PRIVATE PLACEMENT MEMORANDUM

of

CAPSTONE FUND V, LLC

An Arizona Limited Liability Company

3014 N Hayden Rd, #115

Scottsdale, AZ 85251

Tel: (480) 336-2828

$10,000,000

Limited Liability Company Membership Units

Minimum Investment: $100,000 (1 Unit)

December 6, 2016

1. Membership Units will be offered and sold directly by the Manager and finders at the sole cost of the Manager. (See herein "Plan of Distribution") There is no firm commitment to purchase or sell any of the Membership Units.

2. The minimum purchase is $100,000, however, the Manager reserves the right, in its sole discretion, to accept subscriptions in a lesser amount or require a higher amount.

3. The LLC will commence operations after the Minimum Offering Amount of $1 million is raised. The offering will continue until (i) the Maximum Offering Amount of $10,000,000 is sold, (ii) this Offering Period expires on June 30, 2017 unless extended by the LLC, or (iii) this Offering is withdrawn by the LLC (the "***Offering Period***").

CAPSTONE FUND V, LLC, LLC (the "***LLC***") is organized as an Arizona limited liability company. The manager of the LLC is CAPSTONE FUND MANAGEMENT, LLC, an Arizona limited liability company (the "***Manager***"). The primary objective of the LLC is to generate steady cash returns through the purchase of short to medium term, low to mid leverage first deed of trust mortgages secured by residential and commercial real estate, and other assets. The LLC will also acquire other first deed of trust secured mortgage loans of residential and commercial real estate. The LLC expects to generate cash yields of 10% to 14% with the purchase of first deed of trust loans with leverage of under 70% of real estate or collateral liquidation values.

The salient features of the Membership Interest are summarized herein. Please review the entirety of this Memorandum for further details.

An investment in the LLC is not liquid and is subject to substantial restrictions on withdrawal. (See herein "*Withdrawal, Redemption Policy, and Other Events of Dissociation*").

THIS OFFERING INVOLVES SIGNIFICANT RISKS THAT ARE DESCRIBED IN DETAIL IN THIS MEMORANDUM. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. THE INVESTMENTS MADE BY THE LLC ARE NOT GUARANTEED BY ANY GOVERNMENT AGENCY, ENTITY OR OTHER INSTRUMENTALITY.

CERTAIN NOTICES

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

This Memorandum is being furnished to selected accredited investors, as defined in the Securities Act of 1933, as amended (the "***Securities Act***"), on a confidential basis and, by accepting the Memorandum, the recipient agrees to keep confidential the information contained herein. The information contained in the Memorandum may not be provided to persons who are

not directly involved in an investor's decision regarding the investment offered hereby. This Memorandum may not be reproduced or redistributed.

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

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

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

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

For Residents of All States:

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ENTITY CREATING THE MEMBERSHIP UNITS AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE MEMBERSHIP UNITS 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 MEMBERSHIP UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES 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.

SUBSCRIPTION FUNDS RECEIVED FROM PURCHASERS OF MEMBERSHIP UNITS WILL NOT BE ADMITTED TO THE LLC UNTIL APPROPRIATE INVESTMENT

OPPORTUNITIES ARE AVAILABLE OR SUCH FUNDS ARE OTHERWISE REQUIRED, AS DESCRIBED HEREIN. DURING THE PERIOD PRIOR TO THE TIME OF ADMISSION OF SUCH INVESTORS, WHICH IS ANTICIPATED TO BE LESS THAN NINETY (90) DAYS IN MOST CASES, PURCHASERS' SUBSCRIPTIONS WILL REMAIN IRREVOCABLE.

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

THERE IS NO PUBLIC MARKET FOR MEMBERSHIP UNITS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED IN THE LLC ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER (SEE HEREIN "*WITHDRAWAL, REDEMPTION POLICY, AND OTHER EVENTS OF DISSOCIATION*"), AND THE MEMBERSHIP UNITS OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM THE LLC 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 MEMBERSHIP UNITS IN THE LLC.

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

THE MANAGER 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 THIS OFFERING, THE LLC OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THE MANAGER POSSESSES SUCH INFORMATION.

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

Certain State Notices

FOR RESIDENTS OF CALIFORNIA:

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

Forward-Looking Statements

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

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

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

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

This Memorandum has been furnished on a confidential basis for use only by the person to whom it has been provided. Any reproduction or distribution of this Memorandum, in whole or in part or the divulgence of any of its contents, to any person other than the person to whom this Memorandum is delivered, without the prior written consent of the LLC, is prohibited. This Memorandum supersedes any other offering materials previously made available to prospective

investors. In considering whether to invest, prospective investors should not rely on any documents previously received.

Additional Questions

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

CAPSTONE FUND V, LLC

3014 N Hayden Rd, #115

Scottsdale, AZ 85251

Tel: (480) 336-2828

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EXHIBITS

Exhibit A: Limited Liability Company Operating Agreement

Exhibit B: Subscription Agreement

SUMMARY OF THE OFFERING

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

The LLC	CAPSTONE FUND V, LLC (the "***LLC***") is an Arizona limited liability company formed for the purpose of purchasing short to medium term, first deed of trust mortgages at low to mid leverage on assets including residential and commercial real estate with natural person and corporate borrowers (the "***Loans***") from CTP Funding, LLC, d/b/a Capstone Financial (the "***Originator***" or "***Capstone***"). The LLC will also purchase performing mortgages located throughout the western region of the United States, except where prohibited by law.
Membership Units	The LLC will have one series of members (the "***Membership Interests***" and the holder thereof a "***Member***") who will hold units of Membership Interest in the LLC. The initial issue price of each unit is $100,000 but the value of a Member's interest in the LLC will be determined by the value of the Member's capital account. Capital accounts will go up as income and any gain is allocated to the capital account and decreased by distributions to Members, any actual or projected losses or gains, and the loss reserves. The Manager will use reasonable discretion in manually adjusting capital accounts by reason of anticipated gains, losses, setting the loss reserves and other events. Distributions of capital, and in the event of a liquidation, the following preferences will be followed: • First, to the Members, pro rata, until the balance of each Member's Preferred Return (defined below) is zero; • Second, to the Members, pro rata, until the balance of each member's net invested capital account has been reduced to zero; and • Third, 50% to the Members, pro rata, and 50% to the Manager.
The Manager	The Manager is TAS Ventrures, LLC. The principal address for Manager is: 3014 N Hayden Rd, #115, Scottsdale, AZ, 85251.

Manager Compensation	The Manager shall receive 50% of the net available cash flows after preferred return is paid (the "***Profi***t"), from the LLC subject to certain distribution priorities described herein. The Manager will also charge the LLC $2,000 per month to cover certain costs of securing the Servicer (defined below) of the Loans and preparation of the documentation. All LLC legal and due diligence expenses shall be the responsibility of the Manager. (See herein "*Compensation to Manager*").
Loan Servicer	The servicer of the Loans is currently expected to be Clear Spring Loan Servicing domiciled in Dallas, Texas (the "***Servicer***"); provided, however, that the Originator has sole discretion to change servicers in the future. The Servicer, and any future servicer, will be experienced in handling multiple loan product types on a national level with established processes and vendor networks to provide the services Capstone requires for loan resolution.
The Originator	The Originator is CTP Funding, LLC, d/b/a Capstone Financial. The principal address for the Originator is: 3014 N Hayden Rd, #115, Scottsdale AZ, 85251.
Fees to Originator	The LLC will pay origination fees, application fees, document processing and Loan extension fees to the Manager (the "***Loan Fees***"). The Loan Fees will be reasonable and competitive within the industry and will be approximately 1% to 4% of the Loan amounts. The Originator shall be entitled to receive 100% of any extension fees generated from the extension of any existing Loan.
Preferred Return	Members in the LLC shall earn the following preferred return, pro-rata, ("***Preferred Return***"): • Member capital in the LLC bank account shall earn a 2% per annum preferred return (calculated per day). • Member capital deployed into Loans shall earn an 8% per annum preferred return (calculated per day)
Term of the LLC & Cash Distributions	Three (3) years following the closing of this Offering (with provisions for extension at discretion of the Manager or majority vote of the Members), unless sooner terminated. (See herein

	"*Summary of LLC Operating Agreement – Term of LLC*"). The LLC shall possess two (2) periods during its existence. The first period shall exist from the closing of this Offering through 24 months and will exist to purchase first of deed of trust loans and senior secured asset-backed loans from the Originator. (the "***Investment Period***"). The second period shall exist for 12 months following the Investment Period and will exist to exclusively distribute capital as interest receipts are received from borrowers of the Loans, and the Loans repay loan balances (the "***Wind-Down Period***"). The LLC shall participate in all of the following profit centers of the Loans: • Interest paid by the Loans; • Fees earned by any Loan pre-payment Investment Period: During the Investment Period the Manager shall have the right to purchase new Loans from the Originator. During this period, the Manager shall distribute interest receipts and late fees monthly to Members from net available cash for distribution in the following priority: 1. First, to the Members, pro rata, until the balance of each Member's Preferred Return is zero; and 2. Two, 50% to the Members, pro rata, and 50% to the Manager. Wind-down Period: During the Wind-down Period the Manager shall have no right to purchase new Loans or extend any existing Loan if such Loan extension has duration that will mature beyond the term of the LLC. During the Wind-down Period, the Manager must distribute all interest receipts, late fees and Loan balance repayments monthly to Members from Net Cash Available for Distribution in the following priority: 1. First, to the Members, pro rata, until the balance of each Member's Preferred Return is zero; 2. Second, to the Members, pro rata, until the balance of each member's net invested capital account has been reduced to zero; and 3. Third, 50% to the Members, pro rata, and 50% to the Manager.
Suitability Standards	Membership Units are offered exclusively, to certain individuals, and other qualified investors who are accredited investors as defined

	under the Rules of the Securities & Exchange Commission. (See herein "*Investor Suitability*").
Capitalization	Maximum Offering Amount of $10,000,000 (100 units). Minimum of $1,000,000 (10 units) (the "***Minimum Offering Amount***"). The Manager reserves the right to increase the size of this Offering at any time.
Selling Commissions	While the LLC or its Manager may engage a broker-dealer, no portion of the gross proceeds of this Offering will be used for the purpose of paying selling commissions and fees incurred in the sale of Membership Units.
Loan Portfolio	The LLC, through originations of its strategic partner, Capstone, (will purchase short to medium term, low to medium leverage first deed of trust mortgages secured by residential and commercial real estate, and senior secured asset-backed loans which will be originated by and purchased from Capstone. Loan purchases will be subject to the following concentrations: **Loan Pricing & Lending Criteria.** The LLC will purchase Loans based on the following criteria: • Borrower. The borrower has represented that he is an investor and is not purchasing the property as his primary residence, and borrower has signed a business investor certificate attesting to his intent to hold the property as an investment, or in the case of an owner occupied loan, all state and federal regulatory requirements are met. • Down Payment. Borrower has provided at least 20% down payment, unless it is a refinance transaction. • Underwriting. Capstone has evaluated the property and determined that the loan amount does not exceed 70% of the property's after repair value and provided a written broker price opinion, or appraisal to support its estimated value. • Collateral. The Loan is secured by a first position recorded Deed of Trust on the property. • Loan Documents. Capstone has prepared and the borrower has signed the loan documents. • Title Insurance. Capstone has procured, at borrower's expense, a Lender's Title Insurance Policy in an amount equal to or greater than the loan amount and in the lender's name.

