

Firm Brochure
Part 2 of Form ADV
Item 1 – Cover Page

SORTIS FUND MANAGER, LLC

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This brochure provides information about the qualifications and business practices of Sortis Fund Manager LLC. If you have any questions about the contents of this brochure, please contact us at 503-512-5432, or by email at JB@SORTIS.COM. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about the Adviser is available on the SEC's website at www.adviserinfo.sec.gov

December 15, 2021

Item 2 - Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. This is the initial filing for registration for the Adviser.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 503-512-5432 or by email at JB@SORTIS.COM.

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Item – 4 Advisory Business

Adviser Description

SORTIS FUND MANAGER LLC, hereinafter (“the Adviser”) was founded in 2017 and is an SEC registered investment adviser.

The Adviser provides investment management services for private funds that are generally invested in real estate. The five funds currently include Sortis OZ NIR, LLC, Sortis Rescue Fund, LLC, Sortis Income Fund, LLC, Sortis OZ Tukwila, LLC and Sortis Opportunity Zone Fund I, LLC (collectively “the Funds”).

The Adviser is a fee-only investment management firm per the terms of the private placement memorandums (“PPM”) of each of the Funds. The Adviser and its associated persons do not sell financial products on a commission basis.

The Adviser has indirect custody of Fund assets as the Manager of the Funds, although the Funds maintain direct asset control.

The Adviser has discretion of the Funds accounts and invests for the Funds as Manager of the Fund limited liability company.

The Adviser does not act as a WRAP sponsor and does not provide investment advice to a WRAP program.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the Funds or by the Adviser on behalf of the Funds on an as-needed basis. Any conflicts of interest arising out of the Adviser’s or its associated persons are disclosed in this brochure.

Principal Owners: Sortis Holdings, Inc. is the 100% member of the Adviser.

Types of Advisory Services

The Adviser provides investment supervisory services to the Funds through its own proprietary method of evaluating fund investments.

As of November 30, 2021, the Adviser manages approximately \$120 million in assets for the five Funds, all of which is on a discretionary basis.

Tailored Relationships

The goals and objectives for each client are documented in each of the Funds’ private placement memorandums.

The Funds

SORTIS OZ NIR, LLC

Sortis OZ NIR, LLC, a Delaware limited liability company, was formed on June 3, 2019, as a specialized real estate investment fund to invest in real estate within qualified “opportunity zones” created pursuant to the 2017 Tax Cuts and Jobs Act, with a focus on development and repositioning (the “Opportunity Zones”). Our primary investment focus will be on the development of the NIR Center in an Opportunity Zone located in Portland, Oregon.

A maximum of 17,750 Interests, at a price of \$1,000 per Interest, to an unlimited number of investors who qualify as “Accredited Investors,” as such term is defined under Regulation D of the Act, whose status is verified as such. (See “Suitability Standards.”) A minimum investment of one thousand Interests for a total of \$1,000,000 is required, subject to our right to accept lesser amounts in our discretion.

SORTIS INCOME FUND, LLC

The Sortis Income Fund, LLC will acquire, hold, and opportunistically dispose of loans secured by real estate, directly or through a Sub-REIT. The Manager will cause the Fund to purchase loans in their discretion consistent with the goals of the Fund. Acquired loans must meet the Loan Guidelines, which are determined by the Manager from time to time. Loans may be purchased from affiliates of the Manager, or non-related third parties. Loans may be sold to capture revenue and recycle capital. Loan sales may be coordinated by the Manager, by an affiliate of the Manager, or non-related third parties. In addition, the Fund may engage in opportunistic investments in real estate.

The primary goal of the Fund is capital preservation. The secondary goal of the Fund is to create passive high yielding cash flow for investors with the acquisition and disposition of loans that are backed by secured liens (typically mortgages or trust deeds) on various classes of real estate.

The Fund is offering a maximum of \$250,000,000 of common limited liability company membership in the Fund, with a minimum investment of \$50,000.

SORTIS RESCUE FUND, LLC

Sortis Rescue Fund, LLC is a Delaware limited liability company established to capitalize on the dislocation and market stress in both the real estate and business markets caused by the COVID-19 global pandemic and subsequent economic fallout. Maximize investments returns through the acquisition, management and disposition of (i) acquisition of non-performing, sub-performing and/or defaulted real estate debt, (ii) origination of debt secured by real estate assets in distressed situations, (iii) acquisition and/or recapitalization of distressed real estate assets, (iv) acquisition of distressed operating business debt, (v) origination of debt secured by operating business assets. The Fund is seeking up to a maximum of \$50,000,000 of capital, although the Fund may accept more or less than that amount in the sole discretion of the Manager. We are

offering 50,000 Units at a price of \$1,000 per Unit. Minimum investment is 25 Units (\$25,000).

SORTIS OZ TUKWILA, LLC

Sortis OZ Tukwila, LLC, a Delaware limited liability company, was formed on June 14, 2019, as a specialized real estate investment fund to invest in real estate within qualified “opportunity zones” created pursuant to the 2017 Tax Cuts and Jobs Act, with a focus on development and repositioning (the “Opportunity Zones”). Our primary investment focus will be on the development of the Tukwila Village Phase II Senior Housing Development located in an Opportunity Zone located in Tukwila, Washington.

Currently this fund is no longer accepting new investors.

SORTIS OPPORTUNITY ZONE FUND I, LLC

Sortis Opportunity Zone Fund I, LLC, a Delaware limited liability company, was formed on November 5, 2018, as a specialized real estate investment fund to invest in real estate within qualified “opportunity zones” created pursuant to the 2017 Tax Cuts and Jobs Act, with a focus on development and repositioning (the “Opportunity Zones”). Within the Opportunity Zones, our primary investment focus will be on multi-family and single-family rental, hotel, office, and industrial real estate projects (both initial development and re-development and repositioning opportunities), and Qualified Opportunity Zone Businesses.

The offering is a maximum of 100,000 Interests, at a price of \$1,000 per Interest, to an unlimited number of investors who qualify as “Accredited Investors”. A minimum investment of fifty Interests for a total of \$50,000 is required.

Termination of Agreements

Investor termination or redemption provisions are disclosed in each of the Fund’s PPM. Investors should consult the PPM of the fund in which they are investing to determine if there is any redemption ability and what, if any, lock up period exists.

