORS AND LEGAL COUNSEL

Auditors: Armanino McKenna

Legal Counsel: Morrison & Foerster

Doss Law

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