	• Property Insurance. The borrower has purchased property insurance in the amount equal to or greater than the loan amount naming the lender as an additional insured. • Flood Plain Insurance. If the property is in a flood plain, the borrower has purchased flood insurance in an amount equal to or greater than the loan amount naming the lender as an additional insured. **Portfolio Concentrations.** Portfolio concentrations will be based on the percentages outlined herein, and based upon purchase amounts and percentages tested at the time of the purchase of the Loan: • Real Estate Assets – 100%: o Hard Money Residential Loans – 100% o Construction – 20% o Primary Loans – 30% • Business Loans (Bridge or Otherwise) – 20% • Existing Loan Purchases – 50% (subject to Real Estate Asset Concentrations)
Limitation on Transfers, Member Withdrawal	Each Member's Membership Interest is subject to customary restrictions on transfer and withdrawal. (See herein "*Summary of the LLC Operating Agreement*").
No Liquidity	There is no public market for Membership Units and none is expected to develop. Additionally, there are substantial restrictions on transferability of Membership Units. Investors should not purchase Membership Units unless they intend to hold them for the full term of this Offering.
Reports to Members	Financial statement reports concerning the LLC's business affairs will be provided to Members no later than 120 days after the end of the fiscal year. At the same time, each Member will receive a copy of the LLC's annual income tax return. At least quarterly, the LLC will issue a report and spreadsheet as to the portfolio of Loans and other assets that it then holds.

THE STRATEGY OF THE LLC

- The Architecture of the LLC. The LLC has been formed by TAS Ventures, LLC, Manager of the LLC, to provide investors with a real estate lending vehicle that seeks to deliver steady and above average cash flow returns with senior level leverage exposure.

Investors in the LLC will be admitted as Members of the LLC and will receive Membership Units in the LLC. The LLC was designed to deny the Manager any share of the profits of the LLC unless and until the Preferred Return accrual of the Member's capital are current. This structure is intended to motivate the Manager to focus on the bottom line.

- No Load. The Manager is seeking to capitalize the LLC with up to $10 million of capital. The LLC was designed with no "front end load," meaning other than cash reserves, legal and formation expenses, ordinary closing costs and operating expenses, 100% of invested capital will be deployed into the Loans.

- Low Overhead. The LLC was also designed to keep expenses at a minimum. Other than the expense of ordinary accounting, tax return preparation and LLC taxes, the Manager will bear all other overhead expenses such as [legal], rent and personnel costs. **The LLC must pay any extraordinary expenses (e.g., legal or accounting expenses) related to any Loans that enter into default.**

- The Opportunity for Asset Based Lending. Capstone is an asset-based lender. In this respect, Capstone can be recognized as a commercial mezzanine lender. Capstone loans money to investors (aka borrowers) making it possible for them to purchase homes from banks or motivated private parties and then resell the homes. When the homes are resold, the borrower repays the lender or Loan holder the principal amount of the Loan. Until the Loan is repaid, the borrower pays the Loan holder a rate of interest.

  Similarly, in the market for loans secured by commercial real estate, the lack of credit severely limits economic growth. Simply stated, traditional banks are not originating asset based loans secured by commercial real estate. Asset based lenders are filling this niche by making mezzanine loans at higher interest rates secured by real estate. The borrower in these situations will repay these loans by taking out loans at lower interest rates from traditional banks when they have performed for a reasonable period of time (one to two years typically). For example, Small Business Administration ("***SBA***") loan programs are available for owner occupied commercial borrowers if, among other criteria, they can demonstrate a history of making loan payments and if by refinancing through the SBA they will pay a lower interest rate at the time of refinancing.

  Capstone seeks to connect with real estate investors either by flipping homes or building income producing rental portfolios. By doing so, Capstone is building a reputation as the leading financing source for real estate investors needing asset based funding for transactions. Capstone's market share continues to grow as it claims market share from competitors and develops new investor activity.

  Capstone has the following goals for 2017:

  - Sales Goals:
    - Exceed $100M in total funding in 2017
    - Exceed a 20 transaction per month frequency rate

- Tactical Goals:
  - 100% Customer Satisfaction
  - Customer testimonials written by 50% of the borrowers
  - Further Develop wholesale and partner marketing channels by the end of 2017. Capstone already has over 50 wholesale channel partners and currently advertising in national magazines within the industry.

The balance of this marketing plan details the historical, current and forthcoming programs and practices that have led to and continue to establish Capstone's reputation in the marketplace.

- The Customer Profile. Real estate investors purchase homes today as investments with one of two goals in mind. They will either purchase the home for resale or purchase it for a rental pool. When purchased for resale, the investor will likely make improvements to the home and then sell it in a very short period of time for a profit. This is the fix and flip model. Fix and flip borrowers typically borrow funds from an asset based lender for six (6) months intent on re-selling it in less than six (6) months.

  The second type of real estate investor purchasing homes does so for a rental pool. They intend to rent the home until such time that home prices appreciate significantly over what they paid and then they will sell the home. These investors hope to sell the home within two to five years.

  Regardless of whether one is purchasing the home to flip or for a rental pool, they will purchase the home in one of the following ways: (i) at a trustee sale, (ii) from a bank that has taken back a home (an REO purchase), (iii) through a short sale, or (iv) from a motivated private party.

  - *Trustee Sales*. Investors bid on properties and if they are the winning bidder at the trustee sale they must provide a cashier's check for $10,000 and the balance within 24 hours. Some investors are all cash buyers while the majority will borrow some portion of the purchase price from an asset based lender. In order to compete as an asset based lender in the trustee sale market, a lender must, among other things, have readily available cash.
  - *REO Sales*. The bank has taken back the property. The investor negotiates a purchase price for the property with the bank and will get the property under contract and have a right to purchase this property within a designated period of time (i.e., 30 days). The investor will borrow a portion of the purchase price from an asset based lender, which is needed to buy the home from the bank; upon purchase, the investor will seek to sell the property. REO properties are also sold through auctions.
  - *Short Sale*. A short sale expert will negotiate the purchase of a home with the bank and the current debtor/owner and then upon the purchase of the home, will sell the home to another owner-occupier. The short sale company will finance the initial purchase from the owner with a loan from an asset based lender. These sales are complicated by federal regulations forbidding more than one change of title within a

90 day period. Real estate investors have devised "work-arounds" to this restriction. For instance, this 90 day curing requirement is satisfied by the creative use of a revocable family trust vehicle whereby the home owner transfers the home into the trust prior to the short sale that is approved by the bank. The short sell buyer purchases the trust and then sells the home out of the trust to the next owner-occupier. This approach solves the 90 day cure period because it typically takes roughly 90 days to close both sales and title does not change when the home is purchased from the first owner because the short sell buyer is purchasing the trust and not the home.

- Growing the Customer Base. The ideal customer/borrower for Capstone is the real estate investor who has a high transactional frequency rate. Capstone currently has such a customer base. While Capstone intends to close more loans with its current customers, it also seeks to grow the size of its current customer base. In order to attract more customers, Capstone will focus on moving individuals through the following segment chain:

  - *Target Clients*: Individuals considering purchasing a distressed home to either, fix and flip, or for a rental portfolio. Capstone will periodically publish an advice column for distribution through various partner and association channels as well as through the Capstone website (www.ctpfunding.com). Capstone will also hold information sessions or small panel discussions to be presided over by our Co-Founder, Tyler Stone, or a relevant expert. These events will all be of interest to established investors or those planning to become investors eventually. They will be held in Metro Phoenix, Arizona locations of a suitable size, usually co-sponsored by referring parties, title companies, CPA's, etc.
  - *Prospects*: Those who contact Capstone by phone, walk-in or email and those who attend the periodic talks/information sessions are considered prospects. Capstone will offer to meet with prospects to discuss working with them and educating them about residential real estate investing in general.
  - *Clients*: Clients are individuals who have moved into active investing and borrowing. When clients wish to make an offer to purchase a home, Capstone provides proof of financing or "Loan Pre-Approval Letters." When clients close, Capstone wires the funds for the transaction.
  - *Champions*: Capstone seeks repeat customers. However, Capstone believes that "champions" are those who refer five prospects or more to Capstone. Capstone stays in touch with all past clients to see how they are managing their portfolio and to maintain a relationship.

- Lead Generation. In support of the above described customer/borrower cultivation program, Capstone will generate leads through implementation of the following tactics:

  - *Direct Mail*: Capstone mails a postcard sized flyer to prospective borrowers every three to four weeks. The direct mail address list of potential borrowers is culled from the list of purchasers during prior months assembled from MLS records. Capstone currently has a database of 3,000 names in the Metropolitan Phoenix area.

- *Direct Email Flyers*: Capstone is currently building an email address database. Local partners each have their own client lists and have made these lists available to us for email newsletters and other email blasts.
- *Advertising in Local and National Association Newsletters*: Advertisements in local newsletters will announce upcoming information sessions as well as encourage direct calls from investors looking for financing.
- *Online Pay-Per-Click Advertising*: Search engine ads around keywords such as "Arizona Hard Money," "Investor Financing," "Transactional Financing," "Asset-Based Lending," etc.
- *Professional Referrals*: From professional offices serving the same target market as Capstone. Referral sources include title companies, financial planners, accountants, attorneys, and other mortgage brokers and lenders.
- *Trustee Sale Outreach*: Periodically Capstone staff attend the county trustee sale auctions to promote financing options to high frequency investors purchasing foreclosed property.

- Marketing Materials. The website – www.ctpfunding.com - remains Capstone's primary marketing device and means of outreach. Capstone will continue to refine the site to insure a pleasant experience for the borrower. Currently, borrowers can complete an application online. All relevant documents can be uploaded and stored at the site. Borrowers will soon be given the option at the site to sign up for payment of their monthly interest bill by Automated Clearing House transfer.

  In support of the lead generation efforts described above, the following materials need continued development and refinement: direct email pieces, direct mail pieces, newsletter bulletins, print ads, banner ads for web advertising.

- Social Media. In time, Capstone will carefully employ through social media outlets. More specifically, Capstone will open a Facebook page and posts blogs in strategic locations. Capstone will contract with an outside media/marketing agency for assistance with these efforts.

- Competitors. There are a fair number of asset based lenders in the western region of the United States. However, they are not all competitors. The pool of asset based lenders can be broken into several groups and categories. For instance, the pool of competitors can be broken into the following classifications:
  - Licensed versus unlicensed lenders.
  - Those lending against commercial property and those lending against residential property.
  - Those positioned to compete in the trustee sales market and those that are not.
  - Those that have money to lend and those that do not.

  Capstone is:
  - A licensed mortgage bank.

- It lends against residential and commercial property.

- It has and will continue to fund loans for purchases at trustee sales.

- Licensed vs. Unlicensed. Licensed lenders are organized against the unlicensed lenders. In the State of Arizona, licensed lenders have encouraged the government to crack down on unlicensed lenders. For a list of many of the strongest licensed asset based lenders, please contact the private lenders associations for states in question. In Arizona, visit the website for the Arizona Private Lenders Association – www.myapla.org.

  While Capstone competes against unlicensed lenders, their ability to grow is limited by their ability to raise money. A few of the unlicensed lenders that have been around for a while have a base of investors they work with that will purchase their loans, but they cannot access institutional money because they are not licensed. These unlicensed lenders fund their growth by selling individual loans and passing the bulk of the interest onto their investor; their profit is in the points and fees they charge.

  Most unlicensed lenders lend against residential property and only make six (6) month loans. They charge 12-18% interest and a fee. The fee ranges from $900 up to the greater of 1 point or $1,000.

  These unlicensed lenders typically do not offer two (2) year loans, whereas Capstone does.