Item 5 - Fees and Compensation

The Manager receives a 1.75% - 2% management fee from each of the Funds. Investors should consult the PPM for the specific fund they are interested in investing for the specific compensation to the Adviser/Manager of each fund. In general, the Adviser will receive an annual management fee that shall be calculated on the last day of each calendar month at the specified rate of and paid within 10 days thereafter. The Management Fee includes certain costs and expenses incurred by the Adviser for its services in managing the Funds. These costs include those related to: executive management and financial oversight of the Funds, including day-to-day external accounting services; Member management; office

administration; document development and production; development and maintenance of computer software or cloud based applications; tax preparation; Funds governance; general, comprehensive business insurance and key man life insurance, if any; regulatory filings; and monitoring the status of investments as they progress.

The Manager also receives a Performance Fee as set forth below.

In addition to the Management Fee and Performance Fee, the Adviser will be reimbursed for any costs and expenses relating to tax preparation, preparation of financial information by third party accountants, or transactional commissions and other expenses and fees.

Other Fees

The Funds will incur fees from custodians, administrators, and other service providers. These fees are incurred as a result of managing a fund's accounts and are charged by the service provider. The amount and nature of these fees are based on the service provider's fee schedule(s) at the provider's sole discretion. These additional charges can include transaction fees, custodial fees, margin costs, accounting fees, wire transfer and electronic fund fees, and other fees related to the administration of the funds. These fees are separate and distinct from any fees charged by the Adviser.

Conflict of Interest Between Different Fee Structures

The Adviser offers several different services detailed in this brochure that compensate the Adviser differently depending on the fund selected. There is a conflict of interest for the Adviser and its associated personnel to deliver transactions to certain of its funds under management that offer a higher level of compensation to the Adviser through either higher management fees or reduced administrative expenses. The Adviser mitigates this conflict through its procedures to review Fund investments. Further, the Adviser is committed to its obligation to ensure associated persons adhere to the Adviser's Code of Ethics and to ensure that the Adviser and its associated persons fulfill their fiduciary duty to clients or investors.

Item 6 - Performance Fees

For the Sortis Income Fund, LLC there is a 15% performance fee and the Sortis Rescue Fund, LLC and Sortis OZ NIR, LLC and Sortis OZ Tukwila, LLC and the Sortis Opportunity Zone Fund I, LLC all have a Manager Share of Available Cash of 20% - 30% after certain thresholds for Member returns have been met. For these investments, refer to their PPM for the calculation of the performance fees.

Item 7 - Types of Clients

Description

The Adviser provides investment advice only to private funds.

Investment Minimums

Consult the description of each Fund in this brochure or in the Fund's PPM for a description of the minimum investment in each particular fund.

Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss

Methods of Analysis

Security analysis methods may include fundamental analysis and cyclical analysis of the real estate markets. The main sources of information include financial newspapers and magazines, research materials prepared by others and proprietary methods of research developed by the Adviser.

Investment Strategies

Investment strategies are generally in the real estate and operating business market. Investors should consult the PPM for the specific strategy of each fund.

Risk of Loss

The general risks associated with the Funds are listed below but each fund's PPM should be consulted for risks specific to each fund.

BUSINESS AND MARKET RISKS

The Fund's investment portfolio may consist of securities issued by privately held companies, loans secured by real estate or other collateral, and real estate, and the Fund's operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial loss.

Distressed Assets. The Fund's primary objective is to invest in distressed investments which allow for a higher rate of return. However, distressed investments inherently involve a higher degree of risk.

Future Performance. The Fund will seek to make investments that have estimated returns commensurate with the risks undertaken; there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

Lack of Sufficient Investment Opportunities. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring distressed transactions is highly competitive and involves a high degree of uncertainty.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there often will be no current return on the investments. Furthermore, the expenses of operating the Fund (including the management fee payable to the Manager) may exceed its current income, thereby requiring that the difference be paid from the Fund's capital.

Availability of Accountant-Prepared Financial Statements. The Manager may, in its discretion, cause the Fund to obtain accountant-prepared financial statements. Each investor must determine if they require accountant-prepared financial statements and the risks associated with not being provided such financial statements for the investor's investment in the Fund, or the costs of accountant-prepared financial statements being incurred by the Fund at the Manager's discretion.

Long Term Nature of Investment. An investment in the Units may be long term and illiquid. As discussed above, the offer and sale of the Units will not be registered under the Securities Act or any foreign or state securities laws by reason of exemptions from such registration, which depends in part on the investment intent of the investors. Prospective investors will be required to represent in writing that they are purchasing the Units for their own account for long-term investment and not with a view towards resale or distribution. Accordingly, purchasers of Units must be willing and able to bear the economic risk of their investment for an indefinite period of time. It is likely that investors will not be able to liquidate their investment in the event of an emergency.

No Current Market For Units. There is no current market for the Units offered in this private Offering and no market is expected to develop in the near future.

Compliance with Securities Laws. The Units are being offered for sale in reliance upon certain exemptions from the registration requirements of the Securities Act, applicable Oregon Securities Laws, and other applicable state securities laws. If the sale of Units were to fail to qualify for these exemptions, purchasers may seek rescission of their purchases of Units. If a number of purchasers were to obtain rescission, the Fund would face significant financial demands, which could adversely affect the Fund as a whole, as well as any non-rescinding purchasers.

Units are Restricted Securities. The Units will be "restricted" securities, which have not been registered under federal or state securities laws and will not be freely transferable. This Offering is made pursuant to exemptions from the registration requirements of federal securities laws. In addition, the Offering will not be registered in any state in reliance on exemptions from registration for private offerings under state securities laws. To satisfy the requirements of certain exemptions from registration, each investor must acquire his,

her, or its Units for investment purposes only and not with a view towards distribution. Consequently, certain conditions of applicable law may need to be satisfied prior to any sale, transfer, or other disposition of the Units. Some of these conditions may include a minimum holding period, availability of certain reports, including our financial statements, limitations on the percentage of Units sold and the manner in which they are sold. The Fund will serve as its own transfer agent and registrar and can prohibit any sale, transfer or disposition unless the Fund receives an opinion of counsel provided at the holder's expense, in a form satisfactory to the Manager, stating that the proposed sale, transfer or other disposition will not result in a violation of applicable federal or state securities laws and regulations.

Determination of Fund Asset Value in Manager's Discretion. The fair market value of the assets of the Fund will be determined by the Manager to determine the Fund Asset Value, which is used to calculate the Manager's management fees after the Investment Period. Fair market value is typically determined as the value exchanged between a willing buyer and seller. However, the fair value of assets held by the Fund may not be readily determined given their inherent illiquidity especially in situations in which the Fund may acquire them or be required to dispose of them under duress of at least one of the parties to the applicable transaction. Consequently, fair value is an indeterminate concept. There can be no assurance that the Manager will not determine the fair value of one or more of the Fund's assets to be different than one or more of the Fund's members which may have negative or adverse economic or tax consequences for the members of the Fund.