- Commercial vs. Residential. Licensed, private mortgage brokers and mortgage banks typically lend against commercial property and only some of them lend against residential property. Many of these licensed lenders were hurt very badly by the real estate melt-down of a few years ago. They spent most of the last few years managing properties they took back and otherwise cleaning up their balance sheets. They are only just beginning again to originate commercial loans. Some of the lenders that concentrated on commercial loans have begun to make loans secured by residential property.

  Capstone started in the market for loans secured by residential property and is moving into the market for loans secured by commercial property.

  - *Trustee Sale Market*. Most asset based lenders are not equipped to compete in the trustee sale market because to do so one must be able to respond quickly to a loan application. In order to make these loans, one must be able to quickly underwrite a loan, process the paperwork and have readily available cash.

  - *Those With and Without Capital*. It goes without saying that a lender with available capital has a competitive advantage over those that do not. It is difficult to know with any certainty who has available capital and who does not.

  In the market for loans to investors buying residential property including those buying property at trustee sales, Capstone competes against the following companies on a regular basis:

  - RLS Capital
    - Property type: Residential (SFH)

- License Status: Unlicensed

- Eastside Funding, LCC
  - Property type: Single family residential, detached; single family residential, attached; townhomes, detached; townhomes, attached; condominiums; multifamily rental properties (under 20 units); commercial retail, and raw land.
  - License Status: Unlicensed.
- Colonial Capital, LLC
  - Property type: Residential (SFH) in Phoenix metro area.
  - License Status: Has a mortgage broker's license.

- Capstone Business Operations

Our Loan Products

Capstone has multiple loan products: Capstone provides loan durations from six (6) months to two (2) years. Six (6) month loans are tailored for the "fix and flip" investor and the longer duration loans are for investors purchasing homes for a rental pool. In all cases, Capstone structures security for the loan with a first position deed of trust. The Loans are also structured with personal guaranties from the borrowers. The specifics of the loans are explained in greater detail below.

- *6 Month Loan Example (Fix & Flip):*
  - 12-18% interest only
  - Points: the greater of 1 point or $1,000
  - No prepayment penalty
  - Yield Maintenance Requirement of ___ month of interest
- *12-24 Month Loan:*
  - 14-18% interest only.
  - Competition Points: The greater of 2 points or $2,000.
  - Pre-payment penalty: 60 days of interest is guaranteed

Capstone developed the two year loan in response to the market. Several of Capstone's borrowers expressed an interest in purchasing homes for a rental pool but could not afford to pay 18% interest. Most of Capstone competitors do not offer a two year loan at an interest rate less than 18%. Our ability to match our borrower's needs with those of other investors allowed us to offer this product.

- Steps in the Lending Process. Capstone funds loans if the property securing the loan is worth more than the loan amount. In other words, if Capstone forecloses because the borrower defaults, it will be able to sell the property for enough money to recover its loan principal, accumulated interest and any costs incurred in foreclosing on the property. This

process works as long as Capstone lends an amount that is sufficiently less than the property's liquidation sales value.

Therefore, Capstone will evaluate (i.e., underwrite) a loan by determining what it believes the real property is worth and then lend an amount of money equal to no more than 70% of such value, AS LONG AS THE BORROWER IS PUTTING 20% CASH DOWN PAYMENT ON THE TRANSACTION OR MORE. This ratio is known as the "Loan-to-Value" ratio or the "LTV ratio." The lower the LTV ratio, the more equity the borrower has in the property, increasing their diligence in making payment, avoiding default and losing their equity in the property. The Capstone Underwriting/Due Diligence Process is explained in greater detail below.

Once a loan is approved, Capstone's borrower signs a Promissory Note, a Personal Guaranty, and a Deed of Trust and then Capstone funds the loan. Capstone also receives from the borrower a Flood Certification and evidence of insurance. On two year loans, Capstone is a named insured on the insurance policy.

When the borrower, or trustor, signs a Deed of Trust, he is in effect giving a trustee title ownership of the property, but the borrower holds the rights and privileges to use the property. The trustee holds the original deed for the property until the borrower repays the loan. When the loan is repaid, the borrower (or trustor) requests the trustee to return the title (aka to re-convey the title). If the loan becomes delinquent, the lender or deed of trust beneficiary files a notice of default and, if the loan is not brought current, demands the trustee begin foreclosure on the property so the beneficiary may either be paid or obtain title. A deed of trust gives the trustee the right to foreclose on the property without taking the borrower to court. Capstone records the Deed of Trust in the County Recorder's Office perfecting its security interest in the real property. Only first position Deeds of Trust are acceptable as security for the Loan.

- Underwriting/Due Diligence Process. The stability and integrity of the business relies, in part, on solid underwriting practices and policies. The business model is sustainable when attention to market forces and market trends is followed, and when rigid adherence to prudent lending practices is followed.

  The Process. Upon receipt of a loan application, a Broker Price Opinion ("***BPO***") is completed. A BPO entails:

  - Visit property and conduct an exterior and interior inspection.
  - Research comparable SOLD and Active properties in MLS to establish a retail value after any repairs would be completed. Comps to be drawn from MLS.
  - Prepare report using industry standard software with pictures and retail sales value.
  - The BPO is uploaded to the Capstone website database. (The BPO is available for review by a lender to Capstone.)

- Capstone reviews the BPO and establishes a loan amount based upon the property inspection, sales of comparable properties, the amount the prospective borrower paid or wishes to pay for the property, the down payment, and the amount borrowed.

TERMS OF THE OFFERING

This Offering is made to a limited number of accredited investors to purchase Membership Units of the LLC. The minimum subscription from each investor is $100,000 or 1 Unit of Membership Interest, however, the Manager reserves the right, in its sole discretion, to accept subscriptions in a lesser amount or require a higher amount.

The Offering will continue until (a) the Maximum Offering Amount is raised, or (b) this Offering is withdrawn by the LLC. A capital account will be established for each Member on the books and records of the LLC. Each Member will share in distributions of the LLC allocated to Members based upon such Member's capital account balance compared to the capital account balances of other Members.

By the end of the LLC's fiscal year and after preparation of its year end accounting, the Manager will make commercially reasonable efforts to have distributed to each Member the amount of net profits 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 from the actual cash distributions made during the fiscal year covered by the Schedule K-1. See "Certain Federal Income Tax Considerations" below.

INVESTOR SUITABILITY

To purchase Membership Units, an investor must meet certain eligibility and suitability standards, some of which are set forth below, and must execute a Subscription Agreement and Power of Attorney ("***Subscription Agreement***") in the form attached as Exhibit B. By executing a Subscription Agreement, an investor makes certain representations and warranties upon which the Manager will rely in accepting subscriptions. READ AND COMPLETE THE SUBSCRIPTION AGREEMENT CAREFULLY**.**

The Membership Units are being offered to sophisticated individuals who qualify as "accredited investors" within the meaning of Regulation D under the Securities Act. An "accredited investor" is defined in Rule 501 of Regulation D of the Securities Act as:

(1) A bank, insurance company, registered investment company, business development company, or small business investment company;

(2) an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million;

(3) a charitable organization, corporation, or LLC with assets exceeding $5 million;

(4) a director, executive officer, or Manager of the company selling the securities;

(5) a business in which all the equity owners are accredited investors;

(6) a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase (not including home equity);

(7) a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or

(8) a trust with assets in excess of $5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

See the Subscription Agreement for details on how the LLC will verify your accredited investor status.

Admission of Investors: Maximum Offering

The maximum gross proceeds of this Offering will be Ten Million Dollars ($10,000,000) ("***Maximum Offering Amount***"), or 100 Membership Units, that will comprise, subject to adjustments as described elsewhere in this Memorandum, the total capitalization of the LLC. This Offering may, however, be terminated at the option of the Manager at any time before the Maximum Offering Amount is received.

Subscription Agreements: Admission to the LLC

A Subscription Agreement from prospective investors will be accepted or rejected by the Manager within ten (10) days after their receipt. The Manager reserves the right to reject any subscription tendered for any reason, or to accept it in part only.

By executing a Subscription Agreement, an investor agrees to purchase the value of Membership Units shown thereon. Accordingly, executing a Subscription Agreement does not in itself make a person an owner of the Membership Units for which he, she or it has subscribed. Membership Units will be issued when the sums representing the purchase of the same are transferred into the LLC. After execution by the Manager, a Subscription Agreement is non-cancelable and subscription funds are non-refundable for any reason, except with the consent of the Manager. After having subscribed for the minimum amount of Membership Units, a purchaser may at any time, and from time to time subscribe to purchase additional Membership Units in the LLC so long as this Offering remains open. Each purchaser is liable for the payment of the full purchase price of all Membership Units for which he or she has subscribed. Reverification of accredited investors' status may be required.

Restrictions on Transfer

As a condition to this Offering, restrictions have been placed upon the ability of investors to resell or otherwise dispose of any Membership Units purchased, including but not limited to, the following:

(1) No member may resell or otherwise transfer any Membership Units without the satisfaction of certain conditions designed to comply with applicable tax and securities laws, including (without limitation) the requirement that certain legal opinions be provided to the Manager with respect to such matters. The transferee must meet the same investor qualifications as the Members admitted during the Offering Period. (See herein "*Summary of LLC Operating Agreement – Restrictions on Transfer*")

(2) The Membership Units have not been registered with the U.S. Securities and Exchange Commission ("***SEC***") under the Securities Act, in reliance upon the exemptions provided for under Regulation D, Rule 506. Membership Units may not be sold or otherwise transferred without registration under the Securities Act or pursuant to an exemption therefrom.

A legend will be placed upon all instruments evidencing ownership of Membership Units in the LLC stating that the Membership Units have not been registered under the Securities Act, and set forth the foregoing limitations on resale. Notations regarding these limitations shall be made in the appropriate records of the LLC with respect to all Membership Units offered hereby. The foregoing steps will also be taken in connection with the issuance of any new instruments for any Membership Units that are presented for transfer, to the extent the Manager deems appropriate.

The LLC will charge a transfer fee of One Hundred Dollars ($100) per transfer of ownership to a third party. If a Member transfers Membership Units to more than one person, except transferees who will hold title together, the transfer to each person will be considered a separate transfer.

PLAN OF DISTRIBUTION

The units of Membership Interests will be offered and sold by the LLC, with respect to which no commissions or fees will be paid to the Manager. The LLC may engage a broker-dealer or finder to distribute the Membership Interests. In addition, the Manager may retain the services of other third parties to locate prospective investors, who may receive Manager paid finder fees on a case-by-case basis.

USE OF PROCEEDS

The proceeds from the sale of Membership Units will be used to fund legal and ordinary start-up costs and purchase first deed of trust mortgage Loans and other asset-backed senior secured Loans.

COMPENSATION TO MANAGER

The following discussion summarizes the forms of compensation to be received by the Manager, in its capacity as Manager. All of the amounts described below will be received regardless of the success or profitability of the LLC. None of the following compensation was determined through arm's-length negotiations.