No Escrow Account for this Offering. Subscription proceeds received from investors will immediately be deposited directly into an account which we control, even before we have accepted or rejected the subscription. The services of a neutral third-party escrow agent will not be used. If a subscription is not accepted, we will return the corresponding subscription proceeds without interest thereon or deduction therefrom. To the extent that third parties attempt to obtain commingled funds held by us, investors will be at risk until their funds are accepted by the Fund pursuant to a closing or returned pursuant to a rejection of investment.

Discretionary Authority of Use of Proceeds. The Fund plans to use the net proceeds from this Offering to make investments consistent with the goals of the Fund and pay the Fund's expenses. However, the Fund reserves the right to use the funds obtained from this Offering for other similar purposes not presently contemplated which it deems to be in its best interests in order to address changed circumstances or opportunities. As a result of the foregoing, the Fund will have discretion with respect to the use of the proceeds of this Offering and may apply the proceeds in ways with which you do not agree. Investors must depend upon the Manager's judgment as to the use of proceeds. If the Manager fails to apply the funds effectively, the Fund's business, results of operations and financial condition may be materially and adversely affected. Investors will not participate in these decisions and must evaluate the consequent risk.

Limitation of Manager Liability. Under various state and federal laws, the Manager is accountable to members as a fiduciary and is required to exercise good faith in handling the Fund's business. However, Section 4.11 of the Operating Agreement provides that the Manager shall not be liable to the Fund or its members for any loss or liability incurred in connection with the Fund's affairs, so long as such loss or liability did not result from a

breach of the duty of loyalty or intentional misconduct or knowing violations of the law. Therefore, a member may have a more limited right of action against the Manager or its affiliates absent these provisions in the Operating Agreement.

Indemnification of the Manager. The Manager will be indemnified by the Fund from any and all claims of third parties directly arising out of its management of the Fund, except for claims arising out of the breach of duty of loyalty, or intentional misconduct or a knowing violation of the law. The Manager will have no liability to the Fund for a mistake or error in judgment or for any act or omission believed to be within its scope of authority except as stated above. As a result, the right of anyone to bring an action against the Manager or its principals for breach of their fiduciary duties or other obligations to the Fund may be severely limited.

No Independent Counsel Retained for Members. The Operating Agreement has not been reviewed by any attorney on behalf of the members. Investors are, therefore, urged to consult with their own counsel as to the terms and provisions of this Memorandum, the Operating Agreement, and all other documents relating thereto. Such documents are available to investors, to the extent not already provided, upon written request to the Manager.

Limited Working Capital. There can be no assurance that the Fund will have sufficient working capital or cash flow to meet its fixed expenses or other ongoing needs. The Fund's operating expenses (including certain compensation and fees to the Manager and its affiliates) must be paid, regardless of profitability. The Manager may or may not allocate funds from the proceeds from this Offering as working capital. Accordingly, it is possible that the Fund may be required to borrow funds or liquidate a portion of its investments to pay its expenses or to meet unanticipated working capital needs. There can be no assurance that such funds will be available when they are required.

Limited Transferability of Units. There will be no public market for the Units, and none is expected to develop. There are substantial restrictions upon the transferability of the Units under the Operating Agreement and applicable securities laws. In general, redemption or withdrawals of Units are not available.

Reliance Upon the Manager. The Fund's future profitability will depend largely upon the business and investment acumen of the Principals and employees of the Manager. Members generally have no right or power to take part in the management of the Fund, and as a result the investment performance of the Fund will depend entirely on the actions of the Manager. Although the Manager will monitor the performance of each investment, it will be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Furthermore, while the Fund generally intends to invest in companies with strong management there can be no assurance that the existing management of such companies will continue to operate a company successfully.

Absence of Operating History. The Fund and the Manager are in the process of being formed, and neither the Fund nor the Manager has an operating history of making privately negotiated investments upon which prospective investors may base an evaluation of the likely performance of the Fund.

Projections. Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only an estimate of future results, which are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

Coronavirus and other public health risks. The recent outbreak of the novel coronavirus (COVID-19) in many countries is adversely impacting global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving and has created significant disruptions in global demand and supply chains. Government and self-imposed quarantines and restrictions on travel may continue for a long period of time. Such actions are adversely impacting a wide range of different industries. Impacts are most acute in the travel, entertainment, restaurant and hospitality industries. While the longer-term scope of the potential impact of the novel coronavirus (COVID-19) on global markets cannot be known at this time, the coronavirus outbreak and any other outbreak of any infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, are likely to have a profound negative impact on economic and market conditions and trigger a period of global economic slowdown. Any such economic impact could adversely affect the performance of the Fund's investments as well as valuations of fund investments in predecessor funds. As a result, the novel coronavirus (COVID-19) presents material uncertainty and risk with respect the Fund's overall performance and financial results may also be materially and adversely affected.

Risks Related to Investments in Operating Companies

Investment in Junior Securities. The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

Concentration of Investments. The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Fund's investments, and hence most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Partners.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investments may have a

substantial negative impact on a portfolio company in need of such investment or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

Director Liability. The Fund will have the right to appoint one or more representatives to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

Leveraged Investments. The Fund's investments may be in companies whose capital structures are highly leveraged. Such investments involve a high degree of risk in that adverse fluctuations in the cash flow of such companies, or increases in interest rates, may impair their ability to meet their obligations, which may accelerate and magnify decline in the value of any such portfolio company investment in a down market.

Risks Related to Investments in Real Estate Loans

Declines in Property Values and Reduced Credit Availability. The Fund may acquire loans secured by real estate located in the United States. Property values could experience a decline in value and a slow-down in sales, and loans acquired by the Fund are subject to the risk of loan losses resulting from declines in property values, generally. If the market value of the collateral declines significantly or declines below the loan amount, the borrower may have difficulty paying or refinancing the loan or selling the collateral, causing losses to the Fund. Moreover, a tightening of credit standards and general unavailability of credit may affect the ability of borrowers to refinance loans and the ability of potential purchasers to finance the purchases of real property. In the event of a decrease in the availability of credit, a borrower may have difficulty paying or refinancing the loan or selling the collateral despite the collateral having adequate value which may cause losses to the Fund.

Changes in Interest Rates. Domestic and International Fiscal Policy may adversely affect the Fund. Domestic and international fiscal and monetary policy can lead to rate changes by the Federal Reserve, which may affect interest rates for the types of loans acquired by the Fund. Changes in fiscal and monetary policies are beyond the Fund's control and difficult to predict but could have an adverse impact the Fund's performance.

Loan Servicing will be Controlled by Management. The Fund will supervise the servicing and enforcement of the loans and may take certain actions in connection with loan documents and the enforcement thereof, including, without limitation, approval of a loan forbearance or loan extension and how, when or if to foreclose upon the collateral real estate and the determination of how the Fund will take title to such real property.

REO Servicing will be Controlled by Management. If the Fund should take title to real estate as the result of foreclosure, the Fund will supervise the management of such real estate owned ("REO"), including property maintenance and repairs, rental, and disposition.

The Fund may engage the Manager, affiliates of the Manager, third parties to perform the management of such REO, for additional fees.

Risk of Government Action. While the Fund will use its best efforts to comply with all local, state, and federal lending regulations applicable to originating, purchasing, and servicing loans, there is a possibility of governmental action to enforce any alleged violations of such lending laws which may result in legal fees, damage awards, or fines and penalties.

Costs Related to Default. In the event a borrower defaults under a loan, the Fund may be required to pay various expenses in order to enforce the loan documents or otherwise protect the value of the real estate collateral. While the purpose of paying such expenses will be to collect the amount due under the loan or otherwise protect the value of the Fund's interest in the real estate, there is no guaranty that such efforts will be successful and, by increasing the amount of funds invested in the loan, there is greater risk that the proceeds ultimately received will not be sufficient to recover the invested principal.

Borrower Creditworthiness. The Fund may evaluate the creditworthiness of the borrower based on a review of financial information provided by the loan originator, and by making other inquiries (e.g., running a credit check in some cases) but, as stated above, may acquire loans with borrowers that are either unable or unwilling to obtain financing from traditional sources, such as commercial banks. Loans to such individuals or entities may entail a higher risk of delinquency and loss. Moreover, this financial information and these inquiries will be given and made as of a particular point in time. The financial condition and/or credit status of the borrower could change subsequent to when this financial information and these inquiries are given and made.

Bankruptcy and Equitable Rights of Borrower. The recovery of loans acquired by the Fund and protecting the Fund's interest in the collateral 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 or in which the rights of the Fund under the loan documents are enforced. A foreclosure sale may be delayed by the filing of a petition in bankruptcy, which automatically stays any actions to enforce the terms of the loan. The length of this delay and the costs associated therewith may have an adverse impact on the Fund's ability to recoup some or all of its investment.

Inaccurate or Incomplete Information. The success of a loan will depend, among other things, on an accurate assessment of the creditworthiness of the borrower and the underlying value of the collateral. While the Fund will make an investigation regarding the collateral and the borrower, it will rely to some extent on third parties such as the originator, credit agencies, appraisers, originators, and the borrower itself to provide the information upon which the Fund will base its decision to acquire the loan. There is no guarantee that this information will be accurate.

Risks from Ownership of Collateral. If a borrower defaults on the loan and the Fund forecloses or otherwise takes title to the collateral following a transfer, the Fund will bear the economic and other risks borne by an owner of real property. These risks include, but are not limited to, the financial risks involved in leasing, operating and selling the real property, the risks for environmental clean-up costs and related environmental liabilities described elsewhere and the risk of liability for uninsured casualties on the real property.

If the collateral consists of undeveloped land, the risks of owning such property may be greater than the risks of owning improved real estate.

Risk of Uninsured Losses. As a condition of the loans acquired by the Fund, borrowers are required to obtain and maintain fire insurance on the collateral. However, there are certain types of losses (generally those of a catastrophic nature, such as losses due to war, terrorism, earthquakes, hurricanes, floods or mudslides) that are either uninsurable or not economically insurable. Should any such disaster occur, the Fund could suffer a loss of principal and interest on the loan secured by the uninsured property. If the collateral consists of undeveloped land, the Fund may not require the borrower to carry fire insurance as there would be no improvements to insure. The terms of a loan or the Fund may not require the borrower to carry liability insurance with respect to collateral. If an accident should occur on the collateral (e.g., a “slip and fall”) or some other event should occur that would be covered under a liability insurance policy, the borrower would be liable to pay any resulting claims. This could impair the borrower’s ability to repay the loan.

Early Loan Payoff will Affect Return on Investment. Interest rates are subject to fluctuation, and the cost and availability of funds may increase and decrease from time to time. If a borrower is able to borrow funds at a lower interest rate than the interest rate that it is obligated to pay under a loan arranged through this offering, it may elect to refinance its loan. This would result in the Fund being repaid some or all of its investment prior to the stated loan maturity. The loans acquired by the Fund typically allow a borrower to prepay its loan without prohibition or the payment of a prepayment premium. If a borrower repaid its loan because interest rates were lower, then, due to the lower interest rate environment, the Fund may have difficulty re-lending its funds at the same yield that it was receiving from the prepaid loan.

Guaranties may be Unenforceable. The obligations of borrowers may be guaranteed by a guarantor. Current laws provide a number of protections for guarantors. Under certain circumstances, these protections could serve to limit or exonerate the guarantor of its obligations under its guaranty. Some of these protections are waivable, while others may not be waivable due to public policy considerations. Even ostensible waivers of some of these protections may be held by a court to be unenforceable for a variety of reasons, such as the ostensible waivers being deemed too vague. Also, a guarantor may in some circumstances be entitled to the protections of the anti-deficiency and “one form of action” laws available to the borrower. Additionally, the Manager may elect not to pursue personal guarantees based on the applicable circumstances.

Environmental Liabilities. Under current federal and state law, the owner of real property contaminated with toxic or hazardous substances (including a lender that has acquired title through foreclosure) may be liable for all costs associated with any remedial action necessary to bring the property into compliance with applicable environmental laws and regulations. This liability may arise regardless of who caused the contamination or when it was caused. A lender’s best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan. The Fund will take certain precautions to avoid environmental issues and will generally not acquire loans secured by properties known or suspected to have (or to be likely to have) environmental problems unless the Fund believes that such environmental problems do not materially affect the

value of the collateral. Prior to acquiring a loan, however, the Fund will generally not engage an environmental inspection firm to conduct a review of the property.

Therefore, there can be no assurance that the Fund will always be able to detect whether or not a property is contaminated prior to acquiring a loan. The presence of hazardous waste can reduce the value of the collateral and clean-up costs can reduce the borrower's ability to repay the loan. Moreover, if, following the closing of the loan, the Fund discovers environmental contamination on the collateral, the potential clean-up costs may render it unprofitable to foreclose on or otherwise take title to the collateral following a default by the borrower. While loan terms may require borrowers to agree to hold the holder of the loan harmless from any liability for such contamination, the Fund may lack the financial resources to perform under the indemnity. Since the Fund could have liability to clean up hazardous waste on a collateral to which it takes title in foreclosure or otherwise, the Fund may take title to the collateral through a transfer entity rather than directly in order to limit the Fund's exposure to such liabilities. Even if the Fund does not foreclose on a contaminated site, the mere existence of hazardous substances on the property may depress the market value of the collateral such that the loan is no longer adequately secured increasing the risk of loss upon a borrower default.