Form and Recipient of Compensation	***Estimated Amount or Method of Compensation***
Purchase of Performing, Sub-Performing, & Non-Performing Mortgages **Paid directly to the Manager by the LLC**	If the LLC purchases Loans, the Manager will be paid by the LLC a fee up to 5% of the acquisition price ("***Purchase Fee***"). The Purchase Fee will not exceed the discount received by the LLC for the purchase of the loan. The Purchase Fee will be capitalized and added to the acquisition basis for accounting purposes.
Loan Servicing Fee	The Servicer, at the direction of the Manager, will act as the loan servicer of the LLC for a per Loan file fee to be determined prior to Close (payable in monthly payments).
Performance Fee to Manager	Subject to the Preferred Return requirements during the Investment Period and the Wind-Down Period, the Manager will earn 50% of the LLC Profit as a performance fee (the "***Performance Fee***").
Reimbursement of Costs	The Manager will charge the LLC $2,000 per month to cover certain costs of securing the Servicer and the preparation of related documents.
Definition of Manager's Fees	The reimbursement of costs and the Performance Fee are collectively referred to herein as the "***Manager's Fees***."
Accounting Expenses	The LLC will bear the cost of the annual tax preparation of the LLC's tax returns, any state and federal income tax due; however, such expenses shall not reduce the returns to Members to below the applicable Preferred Return.
Recovery of Deferred Compensation	If the Manager defers or assigns to the LLC any of the foregoing compensation, the Manager will be entitled to recover it at a later time. The Manager has no obligation to waive, defer or assign to the LLC any portion of such

	compensation at any time.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

The Manager is accountable to the LLC as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to the LLC's affairs and sound business judgment. This is a rapidly developing and changing area of the law, and Members should consult with their own 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.

The Manager is permitted to engage in other businesses and activities apart from the LLC, including those businesses and activities that may be similar to or competitive with the business of the LLC. Neither the LLC nor any of the Members will have any rights in or to such independent businesses or activities or to the income or profits derived from such independent businesses or activities.

The Operating Agreement, attached as Exhibit A, provides that the LLC shall indemnify the Manager for any liability or loss (including attorneys' fees, which shall be paid as incurred) suffered by it, and shall hold the Manager harmless for any loss or liability suffered by the LLC, so long as the Manager determined, in good faith, that the course of conduct which caused the loss or liability was in the best interest of the LLC, and such loss or liability did not result from the gross negligence, willful misconduct, fraud or criminal act of the Manager. Any such indemnification shall only be recoverable out of the assets of the LLC and not from Members.

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 could deplete the assets of the LLC. Members who believe that a breach of the Manager's fiduciary duty has occurred should consult with their own counsel.

RISK FACTORS

Although the LLC will attempt to honor requests for the withdrawal of eligible Membership Units (even though there is no obligation for the LLC to do so) (See herein "*Withdrawal, Redemption Policy, and Other Events of Dissociation*"), any investment in the Membership Units 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 "*Compensation to Manager*," "*Conflicts of Interest*," and "*Certain U.S. Federal Income Tax Considerations*."

RISKS RELATED TO MORTGAGE LENDING

There will be no assurance of returns to the Members of the LLC.

All real estate lending investments, including investments in debt secured by real property, are speculative in nature and the possibility of partial or total loss of capital will exist. There is no assurance that the LLC will be successful in producing any profits or even in returning any capital to any investor. Investors should not subscribe to or invest in the LLC unless they can readily bear the consequences of such loss.

The LLC will be subject to general risks associated with real property lending.

The LLC's profitability depends on the ability of our borrowers to repay their loans. Most of the LLC's borrowers or their purchases are not borrowers qualified to secure bank financing. Some borrowers will be new entities with no history of operations or profitability. The ability of a borrower to repay may also be affected by local, regional, and national real estate market and economic conditions beyond the control of the LLC. Delinquencies and defaults are sensitive to local and national business and economic conditions. Favorable real estate and economic conditions may not necessarily enhance a borrower's ability to repay due to circumstances specific to a borrower and are beyond the LLC's control.

There are also special risks associated with particular sectors of real estate property in which the LLC may purchase mortgages:

- *Fix and Flip Properties*: Properties recently acquired in foreclosure are usually acquired and financed with little opportunity to conduct a full inspection of the property. Frequently, the properties have deferred maintenance. There may be delays in evicting occupants, claims by the foreclosed property owner that could delay resale, unknown property defects and numerous laws now on the books, and new ones have been regularly issued, that make it more difficult to foreclose and evict. In addition, there is no assurance the inventory of homes will be sufficient to sustain the fix and flip market as it exists today. There is also the risk that lenders may take it upon themselves to improve and directly resell their foreclosed inventory.

- *Multifamily Properties*: The value and successful operation of a multifamily property may be affected by a number of factors such as the location of the property, the ability of the property manager, the presence of competing properties adverse local economic conditions, oversupply and rent control laws or other laws affecting such properties. All of these factors may adversely affect a borrower's ability to pay.

- *Retail Properties*: Retail properties are affected by the overall health of the economy and a borrower's ability to pay a loan on retail property may be adversely affected by, among other things, the growth of alternative forms of retailing, bankruptcy, departure or cessation of operations of a tenant, a shift in consumer demand due to demographic changes, changes in spending patterns and lease terminations.

- *Office Properties*: Office properties and a borrower's ability to pay a loan on an office property are affected by the overall health of the economy and other factors such as a downturn in the business operated by their tenant, obsolescence and non-competitiveness.

- *Industrial Properties*: Industrial properties are affected by the health of the economy and the particular industry of the borrower. A borrower's ability to pay a loan on an industrial property may be adversely affected by, among other things, competition within the industry, growth of competing industries, and bankruptcy and government regulation with respect to the industry.

The LLC will be subject to the risks associated with a lack of diversification.

The LLC intends to purchase new loans on mostly residential property types; however, the LLC may fund new loans on commercial/industrial/retail property types, located in the southwest region of the United States. As a result, the LLC's investments will not have the geographic diversification present in some other types of investment programs and such lack of diversification will increase the LLC's exposure to adverse local real estate, economic and market conditions and other risk factors, including natural disasters and acts of terrorism.

Loan Defaults and Foreclosures

The LLC is in the business of owning Loans/mortgages secured in whole or in part, directly and indirectly, by real estate and therefore bears the risks of defaults by borrowers. Most LLC Loans will be interest-only loans providing for monthly interest payments with a large "balloon" payment of principal due at the end of the term. Borrowers may be unable to repay such balloon payments out of their own funds and are compelled to refinance. Fluctuations in interest rates and the unavailability of mortgage funds could adversely affect the ability of borrowers to refinance their loans at maturity.

The LLC will rely primarily on the property securing the loans to protect its investment. It will, to a lesser extent rely upon the creditworthiness of a particular borrower. There are a number of factors that could adversely affect the value of such real property security, including, among other things, the following:

(1) The Manager will determine the fair market value of the real property used to secure loans acquired by the LLC; provided, however, that the Manager may obtain an appraisal or BPO if it deems such necessary as determined in its sole discretion. If the Manager obtains an appraisal or BPO, no assurance can be given that such appraisals or BPOs will, in any or all cases, be accurate. Moreover, as an appraisal or BPO is based upon the value of real property at a given point in time, subsequent events could adversely affect the value of real property used to secure a loan. Such subsequent events may include general or local economic conditions, neighborhood values, interest rates, new construction and other factors.

(2) If the borrower defaults, the LLC may have no feasible alternative to repossessing the property at a foreclosure sale. If the LLC cannot quickly sell such property,

and the property does not produce any significant income, the cost of owning and maintaining the property will directly affect the LLC's profitability.

(3) Subsequent changes in applicable laws and regulations may have the effect of severely limiting the permitted uses of the property, thereby drastically reducing its value.

(4) Due to certain provisions of Arizona law applicable to real property secured loans, generally if the real property security proves insufficient to repay amounts owing to the LLC, it is unlikely that the LLC would have any right to recover any deficiency from the borrower unless the borrower executes a personal guaranty of as part of a Loan.

(5) The recovery of sums advanced by the LLC in purchasing 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 simply 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 LLC's profitability.

As the LLC will be relying on its property security to protect its investment to a greater extent than the creditworthiness of its borrowers, the LLC is likely to experience a borrower default rate higher than would be experienced if its loan portfolio was more heavily focused on borrower creditworthiness. Because of the Originator's underwriting criteria, the LLC may purchase Loans with borrowers who would not qualify for secured loans from institutional lenders (i.e., banks and savings and loan associations).

The LLC will be subject to risks associated with volatile interest rates.

The level and volatility of short-term and long-term interest rates significantly affect the lending industry. For example, a decline in interest rates may require the Originator to offer loans at lower interest rates or may hinder the Originator's ability to close loans at the targeted interest rates. Increased interest rates may also harm a borrower's ability to refinance a loan at maturity. A rise in interest rates may also cause the LLC to achieve lower returns or carry more risk than alternative investments. Accordingly, volatility in interest rates could harm the LLC's ability to achieve its profitability objectives or cause the LLC to achieve less favorable results than other investments. Moreover, interest rates are influenced by a number of factors that are beyond the LLC's control and are difficult to predict.

The LLC faces substantial competition, and if it fails to compete effectively, its operating results will suffer.

The business of real estate lending and investing in real estate within the Originator's market area is highly competitive, and the Originator may be competing with a number of other lenders, investors and developers. There are a number of funds and many experienced individuals in this area who specialize in equity-based financing. Many of these other investors have greater

financial resources than the Originator and more experience in making the types of loans and investments that the Originator intends to make. The Originator may not be able to compete successfully against existing or new competitors. If the Originator does not respond adequately to competitive challenges, its business and results of operations would be harmed.

The LLC will be subject to the risk of uninsured losses.

Although the Originator intends to require borrowers to maintain customary insurance coverage for the properties serving as collateral, such as comprehensive insurance, including title, liability, fire and extended coverage, there are certain types of losses (generally of a catastrophic nature, such as wars, terrorism, earthquakes and floods) that are either uninsurable or not economically insurable. Should any such uninsured risk occur or cause the destruction or damage of any property, or should a hazard insured against occur where the loss is in excess of insurance limits or should the insurance company be unable to pay the claim, both invested capital and potential profits could be lost. Without limiting the foregoing, the existence of an uninsured loss on a property could adversely affect a borrower's ability to repay a loan, especially if the borrower was relying on income generated with respect to such property that suffered the loss to repay principal and interest on such loan. In addition, the existence of an uninsured loss on a property could adversely affect the value of such property, thereby reducing the LLC's recovery in the case of a default on such loan.

The LLC may be subject to the risks associated with disposing of real property.

If a borrower defaults on a loan held by the LLC, the LLC may seek to foreclose upon the real property serving as collateral for such loan. In such event, the LLC generally will seek to sell or otherwise dispose of such property.

The marketability and profitability of any property may be adversely affected by local, regional, and national economic conditions beyond the control of the Manager. Favorable changes may not necessarily enhance the marketability or profitability of a property. Even under the most favorable marketing conditions, there is no guarantee that a property can be sold by the LLC, or if sold, that such sale will be made upon a price and terms favorable to the LLC, including at a price sufficient to cover all of a borrower's obligations to the LLC under the defaulted loan.

No assurance can be given that there will be a ready market for the sale of any real property acquired by the LLC pursuant to a foreclosure. The sales prices of such properties will depend on a variety of factors, including the value of a particular property in relation to similar properties in the market area, the property's history and condition, the availability of tax benefits associated with such properties, the then projected economic and demographic trends for the immediate area in which the properties are located, the availability of purchasers and the availability and terms of credit and financing for a purchaser of a particular property.

Due to certain provisions of state laws applicable to certain types of real estate loans, including anti-deficiency provisions under Arizona law, the LLC may have no ability to recover any deficiency should the property prove insufficient to repay a loan. The LLC's ability to foreclose and dispose of a property may be delayed or impaired by the operation of the federal bankruptcy laws, which may delay disposition of a property for a period ranging from several months to

several years. The length of such a delay and the costs associated therewith may have an adverse impact on the LLC's profitability.

The LLC may be subject to the risks associated with environmental contamination.

Under current federal and state law, the owner of 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.