Limitations on Recovering Unpaid Amounts through Foreclosure. The loans acquired by the Fund will be secured by a deed of trust, mortgage, or other security agreement. Under the deed of trust, the borrower as trustor grants to the trustee the power to sell the property in the event of a default. Foreclosure under a deed of trust is accomplished in most cases by a non-judicial trustee's sale under a power of sale provision in the deed of trust. In a non-judicial foreclosure, after a notice period during which the borrower has the right to reinstate the loan by curing the default and paying actual costs and statutorily limited attorney's or trustee's fees, the property is sold. Following the sale, the borrower and any junior lienholder lose the right to redeem the property. If the property does not sell for enough to pay off the loan and recover the costs of the foreclosure, the Fund as beneficiary of the deed of trust will have no right to recover any deficiency absent an independent guarantee of the debt by a third party. On the other hand, if the Fund should elect to foreclose in a judicial foreclosure, it may have a right to recover from the borrower any deficiency between the amount recovered in the sale and the amount owing under the loan. However, a judicial foreclosure is subject to delays and may take several years to complete. After the sale, the borrower would still have a right to redeem the property for an extended period of time.

Anti-deficiency Legislation may limit the Fund's Recovery. In addition to the statutory limitation on recovery of any deficiency in the amount owed by a debtor if a beneficiary/lender under a deed of trust forecloses under a power of sale in a non-judicial foreclosure as described above, applicable law may also contain other limitations which could possibly apply to the Fund.

Junior Liens Subject to Greater Risks of Loss. A loan may be secured by a junior mortgage or deed of trust. In the event of foreclosure on a loan that is so secured, the debt secured by the senior deed of trust must be satisfied before any proceeds from the sale of the property can be applied toward the loan. Furthermore, to protect its junior security interest, the Fund may be required to make substantial cash outlays for such items as loan payments to senior lienholders to prevent their foreclosure. Therefore, a loan secured by a junior deed of trust

is subject to greater risk in the event of a decline in property values than are loans secured by first deeds of trust.

Risk of Junior Liens on a Senior Loan. Even if the deed of trust or other security agreement is a first priority lien on the collateral, there may be junior liens that also encumber the collateral, and which secure the repayment of other debts owing by the borrower. The presence of junior liens on the collateral may increase the risks to the Fund in a variety of ways. First, the presence of junior liens on the collateral means that the borrower has less equity in the property. When a borrower has little equity in a collateral, it may be less committed to developing or maintaining the collateral or servicing the debt on the collateral since it has little money at risk. Also, if the borrower has to service the debt secured by the junior liens, then the revenue generated from the property may be used to service these debts, rather than being used to maintain or enhance the value of the property. Further, if a junior lienholder should go bankrupt, the automatic stay would prevent a senior lienholder (which would include the Fund under the deed of trust or other security agreement) from foreclosing on its senior lien. Thus, the Fund could be delayed from enforcing its rights under the deed of trust or other security agreement due to the bankruptcy of a junior lienholder.

Litigation Risk. The Fund will act in good faith and use its reasonable judgment in acquiring the loans. However, the Fund is exposed to the risk of litigation by a borrower for any allegations by the borrower (warranted or otherwise) regarding the terms of the loans or the actions or representations of the Fund in acquiring, managing or foreclosing on the loans. It is impossible to foresee what allegations may be brought by a specific borrower, and the Fund will use its best efforts to avoid litigation if in the Manager's judgment, the circumstances warrant an alternative resolution. If an allegation is brought and/or litigation is commenced against, the Members may be named as defendants in any such litigation and could incur legal fees and costs to respond to the allegations and to defend any resulting litigation. Incurring such fees will adversely affect the ability of the Members to receive the return of their investment and the full return thereon and may result in Member losses.

Risks of Undeveloped Land as Collateral. The collateral of a loan may consist of undeveloped land. For a number of reasons, undeveloped land is generally considered a riskier and more speculative form of security for a loan than is improved real estate. For example, before improvements can be constructed on undeveloped land the owner of the land may need to secure entitlements (e.g., zoning approvals, variances, and architectural approvals), undergo review of and obtain clearance on environmental impact issues (including issues concerning traffic, open space, school or transit impact, endangered species, wetlands, noise and air quality), obtain building permits, secure access and connections to necessary utilities, obtain construction financing, undertake and complete construction, and find buyers or tenants once the undeveloped land has been improved. Many of these risks are no longer at issue with respect to improved real estate. Moreover, it is likely that undeveloped land will not generate any income that can be used to pay the interest and/or principal owing under the loan or real property taxes assessed against the undeveloped land. Accordingly, the borrower must have other sources of income in order to make these payments. Even if the owner of undeveloped land intends to hold the undeveloped land for investment, rather than developing the land itself, any prospective

purchaser of the undeveloped land will take these risks into account when it sets the purchase price. Additionally, it can take up to several years or more to market and sell undeveloped land. Due to this potentially protracted time frame, it may be difficult for the owner of undeveloped land to sell the undeveloped land in time to pay off the loan at maturity. Finally, most lenders are more reluctant to lend against undeveloped land than against improved real estate due to the risks and other matters described above. Due to these considerations, it may be more difficult for the borrower to sell or refinance the collateral in order to repay the loan.

Construction Loan Appraisal Risk. Appraisals for construction loans assume an “as completed” value which may not be realized. The value of the collateral securing a construction loans will, in most cases, be based upon an appraisal of the projected value of the collateral when the construction has been completed (i.e., the “as constructed value”) and not the value of the collateral at the time the construction loan is made. In acquiring a construction loan based upon the “as constructed” value, the Fund is subject to the risks that actual construction costs may exceed budget, construction delays could occur, labor or supply shortages may exist, or, the market value of the project once completed could be less than anticipated. The loan-to-value ratio will at times during the period that construction is not yet completed be higher than otherwise disclosed and may be in excess of 100% of the value of the property prior to completion of construction. Moreover, if for any reason the construction project is not completed, it is likely that the collateral will be worth less than the appraised value. If the Fund must foreclose on the collateral before the project is completed and the collateral value at the time of foreclosure is less than the appraised value “as constructed,” there is a greater likelihood that the Fund will not be able to sell the collateral for the full amount owing to them and the lenders may be required to take a loss or elect to complete the construction prior to sale.

Construction Loan Funding Risk. Construction loans will only be partially funded at closing increasing potential risk or loss. Construction loans will most likely only be partially funded at the closing of the loan and the Fund will need to fund additional disbursements. If the Fund is unable to fund the unfunded portion, there could be adverse consequences associated with this investment including but not limited to: (i) a loss of the value of the collateral if it is incomplete and the borrower is unable to raise funds to complete it from other sources, (ii) a borrower claim against the Fund based upon allegations that the Fund did not perform and thereby has breached the loan documents, (iii) increased costs to the borrower which it may not have the ability to meet, (iv) a bankruptcy filing by the borrower, and (v) abandonment by the borrower of the collateral.

Construction Loan Disbursement and Monitoring Risks. For construction loans, the Fund or its designated servicer or agent will be responsible for monitoring the construction and disbursing loan funds to the borrower in accordance with the terms of the applicable loan documents. Consequently, the Fund must rely on third parties to ensure that loan proceeds are being utilized by the borrower to complete the construction project as required by the loan documents.

Foreclosure on Construction Loans. If the Fund must foreclose before construction is completed, and if there are insufficient funds left on the loan to complete construction, the Fund will need to choose between selling the collateral with construction incomplete or providing further financing to complete the project before it is sold. If the Fund elects to

sell the collateral before completing construction, the collateral is more likely to sell at a price which will not return to the Fund the amount owed under the loan. If the Fund elects to make additional advances to complete construction, the risk increases that the collateral will not sell at a price which will provide repayment of the loan.

Entitlement Risks. If the borrower intends to subdivide the collateral, it will need to comply with applicable local, state and federal subdivision laws. If the loan is to be made before the collateral is fully subdivided, then the Fund will bear the risk that the borrower is unable to complete its subdivision. For example, the borrower may have a tentative subdivision map approved for the collateral, with the issuance of a final subdivision map being conditioned on the satisfaction of certain conditions. If the borrower is unable to satisfy these conditions, then the borrower will be unable to subdivide the collateral. The value of the property as a single legal parcel may be less than the value of the collateral if the subdivision had been completed.

Risks Related to Investments in Commercial Real Estate

Real Estate General Investment Risks. Investments in real estate have been volatile and valuations have experienced severe past downward corrections, and there can be no assurance such will not recur. Investments in real estate are characterized by periods of economic uncertainty. From 2008 through 2011 (the “Recession”), significant and widespread concerns about credit risk and access to capital were present in the global financial markets, which caused a significant downward correction in real estate values while impeding their recovery. Economies throughout the world, including the United States, experienced substantially increased unemployment, sagging consumer confidence, as well as concern in the general business climate resulting in a downturn in economic activity that negatively affected real estate values. Moreover, the failure (and near failure) of several large financial institutions and the failures, and expectations of additional failures, of smaller financial institutions led to increased levels of uncertainty and volatility in the financial markets, restricted availability of credit from lenders, increased incidence of foreclosure also negatively affected real estate values throughout the world, especially specific regions of the United States such as the southwestern states. The Fund’s business is subject to all of the risks associated with the real estate industry. Investments in real estate are speculative in nature. The Fund is subject to all risks incident to investment in real estate, many of which relate to the general lack of liquidity of real estate investments.

Many of these factors are not within the Fund's control, and could adversely impact the value of the Fund's investments. These factors include, but are not limited to:

- downturns in worldwide, national, regional and local economic conditions;
- conditions affecting real estate in specific markets in which the Fund may invest, such as oversupply or reduction in demand for real estate;
- changes in interest rates and availability of attractive financing;
- changes in real estate and zoning laws;
- environmental and/or engineering issues unforeseen in due-diligence, and changes in environmental legislation and related costs of compliance;
- condemnation and other taking of property by the government;
- changes in real estate taxes and any other operating expenses;
- the potential for uninsured or underinsured property losses;
- natural disasters, acts of God, terrorist attacks, social unrest and civil disturbances; and
- with regard to specific interests in properties that the Fund may acquire that are subsequently leased, tenant mix, shortage of suitable tenants, an inability to identify suitable tenants on profitable terms, declines in the economic health and financial condition of the tenants and the ability to collect rents from tenants, vacancies, property management decisions, property condition and design, changes in market rental rates or laws affecting rental rates, periodic requirements to repair, renovate and re-lease space, increased operating costs, including real estate taxes, state and local taxes, assessments, insurance expense, utilities, and security costs, competition from other properties, and federal or local economic or rent control.

Any of these factors may adversely affect the Fund's results of operations and financial condition, the value of the Fund's assets, and, consequently, the value of an investment in the Fund.

Competition for Investment. The Fund faces competition for suitable investments, which may negatively impact its investment returns. Due to the nature of the Fund's business, its profitability will depend to a large degree upon the availability of suitable properties and interests therein that meet the Manager's investment criteria. The Fund will also compete with other companies that may have greater financial resources or experience and, therefore, may be able to offer more attractive terms. Such competition could reduce the number of suitable opportunities willing to accept the Fund's proposals, could cause the Fund to pay higher prices for interests in properties than it otherwise would have paid, or may prevent the Fund from purchasing a desired interest in a property at all. Each of these factors could adversely affect the returns the Fund realizes from its investments.

Exit Strategy. The timing or success of the Fund's exit and/or liquidity strategy for any given investment may be negatively affected by market conditions at that time. One of the factors that the Fund considers when evaluating investment opportunities is the potential exit and/or liquidity strategy for its investments. Among the potential exit and/or liquidity strategies for any given investment may include disposition (i.e., sale) through the conventional real estate market, and/or a refinancing through traditional lending

institutions. The Fund's ability to successfully dispose of and/or refinance a particular investment will depend in part on market conditions at that time. If the Fund must dispose of an investment at an inopportune time or under duress, the proceeds therefrom may be less than could be obtained under other circumstances. Moreover, should the Fund opt to pursue refinancing of any given investment, there can be no guarantee that the Fund will be able to access the capital markets on favorable terms, if at all. Decisions regarding the timing of disposition and/or refinance of some or all of the properties or interests in properties, as well as the terms and conditions under which they will be disposed of and/or refinanced, will be made by the Manager in its sole and absolute discretion. The Fund's inability to successfully and profitably liquidate its investments could adversely affect its results of operations and financial condition with negative implications for the value of an investment in the Fund.