The LLC is not expected to participate in the on-site management of any facility on the property in order to minimize the potential for liability for cleanup of any environmental contamination under applicable federal, state or local laws. There can be no assurance that the LLC would not incur full recourse liability for the entire cost of any such removal and cleanup, or that the cost of such removal and cleanup would not exceed the value of the property. In addition, the LLC could incur liability to tenants and other users of the affected property, or users of neighboring property, including liability for consequential damages. The LLC would also be exposed to risk of lost revenues during any cleanup and the risk of lower lease rates or decreased occupancy if the existence of such substances or sources on the property become known. If the LLC fails to remove the substances or sources and clean up the property, it is possible that federal, state or local environmental agencies could perform such removal and cleanup, and impose and subsequently foreclose liens on the property for the cost thereof. The LLC may find it difficult or impossible to sell the property prior to or following any such cleanup. The LLC could also be liable to the purchaser of such property if the LLC knew or had reason to know that such substances or sources existed. In such a case, the LLC could also be subject to the costs described above. The owner may also incur liability to users of the property or users of neighboring property for bodily injury arising from exposure to such substances. If the LLC is required to incur such costs or satisfy such liabilities, this could have a material adverse effect on the LLC's profitability. Additionally, if a borrower is required to incur such costs or satisfy such liabilities, this could result in the borrower's inability or unwillingness to repay its loan from the LLC.

Even if a mortgage lender does not foreclose on a contaminated site, the mere existence of hazardous substances on a property may depress the market value of the property such that the loan is no longer adequately secured.

A lender's best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan. However, environmental inspections and investigations are very expensive, and often are not financially feasible in connection with loans of the size and type to be made by the LLC. As a result, toxic contamination reports or other environmental site assessments will generally not be obtained by the LLC in connection with its loans, unless the Manager believes that such reports are necessary to evaluate known or suspected environmental risks. The Manager intends to take certain precautions to avoid environmental problems, such as requiring environmental reports to be obtained or not making or investing in loans secured by properties known or suspected to have environmental problems.

However, there is no guarantee that the Manager will be successful in identifying the need to obtain environmental reports. There is also no guarantee that the Manager will be successful in identifying the existence or extent of any such environmental problems, even in cases when certain environmental reports are obtained.

The LLC is subject to the risks relating to compliance with applicable law.

Although the Manager will seek for it and the LLC to comply with all federal, state and local lending regulations, there is no assurance that the Manager or the LLC will always be compliant or that there will not be allegations of non-compliance even if the Manager and the LLC were fully compliant. Any violation of applicable law could result in, among other things, damages, fines, penalties, litigation costs, investigation costs and even restrictions on the ability of the LLC's ability to conduct business.

The LLC is subject to the risks of litigation.

The Manager will act in good faith and use reasonable judgment in conducting the purchase of and managing the loans for the LLC. However, as a Loan holder, the LLC 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 Originator or the LLC in making, managing or foreclosing on the loans. It is impossible for the Manager to foresee what allegations may be brought by a specific borrower, and the Manager will seek to avoid litigation, if, in the Manager's judgment, the circumstances warrant an alternative resolution. If an allegation is brought or litigation is commenced against the LLC, the LLC will incur legal fees and costs to respond to the allegations and to defend any resulting litigation. If the LLC is required to incur such fees and costs, this could have an adverse effect on the LLC's profitability.

The LLC may be affected by changes in legal, regulatory and legislative environments in which it operates.

The LLC is subject to lending regulations at the federal, state and local levels, and proposals for further regulation of the lending services industry are continually being introduced. The LLC is also subject to many other federal, state and local laws and regulations that affect the LLC's business, including those regarding taxation. Congress and state legislatures, as well as federal and state regulatory agencies and local governments, review such laws, regulations and policies and periodically propose changes or issue guidance that could affect the LLC in substantial and unpredictable ways. Such changes could, for example, limit the types and value of lending services and products the LLC can offer, alter its liability, and increase its cost to offer such services and products or hinder its ability to fund loans quickly enough to serve its intended client base. It is possible that one or more legislative proposals may be adopted or regulatory changes may be implemented that would have an adverse effect on the LLC's business.

The LLC is subject to the risks related to the accuracy and completeness of information about customers, properties and counterparties.

In deciding whether to purchase a Loan, the LLC may rely on information furnished to it by or on behalf of the Originator's customers and counterparties, including financial statements and other financial information. The LLC also may rely on representations of the Originator's

customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. While the Originator, Manager and LLC intend to conduct due diligence regarding the value of properties and the information provided by customers and counterparties, each may rely on or be unable to identify inaccurate or fraudulent information. The LLC's financial condition and results of operations could be negatively impacted to the extent it relies on or fails to identify customer, property or counterparty information that is not complete or accurate.

RISKS RELATED TO OWNERSHIP OF REAL ESTATE

The principals of the Manager have experience in purchasing and selling residential real estate. If a borrower defaults on a loan held by the LLC, the LLC may seek to foreclose upon the real property ("***Foreclosed Property***") serving as collateral for such loan. In such event, the LLC generally will own the real property for a period of time as it seeks to sell or otherwise dispose of such property. The LLC is subject to risks associated with the acquisition and ownership of real properties.

The economic performance and value of the LLC's Foreclosed Properties will be subject to all risks incident to the acquisition and ownership of real estate. Real estate values are affected by numerous factors, including, among others:

- federal, state and local laws and regulations (such as environmental, rent stabilization and zoning laws) and potential liabilities under such laws;
- changes in federal, state or local tax laws;
- fluctuations in maintenance and operations costs;
- changes in the supply of and demand for a specific property or type of property;
- changes in local, national or international economic conditions, such as interest rates, the availability of long-term mortgage funds and employment conditions;
- the ability of the property-owning entity to provide for adequate maintenance and insurance of its properties; and
- deterioration of and other changes in the area in which a property is located or in the market for space in which it is located.

Financial Reporting

The LLC will maintain separate financial records with respect to Foreclosed Properties, including a statement of net income, a balance sheet and a determination of fair market value as set by the Manager. The Manager will provide an updated determination of the fair market value of a Foreclosed Properties from time to time, but no less often than once per every six (6) months. With respect Foreclosed Property, "fair market value" means the appraised value of the Foreclosed Property as determined by an independent written appraisal, Broker's Opinion, or the Manager at the time the LLC forecloses on the property (or the time the Manager updates its

determination of fair market value, as applicable), which is "current" at the time the LLC forecloses on the property (or the time the Manager updates its determination of fair market value, as applicable). An appraisal will be considered to be "current" if the Manager has inspected the Foreclosed Property and made a reasonable determination that the value of the Foreclosed Property has not declined since the date of the appraisal. Fair market value does not take into account the historical price of the property or any amounts spent to remodel or improve the property prior to its purchase by the LLC.

Holding Period of Foreclosed Property

The LLC anticipates holding a given Foreclosed Property for no longer than one hundred twenty (120) days, although the LLC may sell Foreclosed Property sooner or later depending upon market conditions and demand for real estate like the Foreclosed Property. In many cases, Foreclosed Property will not be held but will be immediately resold or be subject to a purchase agreement with a prospective buyer prior to the foreclosure procedure.

The illiquidity of real estate investments could adversely affect the LLC's financial condition.

Real estate investments tend to be illiquid. Consequently, the ability of the LLC to sell the LLC's Foreclosed Properties to monetize foreclosed assets and generate revenue is limited. In addition, some significant expenditures, such as real estate taxes, and operating and maintenance costs, generally are not reduced in circumstances resulting in a reduction in income from the investment. Factors or events that impede the ability of the LLC to respond to adverse changes in the performance of its investments, including the disposition of properties, could have an adverse effect on the LLC's financial condition and operating results.

BUSINESS RISKS

The LLC's financial objectives may not be achieved.

The projections contained in any reports previously, contemporaneously or subsequently sent to prospective investor are based on numerous assumptions that are subject to uncertainty and over which the LLC will have no control. There is no assurance that assumed or projected returns will be achieved or maintained or that the assumed level of expenses will not be exceeded. Reduced revenue, increased expenses or a combination of both will decrease the operating profit on which the forecasted amounts of cash distributions are based.

In addition, facts, forecasts and other statistics in this Memorandum have been derived from various sources generally believed to be reliable. However, the LLC cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by the LLC and, therefore, the LLC makes no representations as to the accuracy of such facts, forecasts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, any statistics in this Memorandum may be inaccurate and should not be unduly relied upon.

There are risks associated with reliance on forward-looking statements.

Any forward-looking statements included in this Memorandum are not historical facts, but rather are based on current expectations, estimates and projection about the LLC's industry, the LLC's beliefs and the LLC's assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks" and "estimates," and variations of these words and similar expressions, are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, assumptions, uncertainties and other factors, some of which are beyond the LLC's control and difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements and projections. The LLC disclaims any obligation to update any such factors or to announce the result of any revisions to any of the forward-looking statements and projections.

Each prospective investor should therefore consult with such prospective investor's own advisers to evaluate the forward-looking statements and the associated assumptions and make such prospective investor's own independent determination of the feasibility of the forward-looking statements and such assumptions.

The LLC has limited prior operating history.

The principals of the Manager have many years' experience in real estate investment. Bobby Barnes and Tyler Stone have extensive experience in lending and investing in and managing fix and flip properties. The current LLC is a recently formed limited liability company with limited prior operating history; however, the management team is fully intact. Identifying and making profitable Loans is difficult and involves a high degree of risk, competition and uncertainty, and the availability of such lending opportunities is subject to general market conditions. In addition, please consider the comments about forward-looking statements.

The LLC's business must be considered in light of the risks, expenses and problems frequently encountered by entities with limited operating history. There is no assurance that the LLC will be able to attain profitability. The LLC's profitability is dependent upon many factors beyond its control. Because the LLC has no operating history, there is only a limited basis upon which to evaluate the LLC's prospects for achieving its intended business objectives.

The LLC faces the risks associated with the future acquisition of unspecified opportunities.

Members will not have an opportunity to evaluate the specific merits or risks of any prospective loan purchase. As a result, Members will be dependent on the judgment of the Manager in connection with the investment and management of the proceeds of this Offering, including the selection of the Loans to be purchased. There can be no assurance that determinations ultimately made by the Manager will permit the LLC to achieve its business objectives. The number of loans that the LLC purchases and diversification of its Loans may be dependent on the amount of proceeds raised herein and could be reduced if less than the Maximum Offering Amount is raised. The LLC's success will depend on its ability to identify suitable investments, to negotiate and arrange the closing of appropriate transactions, to successfully manage, acquire, rehab and resell properties or service real estate loans.

The LLC will be subject to the risks of relying on the Manager and certain key personnel.

The LLC's ability to achieve its business objectives successfully will be largely dependent upon the efforts of the LLC's management team. Exclusively the Manager will make all decisions with respect to the management of the LLC as well as the selection of the real estate investments. Members will not have the opportunity to evaluate the loans that the LLC will purchase and must rely on the ability of the Manager and its management team with respect to such loans. Accordingly, no person should purchase Membership Units in the LLC unless he or she is willing to entrust all aspects of the management of the LLC to the Manager. Although the principals of the Manager have been active in various aspects of the real estate industry for many years, there can be no assurance that the Manager will be able to operate the LLC profitably or achieve the objectives of the LLC. The LLC has not entered into any employment agreements or other understandings with the members of the management team or obtained any "key man" life insurance on their lives. The loss of the services of any principal could have a material adverse effect on the LLC's ability to achieve successfully its business objectives. In addition, the Manager and its principals will only devote such time as they determine, in their sole and absolute discretion, is reasonably necessary to carry out the business and affairs of the LLC.

There are risks associated with indemnification of the Manager and its principals.