Risks Related to Leverage. The Manager has the right to leverage a portion of the total investments of the Fund, which may result in capital losses or a decrease in distributions. The Manager has the right to use financial leverage by borrowing funds against the assets of the Fund in order to finance projects. The use of leverage may result in capital losses or a decrease in the cash available for future distributions, which would have an adverse effect on the Members. There can be no assurance that any borrowing strategy employed by the Fund will enhance returns or help the Fund achieve its investment objectives. Further, to the extent that the interest payable on and other expenses of the borrowings exceed the incremental returns to the Fund on the additional securities purchased thereby, the strategy may reduce returns on the Units, as compared to a situation where no financial leverage was used.

Risks Related to Insurance Coverage. The insurance coverage on the Fund's investment properties may not protect against possible losses. The Fund expects that the properties in which it invests will be covered by comprehensive liability, fire, extended coverage, and rental loss insurance, at levels that the Fund expects to be adequate and comparable to coverage customarily obtained by owners of similar properties. However, the coverage limits of the Fund's policies, or the limits of other insurance policies covering the investment properties, may be insufficient to cover the full cost of repair or replacement of all potential losses. Moreover, this level of coverage may not continue to be available in the future or, if available, may be available only at unacceptable cost or with unacceptable terms. Additionally, there may be certain extraordinary losses, such as those resulting from civil unrest, terrorism, or environmental contamination, which are not generally, or fully, insured against because they are either uninsurable or not economically insurable. For example, the properties may not be insured against losses as a result of environmental contamination. Should an uninsured or underinsured loss occur to a property, the Fund could be required to use its own funds for restoration or lose all or part of its investment in, and anticipated revenues from, the property. In any event, the Fund would continue to be obligated on any mortgage indebtedness on the property. Any loss could have a material adverse effect on the Fund, the Fund's ability to make distributions to its Members, and/or the Fund's ability to pay amounts due on the Fund's debt. In addition, with regard to any policies owned by the Fund, in most cases the Fund will need to renew its insurance policies on an annual basis and negotiate acceptable terms for coverage, exposing the Fund to the volatility of the insurance markets, including the possibility of rate increases. Any material increase in insurance rates or decrease in available coverage in the future could adversely

affect its results of operations and financial condition with negative implications for the value of an investment in the Fund.

Risks Related to Environmental Liability. The Fund may be subject to liability under environmental laws, ordinances, and regulations. Under various federal, state, and local laws, ordinances and regulations, and to the extent the Fund owns any interests in properties directly and not indirectly through a limited liability entity, the Fund may be considered an owner or operator of real properties responsible for paying for the disposal or treatment of hazardous or toxic substances released on or in the property, as well as certain other potential costs relating to hazardous or toxic substances (including governmental fines and injuries to persons and property). Such liability may be imposed on the Fund whether or not it had knowledge of or responsibility for the presence of hazardous or toxic substances. The Fund's efforts to identify and discover environmental liabilities with respect to properties it may acquire or to which it may provide lender financing may not be sufficient, notwithstanding its due diligence efforts including environmental audits designed to ensure that its portfolio will be in substantial compliance with federal, state and local environmental laws, ordinances and regulations regarding hazardous or toxic substances. To the extent the Fund is responsible for environmental liabilities, such could have a materially adverse effect on its results of operations and financial condition as well as jeopardize other investment assets in its portfolio, with negative implications for the value of an investment in the Fund.

Risks Related to Structure of Real Estate Holding. The Fund may purchase interests in real property directly, and not through separate limited liability entities. Generally, the Fund will acquire its investment properties or interests in investment properties indirectly through limited liability entities. To the extent that the Fund purchases properties or interests in real property directly, and not through separate limited liability entities, any liability of the Fund relating to one investment property may be enforced against other assets of the Fund, including other investment properties owned directly or indirectly by the Fund. Such judgments may adversely affect the Fund's results of operations and financial condition with negative implications for the value of an investment in the Fund. The Fund may invest in interests in real property jointly with an unrelated third party. The Fund may invest in interests in real property jointly with other parties, which may be affiliates of the Manager or the Fund, or may be unrelated third parties. To the extent the Fund invests jointly with an unrelated third party, such third party may not agree with the Fund with regard to the management, operation or refinance of the property, or other aspects relating to the investment property, or concerning the method, timing or execution of an exit strategy for the investment property. In such event, the Fund may be required to hold an investment with limited or no means to dispose of the asset on favorable terms or at all, which could adversely affect the Fund's results of operations and financial condition with negative implications for the value of an investment in the Fund.

CONFLICTS OF INTEREST

Investors should be aware that there will be situations where the Manager, the Principals, and their respective affiliates may encounter potential conflicts of interest in connection with the Fund's investment activities. The following details certain potential conflicts of

interest that should be carefully considered before making an investment in any of the Funds as such conflicts are disclosed in each Funds PPM.

Acquisition or Contribution of Investments from Manager Affiliates. The Fund may purchase or accept as a contribution from the Manager or its affiliates an investment for the Fund's investment portfolio. The Manager will determine the purchase price or contribution value of such contribution in its discretion.

Conflicts of Interest Concerning Minority Shareholders Of Portfolio Companies. The boards of directors of portfolio companies have fiduciary duties to all their shareholders, including the Fund and minority shareholders. As a result, the board of directors may make decisions that are in the best interests of their shareholders generally, but which are not necessarily in the best interest of the Fund. In dealings with the Fund, the directors of portfolio companies may have conflicts of interest and decisions may have to be made without the participation of directors appointed by the Fund, and such decisions may be different from those that the Manager would make.

Successor Fund. The Manager, or its affiliates, may, under certain circumstances, establish an additional investment fund with investment objectives similar to those of the Fund. Allocation of available investment opportunities between the Fund and any successor investment fund will be made the Manager in its sole discretion.

Management of The Fund. The officers and employees of the Manager will devote such time as the Manager, in its sole discretion, deems necessary to carry out the investment objectives and activities of the Fund. Certain officers may serve as officers and/or directors of affiliates of the Manager and may spend a portion of their business time on matters unrelated to the Fund. As a result, conflicts of interest will arise with respect to allocating management time between the Manager and the Fund on one hand, and such affiliates on the other hand.

Investments in Portfolio Companies by Affiliates. Affiliates of the Manager manage other investment funds. Such investment funds, along with affiliates of the Manager, may enter into transactions with portfolio companies. Investments in a portfolio company by the Fund may benefit affiliates of the Manager or funds under their management.

Business Relations between Investment Targets and Affiliates. Companies which have been identified as a potential investment target or which the Fund has invested in may enter into business relations with affiliates of the Fund and Manager unrelated to the Fund's investment in the company. For example, an affiliate of Manager may contract with a portfolio company to engage in real estate development.