The Manager and its principals ("***Covered Persons***") will be indemnified by the LLC from any and all claims of the third parties directly arising out of its management of the LLC, except for claims arising out of the fraud, gross negligence, bad faith or willful misconduct of a Covered Persons. The Covered Persons will have no liability to the LLC for a mistake or error in judgment or for any act or mission believed to be within its scope of authority unless such mistake, error of judgment or act or omission was made, performed or omitted by the Covered Persons fraudulently or in bad faith or constituted gross negligence. As a result, the right of any Member to bring an action against the Covered Persons may be severely limited.

There are risks related to the failing of Members to make capital contributions.

Because the success of the LLC and its ability to make loans is largely dependent upon the Members fulfilling their capital commitments, the consequences of any Member failing to contribute these amounts when called for could limit the LLC's ability to purchase loans. In addition, the failure of any Member to make a capital contribution will result in exposure to liability for that Member and may result in the implementation of various remedies set forth in the Operating Agreement.

The LLC is subject to operational risks.

Although the LLC intends to employ reasonable diligence in conducting its business and supervising its employees and agents, no amount of diligence can eliminate many types of operational risk, including the risk of fraud by employees, agents or outsiders, misinterpretation or misapplication of rules, regulations or other requirements, unauthorized transactions by employees or agents or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunication systems. Certain errors may be repeated or compounded before they are discovered and successfully corrected. The LLC is

exposed to the risk that external parties on whom the LLC relies will be unable to fulfill their contractual obligation to the LLC (or will be subject to the same risk of fraud or operational errors by their respective employees and agents as the LLC is).

Distributions will be subject to prior payment of expenses and reserves.

Distributions will only be paid to the extent that the LLC has sufficient cash flow to make such payments. The Manager anticipates that there will be significant cash flow available, but there is no guarantee that the LLC will be able to generate such cash flows. [Is the previous statement true? To the extent the LLC is investing in debt at a discount, it may have deemed taxable income, and so it won't have an equal amount of cash to distribute. This section may need to be reworked to sound a bit more cautious unless it is clear they will have enough cash to match taxable income.] In addition, there will not be any cash flow available for distribution until the LLC has made all payments required under any debt obligation and all other payments required to be made for LLC expenses and other payables, and the Manager has established a reserve for liabilities. Even if distributions are made, they may not be sufficient to satisfy a Member's tax obligations with respect to the LLC.

The Membership Units are restricted securities, which limits their transferability.

The Membership Units being sold in this Offering are restricted securities under the Securities Act, for which no public or private market presently exists. Transfers of the Membership Units are subject to restrictions of federal and state securities laws and to the restrictions set forth in the Operating Agreement. As a result of such restrictions on transfer, it may be difficult or impossible to transfer the Membership Units to any transferees. Accordingly, an investment in the Membership Units should be made only if you can assume the risks of an illiquid investment.

The LLC may be adversely affected if it does not perfect an exemption from registration under federal and state securities laws.

The LLC intends to offer Membership Units without registration under any securities laws in reliance on an exemption for "transactions by an issuer not involving any public offering." While the Manager believes reliance on such exemption is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other companies, the scope of disclosure provided, failures to make notices, filings or changes in applicable laws, regulations or interpretations will not cause the LLC to fail to qualify for such exemptions under U.S. federal or one or more states' securities laws. Failure to so qualify could result in the rescission of sales of Membership Units at prices higher than the current value of those Membership Units, potentially materially and adversely affecting the LLC's performance and business. Further, even non-meritorious claims that offers and sales of Membership Units were not made in compliance with applicable securities laws could materially and adversely affect the Manager's ability to conduct the LLC's business.

The Manager is not registered as an investment adviser and the LLC is not registered as an investment company.

The Manager believes the nature of the LLC will not subject it to, and the Manager intends for the LLC to rely on exemptions from, the registration requirements of the Investment Company

Act of 1940, as amended (the "***Investment Company Act***"). There is no assurance that the Manager's belief in this regard is or will continue to be correct or that such exemptions will remain available. The Manager is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "***Advisers Act***"), and accordingly is not subject to any of the recordkeeping or business practice provisions of the Advisers Act, although the Advisers Act antifraud provisions are applicable. The performance of the LLC's investment portfolio could be materially adversely affected if the LLC or the Manager were to become subject to the Investment Company Act or the Advisers Act because of the various burdens of compliance therewith. Neither the LLC nor its counsel can assure investors that, under certain conditions, changing circumstances or changes in the law, the LLC may not become subject to such regulation.

Neither the LLC nor the Manager has retained separate legal representation for the Members.

Attorneys represent the Manager in connection with the organization and operation of the Manager and the LLC. Those attorneys do not represent the Members, either individually or collectively, nor is it anticipated that the LLC will engage separate counsel to represent the LLC or any of the Members with respect to these matters. The Manager's attorneys do not expect to furnish any Member with any legal opinion and they have not opined upon the adequacy of this Memorandum or the fairness of the disclosure herein. Prospective investors must consult with their own counsel with regard to all of these matters.

There are tax risks associated with the LLC.

Prospective investors in the LLC are subject to complex and potentially adverse tax consequences as a result of investing in the LLC. In addition, investors may be allocated a portion of taxable income of the LLC without regard to actual cash distributions. Accordingly, such investors' tax liability could exceed the cash distributions to them in any tax year. Furthermore, tax laws and regulations applicable to an investment in the LLC and to the management of the LLC are subject to change, and any such change may have a material adverse effect on the investors and the LLC. Prospective investors should consult their own tax advisers with reference to their specific tax situations, including any applicable federal, state, local, and foreign taxes. There are a number of additional tax risks associated with an investment in the LLC.

Reliance on the Manager

The Manager will make virtually all decisions with respect to the management of the LLC, including the determination as to what properties to acquire for a flip or hold strategy and what performing, sub-performing, and non-performing mortgages to acquire, and the Members will not have a voice in the management decisions of the LLC and can exercise only a limited amount of control over the Manager. The Manager gives no assurance that the LLC will operate at a profit. The LLC is dependent to a substantial degree on the Manager's continued services. In the event of the withdrawal, dissolution or bankruptcy of the Manager, the business and operations of the LLC may be adversely affected.

Competition

Because of the nature of the LLC's business, the LLC's profitability will depend to a large degree upon the future availability of suitable loans. The LLC will compete with institutional lenders whom fund flip or buy and hold residential properties and other hard money loans, many of whom have greater financial resources and experience than the LLC.

Reliance on Officers of Manager

The Manager is a limited liability company which consists of a few key officers whose inability to manage the corporation, whether because of death, illness, incapacity or otherwise, could adversely affect the management of the Manager, and consequently, the performance of the LLC.

Manager Not Required to Devote Full-Time to the Business of the LLC

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

Competition With Clients and Affiliates of the Manager

The Manager or the officers of the Manager may engage in the sponsorship of the formation of other lending groups like the LLC to lend mortgages. When considering each real estate loans, therefore, the Manager will have to decide which client or fund it will choose to purchase the mortgages. This will compel the Manager to make decisions that may at times favor persons other than the LLC. The Operating Agreement exonerates the Manager from liability for investment opportunities given to other persons.

Uninsured Losses

The Manager will require title (except for properties acquired at auction), fire, and casualty insurance on the properties acquired by the LLC. However, there are certain types of losses (generally of a catastrophic nature) which are either uninsurable or not economically insurable, such as losses due to war, floods, earthquakes, mold, or mudslide and some title claims. Should any such disaster occur, the LLC could suffer a loss. The Manager is not required to have performed any environmental reports such as Phase I or Phase II or conduct any mold inspections, or other similar studies, investigations, or due diligence prior to purchasing real estate.

Lack of Regulation

The management and investment practices of the LLC are not supervised, or regulated by any federal or state authority.

CONFLICTS OF INTEREST

The following is a list of some of the important areas in which the Membership Units of the Manager will conflict with those of the LLC. The Members must rely on the general fiduciary standards which apply to a manager of a limited liability company to prevent unfairness by the

manager and/or its affiliates in a transaction with the limited liability company. (See herein "*Fiduciary Responsibility of the Manager*").

Purchasing Fee and Other Manager Compensation

If the LLC purchases an existing loan from a third party, the Manager may be paid by the LLC (the "***Purchasing Fee***"). The Purchasing Fee will not exceed the discount received by the LLC for the purchase of said loan and the loan terms and conditions will be comparable or better than those for originating loans. The Purchasing Fee will be capitalized and added to the acquisition basis for accounting purposes. This and other fees paid to the Manager (See "*Compensation of Manager*") create a conflict of interest because the Manager only earns many of the items of income by causing the LLC to engage in transactions that generate income to the Manager. In other words, the more transactions, the greater income to the Manager. There is no third party regulating the volume of these transactions so the LLC must rely upon the good faith of the Manager whether or not a transaction is in the best interests of the LLC.

Other LLCs & LLCs or Businesses

The Manager and its affiliates may engage, for their own account, or for the account of others, in other business ventures similar to that of the LLC or otherwise, and neither the LLC nor any Member shall be entitled to any interest therein.

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

Lack of Independent Legal Representation

The LLC has not been represented by independent legal counsel to date. However, SSF does have its own independent legal counsel and that counsel assisted in the preparation of this Memorandum. The use of SSF's counsel in the preparation of this Memorandum and the organization of the LLC may result in a lack of independent review.

THE MANAGER AND AFFILIATES

The Manager of the LLC is an Arizona limited liability company. The Manager will manage and direct the affairs of the LLC. The Manager has the following officers:

Tyler Stone, Chief Executive Officer. Mr. Stone received a Bachelor of Arts, Communication, Honors Program, from Washington State University in 1995. Mr. Stone has been a licensed Arizona Real Estate Broker since 1995, is a member of National Association of Realtors, SEVRAR, Arizona Association of Trustees. Mr. Stone served as a Real Estate Agent from 2001-2005. From 2005 to the present, Mr. Stone has been an owner of Infinity Wealth Real Estate.

Mr. Stone also co-founded, Capstone Financial and Capstone Private Mortgage Company in 2010 and is still operating both currently.

Dick Swofford, Senior Financial Analyst (non-officer). Mr. Swofford heads his own accounting/finance consulting firm focused on providing systems analysis/implementation, cash flow management and planning, master financial plan modeling, and integrated strategic and financial planning. He has over three decades in the manufacturing, government services, and financial services industries. His experience over the years has included the diverse duties and responsibilities of CFO, controller, staff accountant, head of manufacturing and regional sales manager. He has maintained his public accounting certification since 1976. He developed and presented internationally corporate seminars on accounting and finance for non-financial managers for several years and continues to pass on his extensive business knowledge and experience as an adjunct faculty member at Phoenix College He brings his orderly and financial discipline to complex and/or technical situations and, in the process, translates it to an understandable and useable format for the client.

Warren Trangsrud, Executive Vice President of the LLC and Chief Executive Officer of Capstone. Mr. Trangsrud received his Bachelor of Science in Business Administration, Finance from the University of Minnesota in ____. Mr. Trangsrud graduated Summa Cum Laude. Mr. Tangsrud has served as a mortgage professional since 1993, working with Mellon Mortgage Company, First Arizona Savings, Macquarie Mortgage, USA. Mr. Trangsrud has worked with Capstone Mortgage Company since 2012.

LEGAL PROCEEDINGS

Neither the LLC, the Manager nor any of the officers or directors of the Manager are now or have within the past five (5) years been involved as a defendant to any material litigation or arbitration.

SUMMARY OF LLC 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. Potential investors are urged to read the entire Operating Agreement, a copy of which is attached hereto as Exhibit A.

Rights and Liabilities of Members

The rights, duties and powers of Members are governed by Operating Agreement and the Arizona Limited Liability Company Act, and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to the Operating Agreement and such act.

Investors who become Members in the LLC in the manner set forth herein will not be responsible for the obligations of the LLC. 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.

Members will have no control over the management of the LLC, except that Members holding at least a 75% interest of the issued and outstanding Membership Units may, without the concurrence of the Manager, take the following actions:

(a) filing, with respect to the LLC, for bankruptcy or similar proceedings; or

(b) approve or disapprove the sale of all or substantially all the assets of the LLC.

The Manager or Members representing at least 75% of the LLC units may call a meeting of the LLC. The Operating Agreement only permits removal of the Manager by the Members if: (i) the Manager commits an act of willful misconduct which materially adversely damages the LLC and (ii) holders of all of the Membership Units vote in favor of such removal. If the Manager is removed, its compensation shall continue for a period of not less than 12 months and the Manager is fully reimbursed for all out of pocket costs including any unreimbursed formation costs.

Capital Contributions

Units in the LLC will be sold in Membership Units.

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 LLC. The Manager is not required to devote full time to the LLC affairs but only such time as is required for the conduct of the LLC business. The Manager has the power and authority to act for and bind the LLC. 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.

Profits and Losses

The LLC's Profit or Loss for a taxable year, including the taxable year in which the LLC is dissolved, will be allocated among the Members in proportion to the Membership Units they held during the applicable tax reporting period.

Distributions

The LLC will make all distributions as described in the "*Summary of the Offering – Term of the LLC & Cash Distributions*."

Compensation to Manager and Affiliates

The LLC will compensate the Manager and its affiliates as described in the "*Compensation to Manager*."

Adjustment of Membership Interest Holdings

Allocations of profit, gain and loss in the LLC are made, as required by law, in proportion to the Members' Membership Interests. Voting rights are based on the Membership Units each Member owns. Once the Minimum Offering Amount has been achieved by the LLC, the Manager, at its discretion, may set the unit value of membership interest value for additional Membership Units by adjusting the book value of the assets of the LLC to reflect the fair market value of those assets and determining the liabilities of the LLC.

Meetings

The Manager, or Members representing at least 75% of the LLC units, may call a meeting of the LLC on at least five (5) days written notice. Unless the notice otherwise specifies, all meetings will be held at 2:00 p.m. at the office of the Manager. Members may vote in person or by proxy at the LLC meeting. A majority of the outstanding LLC units will constitute a quorum at LLC meetings.

Accounting and Reports

The Manager will cause to be prepared and furnished to the Members quarterly reports of the LLC's operation as soon as practicable after the end of the close of the year covered by the report, a copy or condensed version will be furnished to the Members. The Members shall also be furnished such detailed information as is reasonably necessary to enable them to complete their own tax returns as soon as practicable after the end of the year.

The Manager presently intends to maintain the LLC'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 and state income tax purposes. The Manager reserves the right to change such methods of accounting, upon written notice to Members. Any Members may inspect the books and records of the LLC at all reasonable times.

Withdrawal, Redemption Policy, and Other Events of Dissociation

A Member may resign as such at any time. A Member will also cease to be a Member upon, (i) such Members' expulsion from the LLC; or (ii) when Member no longer owns any Membership Units (any, an event of "***Dissociation***").

Upon the occurrence of an event of Dissociation: (i) the Member's right to participate in the LLC's governance, receive information concerning the LLC's affairs and inspect the LLC's books and records will terminate; and (ii) unless the Dissociation resulted from the transfer of the Member's Membership Units, 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 LLC that existed prior to the effective date of the Dissociation, including any costs or damages resulting from the Member's breach of the Operating Agreement.

Restrictions on Transfer

The Operating Agreement places substantial limitations upon transferability of LLC units. 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 LLC as a LLC or, cause a termination of the LLC for federal income tax purposes.

Following an event of withdrawal by a Member, the LLC or Members may to purchase the Membership Units on a pro-rata basis, in exchange for approximately the amount that the withdrawn Member would receive if the LLC were liquidated.

The Manager may withdraw from the LLC at any time upon 60 days written notice to all Members. A successor Manager will be selected by the Manager.

Term of LLC

The term of the LLC will continue until December 31st, 2019, with a provision for an extension at the sole discretion of the Manager to complete the collection of outstanding Loan balance or the sale of Foreclosed Properties. The LLC will dissolve and terminate sooner under any of the following circumstances:

(1) upon the election to dissolve the LLC by the Manager and approval by seventy-five percent (75%) of the issued and outstanding Membership Units held by Members;

(2) any event that makes the LLC ineligible to conduct its activities as a limited liability company under the Securities Act; or

(3) otherwise by operation of law.

Winding-Up

The LLC 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 LLC, the Manager will wind up the LLC's affairs by liquidating the LLC's assets as promptly as is consistent with obtaining the fair market value thereof by sale to third parties. All funds received by the LLC shall be distributed to Members in accordance with the terms of the Operating Agreement.

Upon dissolution and termination of the LLC, a winding-up period is provided for liquidating the LLC's assets and distributing cash to Members. Members who sell their Membership Units prior to any such liquidation will not be exposed to this risk.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain U.S. federal income tax consequences of acquiring, holding and disposing of Membership Interests. It is based upon the Internal Revenue Code of 1986, as amended (the "Code"), the U.S. Treasury regulations ("Treasury

Regulations") promulgated thereunder, published positions of the Internal Revenue Service (the "IRS"), judicial decisions and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or different interpretations (possibly with retroactive effect). This summary does not purport to deal with all of the U.S. federal income tax consequences applicable to the LLC or to all categories of investors, some of whom may be subject to special rules (including, without limitation, dealers in securities or currencies, financial institutions or "financial services entities," life insurance companies, holders of Membership Interests held as part of a "straddle," "hedge," "constructive sale" or "conversion transaction" with other investments, U.S. persons whose "functional currency" is not the U.S. dollar, persons who have elected "mark to market" accounting, persons who have not acquired their Membership Interests upon their original issuance, persons who hold their Membership Interest through a partnership or other entity which is a pass-through entity for U.S. federal income tax purposes, or persons for whom an Membership Interest is not a capital asset). The tax consequences of an investment in the LLC will depend not only on the nature of the LLC's operations and the then applicable U.S. federal tax principles, but also on certain factual determinations that cannot be made at this time, and upon a particular Member's individual circumstances. No advance rulings have been or will be sought from the IRS regarding any matter discussed in this Memorandum.

IN VIEW OF THE FOREGOING, EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING ALL U.S. FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF AN INVESTMENT IN THE LLC, WITH SPECIFIC REFERENCE TO SUCH INVESTOR'S OWN PARTICULAR TAX SITUATION AND RECENT CHANGES IN APPLICABLE LAW.

For purposes of this discussion, a "U.S. Person" or a "U.S. Member" is (1) a citizen or resident of the United States, (2) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any political subdivision thereof, (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust which (a) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. A "Non-U.S. Person" or "Non-U.S. Member" is a Member that is not a U.S. Person or a U.S. Member and that, in addition, is not (i) a partnership or other fiscally transparent entity, (ii) an individual present in the United States for 183 days or more in a taxable year who meets certain other conditions, or (iii) subject to rules applicable to certain expatriates or former long-term residents of the United States.

Members, Not LLC, Subject to Tax

LLC Status. Under current Treasury Regulations, a domestic entity that has two or more members and that is not organized as a corporation under U.S. federal or state law will generally be classified as a partnership for U.S. federal income tax purposes, unless it elects to be treated as a corporation. The Manager represents that it will not elect for the LLC to be classified as a corporation for U.S. federal income tax purposes. Thus, subject to the discussion of "publicly traded partnerships" below, the LLC will be treated as a partnership for U.S. federal income tax purposes. However, classification of an entity as a partnership for U.S. federal income tax purposes may not be respected for state or local tax purposes.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership." The Manager intends to operate the LLC so it will not be treated as a publicly traded partnership. The LLC intends to obtain and rely on appropriate representations and undertakings from each Member in order to assure that the LLC is not treated as a publicly traded partnership.

The discussion below assumes that the LLC will be treated as a partnership for U.S. federal income tax purposes. No application has been or is contemplated to be made to the IRS for a ruling on the classification of the LLC for tax purposes.

Taxation of LLC. As a partnership, the LLC is not itself subject to U.S. federal income tax. The LLC files an annual partnership information return with the IRS which reports the results of the LLC's operations.

Taxation of Members. Provided that the LLC is classified as a partnership for U.S. federal income tax purposes, each Member will be required to report on its federal income tax return, and will be subject to tax in respect of, its distributive share of each item of the LLC's income, gain, loss, deduction and credit for each taxable year of the LLC ending with or within the Member's taxable year. (See "Allocations of Income, Gain, Loss, Deduction and Credit," below.) Each item generally will have the same character as if the Member had realized the item directly. Members must report these items regardless of the extent to which, or whether, they receive cash distributions from the LLC for such taxable year, and thus may incur income tax liabilities in excess of any distributions from the LLC. Moreover, the LLC may invest in certain securities, such as original issue discount obligations with redemption or repayment premiums, that could cause the LLC, and consequently the Members, to recognize taxable income without receiving any cash.

The LLC will use the cash method of accounting. The LLC's fiscal year will be the calendar year, unless the Code requires a year other than the calendar year to be used as the taxable year, in which case the fiscal year will be the taxable year which is required by the Code.

The LLC will provide each Member with the information required to report its allocable share of the LLC's tax items for U.S. federal income tax purposes. Each Member is responsible for keeping its own records for determining such Member's tax basis in its Membership Interest and calculating and reporting any gain or loss resulting from a LLC distribution or disposition of an Membership Interest.

Allocations of Income, Gain, Loss, Deduction and Credit. Pursuant to the Operating Agreement, the LLC's items of taxable income, gain, loss, deduction and credit are allocated so as to take into account the varying interests of the Members over the term of the LLC. Section 704(b) of the Code provides that a partner's distributive share of items of partnership income, gain, loss, deduction and credit will be determined in accordance with the partnership agreement if such allocations have "substantial economic effect," but must otherwise be determined in accordance with such partner's economic interest in such partnership. The Manager believes the allocations provided for by the Operating Agreement should have "substantial economic effect" or are otherwise in accordance with the Members' Membership Interests in the LLC. It is possible that the IRS may challenge the LLC's allocations as lacking "substantial economic effect" and

attempt to reallocate items of income, gain, loss, deduction or credit. Any such reallocation of tax items may have adverse tax and financial consequences to a Member.

Tax Treatment of Distributions. A Member generally will not recognize gain or loss on the receipt of a distribution of cash or property from the LLC. A Member, however, will recognize gain on the receipt of a distribution of money and, in some cases, marketable securities, from the LLC (including any constructive distribution of money resulting from a reduction of the Member's share of the indebtedness of the LLC) to the extent such cash distribution or the fair market value of certain marketable securities distributed exceeds such Member's "adjusted tax basis" (as defined below) in its Membership Interest. Such distribution would constitute taxable income to such Member and would be treated as gain from the sale or exchange of its Membership Interest. (See "Tax Treatment on Sale of an Membership Interest," below.) Generally, if a Member has held its Membership Interest for more than one year, any such gain will be long-term capital gain.

A Member will recognize gain on the complete liquidation of its Membership Interest only to the extent the amount of money received exceeds its adjusted tax basis in its Membership Interest. Distributions of certain marketable securities are treated as distributions of money for purposes of determining gain. Any gain recognized by a Member on the receipt of a distribution from the LLC generally will be capital gain, but may be taxable as ordinary income, either in whole or in part, under certain circumstances. (See "Tax Treatment on Sale of a Membership Interest," below.) No loss can be recognized on a distribution in liquidation of a Membership Interest, unless the Member received no property other than money, "unrealized receivables" and "inventory" (as those terms are defined in the Code). For purposes of this restriction, marketable securities are not treated as money, unrealized receivables or inventory.