Agreements between the Fund and Manager Affiliates. The Manager may direct the Fund to engage affiliates of the Manager to provide services to the Fund or engage in business transactions with the Fund, including but not limited to loan servicing, due diligence, real estate brokerage, loan brokerage, on terms that the Manager believes are fair and market rate. However, there is a risk that the Manager causes the Fund to enter into arrangements

with Manager's affiliates that are at rates and on terms less favorable to the Fund than could be obtained from third parties.

Other Funds Managed by Manager. The Manager sponsors and operates other business enterprises and other funds which may compete with the Fund in the acquisition of investments. There is risk that the Manager may not direct certain investments to the Fund, leaving the Fund to acquire investments which may have lower returns than investments directed to other businesses or funds managed by the Manager.

Member Votes Require the Consent of the Manager. A majority vote of the Members is required to make material amendments to the articles of organization and operating agreement of the Fund and change the nature of the Fund's business. However, the consent of the Manager is also required to take these actions.

No Obligation for Manager to Present Opportunities to Fund. The Manager is currently engaged with other projects and is not precluded from becoming involved in other businesses or ventures, that may or may not compete or be in conflict with the Fund. A conflict of interest could arise with respect to the Manager's fiduciary duty owed to the Fund and any company sponsored and/or managed by the Manager with respect to opportunities presented for investment and the availability of eligible investment opportunities. Generally, given the Manager's fiduciary duties to the Fund, the Manager is restricted from taking for itself, or for its affiliates, a business opportunity that can benefit the Fund. However, this restriction is expressly waived by the Manager and each Member in the Operating Agreement. In addition, the Fund may co-invest in Projects with other companies and parties with which the Manager has extensive contacts that are engaged in the business similar to that of the Fund. Such situations, among others, may give rise to conflicts of interest in which the interests of the Manager and such other parties may conflict with those of the Fund. There is no assurance that the Fund or its Members will not be adversely affected by these or any other conflicts.

Item 9 – Disciplinary Information

The Adviser and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Item 10 - Other Financial Industry Activities and Affiliations

Brokerage Affiliations

The Adviser generally does not require the services of a brokerage to effect investment transactions.

Affiliations

The Adviser has arrangements that are material to its advisory or its clients including ownership or control positions in the some or all of the Funds. Investors should consult the PPM of the fund for full disclosure of such relationships. These relationships constitute a conflict of interest whereby the Adviser would receive compensation or financial benefit for the Adviser's fees and compensation or financial benefit as the owner, partner or director in any of the Funds. This conflict is mitigated by the Advisers' compliance process that ensures all investors are equally subject to the terms of the private placement memorandums.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to the Adviser's Compliance Officer and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Adviser's Compliance Officer. Each supervised person of the Adviser receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting the Compliance Officer of the Adviser.

Participation or Interest in Client Transactions

Under the Adviser's Code of Ethics, the Adviser and its managers, members, officers, and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of the Adviser, managers, members, officers and employees on the same day purchase or sell the same security, either the clients and the Adviser, managers, members, officers or employees shall receive or pay the same price or the investors shall receive a more favorable price. The Adviser and its managers, members, officers and employee may also buy or sell

specific securities for their own accounts based on personal investment considerations, which the Adviser does not deem appropriate for the Funds.

Personal Trading

The Chief Compliance Officer of the Adviser is Jef Baker. He reviews all employee trades each quarter (except for his/her own trading activity that is reviewed by another principal or officer of the Adviser). The personal trading reviews ensure that the personal trading of employees does not affect the markets or influence the value of investments in the Funds.

Item 12 - Brokerage Practices

Brokerage Selection and Soft Dollars

The Adviser does not generally require the services of a qualified custodian and has not entered into any soft dollar agreement.

Order Aggregation

The nature of the clients and/or trading activity on behalf of client accounts are such that trade aggregation does not garner any client benefit.

Directing Brokerage for Client Referrals

The Adviser and its associated persons do not receive client referrals from broker-dealers or third-parties as consideration for any services provided by brokerages.

Item 13 - Review of Accounts

Periodic Reviews

Reviews of the fund holdings are performed quarterly by Jef Baker. He considers the funds current positions and the likelihood that the performance of each position will contribute to the investment objectives of the respective fund.

Review Triggers

Accounts are reviewed quarterly or more frequently when market conditions dictate. Other conditions that may trigger a review are changes in the tax laws and new investment information.

Regular Reports

Investors will receive annual reports on their investment including a valuation of the securities in the Funds.

Item 14 - Client Referrals and Other Compensation

Incoming Client Referrals

The Adviser does not have any current relationships whereby it receives client referrals for compensation, but such referrals which may come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The Adviser does not compensate referring parties for these referrals.

Referrals to Third Parties

The Adviser does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Item 15 - Custody

Custody Policy

The Adviser has obtained indirect custody as with its role as Manager of the Funds. The Adviser has adopted the appropriate policies and procedures to monitor and supervise this relationship. Client assets are protected by the annual financial audit of certain of the Funds on an annual basis.

Item 16 - Investment Discretion

The Adviser contracts for unlimited discretionary authority to transact portfolio securities accounts on behalf of Funds. Discretionary authority is granted by the Operating Agreement of each of the funds. Investors should consult the PPM of the fund they are investing in for a complete description of the discretionary authority of the Adviser.

Item 17 - Voting Client Securities

There are not typically proxy votes for the type of investments in the Funds. However, the Adviser directs the vote of the Fund's ownership interest in its investments, and the Funds maintains records of such votes in their books and records.

Item 18 - Financial Information

The Adviser does not have any financial impairment that will preclude the Adviser from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snowstorms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Summary of Business Continuity Plan

A summary of the business continuity plan is available upon request to the Adviser's Chief Compliance Officer.

Information Security Program

Information Security

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Practices

Privacy Policy

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy may be obtained by contacting the Compliance Officer of the Adviser.

The Adviser:

- a) Collects non-public personal information about its clients from the following sources:
 - Information received from clients on applications or other forms;
 - Information about clients' transactions with the Adviser, its affiliates and others; and
 - Information received from service bureaus or other third parties.
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
 - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
 - When required to maintain or service a customer account;
 - To resolve customer disputes or inquiries;
 - With persons acting in a fiduciary or representative capacity on behalf of the customer;
 - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants, and auditors of the Adviser;

- In connection with a sale or merger of the Adviser's business;
 - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
 - To comply with federal, state or local laws, rules and other applicable legal requirements;
 - In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
 - In any circumstances with the customer's instruction or consent.
- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.