A Member's initial tax basis in its Membership Interest generally will be equal to such Member's initial capital contribution to the LLC. A Member's adjusted tax basis in its Membership Interest generally will be equal to such Member's initial tax basis, increased by the sum of (i) any additional capital contribution such Member makes to the LLC, (ii) the Member's allocable share of the income of the LLC, and (iii) increases in the Member's allocable share of the indebtedness of the LLC, and reduced, but not below zero, by the sum of (iv) the Member's allocable share of the losses of the LLC, and (v) the amount of money or the basis of property distributed to such Member, including constructive distributions of money resulting from reductions in such Member's allocable share of indebtedness of the LLC.

Limitations on Deductibility of LLC Deductions and Losses. While the LLC is not intended to be a "tax shelter," it is possible that losses and expenses could exceed the LLC's income and gain during a taxable year. A Member is allowed to deduct its allocable share of LLC losses (if any) only to the extent of such Member's adjusted tax basis in its Membership Interest at the end of the taxable year in which the losses occur. In addition, Members who are individuals, trusts, partnerships or certain closely held corporations could be subject to various limitations on their ability to use their allocable share of deductions and losses of the LLC against other income. Such limitations include those relating to "passive losses" (as defined under Section 469 of the Code), amounts "at risk" (as defined under Section 465 of the Code), "investment interest" (as defined under Section 163 of the Code and discussed more fully below), and miscellaneous itemized investment expenses (under Sections 67 and 68 of the Code). Because of some of these

limitations, it is possible that in the situation in which the LLC has losses, certain Members may not be able to use those losses against other income they may have. Also, if the LLC has losses from some activities and income from different activities, certain Members may not be able to net such LLC losses against such LLC income. In addition, all or a portion of the interest paid or accrued by an individual Member who finances his or her investment in the LLC by borrowing may be subject to the investment interest deduction limitation. Moreover, all or a portion of any interest expense incurred by the LLC and allocable to a Member will be subject to the same limitation. Under that limitation, the ability to deduct such interest is limited to the Member's net investment income for the taxable year. For this purpose, "net investment income" generally excludes net long term capital gains and "qualified dividend income", except to the extent the taxpayer elects to forego the preferential rate of taxation on such amounts. Each prospective investor should consult with its own tax advisor regarding the application of these rules to it in respect of an investment in the LLC.

Tax Returns and Audits. The Manager will decide how items will be reported on the LLC's tax returns, and all Members are required under the Code to treat the items consistently on their own returns, unless they file a statement with the IRS disclosing the inconsistency. In the event that the income tax returns of the LLC are audited by the IRS, the tax treatment of LLC income and deductions generally is determined at the LLC level in a single proceeding, rather than in individual audits of the Members. The Manager will be designated as the "Tax Matters Member" for the LLC, as such term is defined in Section 6231(a)(7) of the Code. In such capacity, the Manager has considerable authority to make decisions affecting the tax treatment and procedural rights of all Members. In addition, the Tax Matters Member has the authority to bind certain Members to settlement agreements (unless, under certain permitted circumstances, an individual Member affirmatively acts to contest such proposed adjustments on his own behalf) and the right on behalf of all Members to extend the statute of limitations relating to the Members' liabilities with respect to LLC items.

Tax Treatment of LLC Investments and Other Income

Income from Investments. The LLC expects to act as a trader or investor, and not as a dealer, with respect to its investments. A trader and an investor are persons who buy and sell securities for their own account. A dealer, on the other hand, is a person who purchases securities for resale to customers rather than for investment or speculation.

Generally, the gains and losses realized by a trader or investor on the sale of assets are capital gains and losses. Thus, subject to certain currency exchange gains and certain other transactions giving rise to ordinary income (discussed below), the LLC expects that its gains and losses from its investments in securities of entities taxed as corporations typically will be capital gains and capital losses. These capital gains and losses may be long-term or short-term, depending, in general, upon the length of time that the LLC maintains a particular investment position and, in some cases, upon the nature of the transaction. Property held for more than one year generally will be eligible for long-term capital gain or loss treatment. (See "Preferential Tax Rates," below.)

Members generally will be taxable on their allocable share of the LLC's interest income, at ordinary income tax rates, when such amounts are included in the LLC's taxable income under

the [cash] method of accounting. The LLC may hold debt obligations with "original issue discount." In such case, the LLC would be required to include amounts in taxable income on a current basis even though the receipt of such amounts may occur in a subsequent year. The LLC also may acquire debt obligations with "market discount." Upon disposition of such an obligation, the LLC generally would be required to treat gain realized as interest income to the extent of market discount which accrued during the period the debt obligation was held by the LLC. In each of the foregoing situations, Members may recognize taxable income without a corresponding receipt of cash.l

Under Section 988 of the Code, gains or losses on the disposition of debt securities denominated in foreign currency to the extent attributable to the fluctuation in the value of the foreign currency between the date of acquisition of the debt security and the date of disposition and gains or losses realized in connection with foreign currency hedging transactions will be treated as ordinary income or loss.

The LLC may invest in preferred securities or other securities the U.S. federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the tax treatment expected by the LLC, it could affect the timing or character of income recognized by the LLC.

Income from Fees. The LLC will generally realize ordinary income with respect to various fees that it will receive.

Non-Cash Income. The LLC may participate in reorganizations, restructurings, and other transactions involving its investments in which it may receive securities or other property in exchange for securities. To the extent that these transactions do not qualify as tax-free reorganizations under the Code or are otherwise subject to tax, the LLC may be required to recognize income without the receipt of cash in respect of such income.

Preferential Tax Rates. For individuals, the maximum ordinary income tax rate is currently 39.6% and the maximum income tax rate for most long-term capital gains is currently 20%. An individual taxpayer may offset capital losses against capital gains. To the extent the individual taxpayer's capital losses in a given year exceed his capital gains for such year, such excess may be used to offset up to an additional $3,000 of such individual taxpayer's ordinary income in such year. Any unused portion of such excess can be carried forward to future years (but not carried back to prior years) to be offset in such future years against the individual taxpayer's capital gains plus up to $3,000 of ordinary income. For corporate taxpayers, capital gains are taxed at the same rates as ordinary income, with a maximum tax rate of 35%. Capital losses may be offset only against capital gains and unused capital losses may be carried back three years (subject to certain limitations) and carried forward five years.

Qualified dividend income of individual taxpayers is subject to a maximum rate of tax equal to 20%. Qualified dividend income includes dividends received from domestic corporations, and dividends received from foreign corporations if such foreign corporations are qualified residents

of a foreign country which has an income tax treaty with the United States, or if such dividend is paid in respect of stock which is readily tradable on an established U.S. securities market. In order for the reduced rate of taxation to apply, certain holding period requirements must be met. Prospective investors should consult their own tax advisors to determine the impact, if any, such rules have on them.

Additional Net Investment income Tax. In addition to the taxes described above, Code Section 1411 imposes a net investment income tax on individuals, estates, and trusts. For individuals, the tax equals 3.8% of the lesser of (a) the individual's net investment income or (b) the excess of the individual's modified adjusted gross income (determined in accordance with Code Section 1411) for the year over the threshold amount (generally $250,000 for a taxpayer filing a joint return or a surviving spouse, $125,000 for a married taxpayer filing a separate return, and $200,000 for all other filers). For estates and trusts, the tax imposed equals 3.8% of the lesser of (a) the undistributed net investment income or (b) the excess of the adjusted gross income for the year over the dollar amount at which the highest tax bracket for estates and trusts begins. For Code Section 1411 purposes, net investment income generally includes passive activity income and portfolio income. Thus, the LLC expect that an individual, estate, or trust Members will be required to include his, her or its distributive share of our income, gain, loss, and deduction when computing his, her or its net investment income for purposes of Code Section 1411.

Organizational or Syndication Expenses. In general, neither the LLC nor any Member may deduct organizational or syndication expenses. An election may be made by a partnership to amortize organizational expenses over a period of 180 months. If the LLC is liquidated prior to the end of the amortization period, unamortized organizational expenses may be deducted to the extent allowable under Section 165 of the Code. Syndication expenses must be capitalized and cannot be amortized or otherwise deducted. As such, the capitalization of such syndication expenses may result in increased capital loss or decreased capital gain on the disposition or liquidation of an Membership Interest.

Foreign Taxes. U.S. Members will generally be entitled to a foreign tax credit with respect to creditable foreign taxes paid on the income and gains of the LLC. However, there are complex rules contained in the Code which may, depending on each U.S. Member's particular circumstances, limit the availability or use of foreign tax credits.

Tax Treatment on Sale of a Membership Interest

A sale of all or part of a Member's Membership Interest will result in the recognition of gain or loss in an amount equal to the difference between the amount of the sales proceeds or distribution (including any constructive distribution) and such Member's adjusted tax basis for the portion of the Membership Interest disposed of. Such Member's adjusted tax basis will be adjusted for this purpose by its allocable share of the LLC's income or loss for the year of such sale. Any gain or loss recognized with respect to such a sale generally will be treated as capital gain or loss and will be long-term capital gain or loss if the Membership Interest has been held

for more than one year. To the extent that the proceeds of the sale are attributable to a Member's allocable share of certain ordinary income items of the LLC, and such proceeds exceed the Member's adjusted tax basis attributable to such ordinary income items, any gain will be treated as ordinary income. A Member will be required to recognize the full amount of any such ordinary income even if that amount exceeds the overall gain on the sale and even if the Member recognizes an overall loss on the sale. In addition, as discussed above, in the case of a individual, estate or trust Member, the LLC expects that the resulting gain will be net investment income for purposes of Code Section 1411, and thus taken into account for computing the applicable net investment income tax.

AMT Considerations

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

Special Considerations Applicable to U.S. Tax-Exempt Investors

Tax-exempt organizations are generally subject to U.S. federal income tax on a net basis on their unrelated business taxable income ("UBTI"). UBTI is defined generally as any gross income derived by a tax-exempt organization from an unrelated trade or business that it regularly carries on, less the deductions directly connected with that trade or business. Notwithstanding the foregoing, UBTI generally does not include any dividend income, interest income (or certain other categories of passive income) or capital gains recognized by a tax-exempt organization so long as such income is not debt financed, as discussed below.

A tax-exempt entity deriving gross income characterized as UBTI that exceeds $1,000 in any taxable year is obligated to file a federal income tax return, even if it has no liability for that year as a result of deductions against such gross income, including an annual $1,000 statutory deduction.

The exclusion from UBTI for dividends, interest (or other passive income) and capital gains does not apply to income from "debt-financed property," which is treated as UBTI to the extent of the percentage of such income that the average acquisition indebtedness with respect to the property bears to the average tax basis of the property for the taxable year. Gain attributable to the sale of previously debt-financed property continues to be subject to these rules for 12 months after any acquisition indebtedness is satisfied. If the LLC incurs acquisition indebtedness, a tax-exempt Member would be deemed to have acquisition indebtedness equal to its allocable portion of such acquisition indebtedness. If a tax-exempt Member incurs indebtedness to acquire its Membership Interest, such indebtedness would also be acquisition indebtedness.

In addition, income arising from an investment in a "flow through" entity for U.S. federal income tax purposes that holds operating assets or that has itself incurred acquisition indebtedness generally will be UBTI. The LLC may, from time to time, make investments in

flow-through entities. Accordingly, each prospective investor that is a tax-exempt entity is urged to consult with its own tax advisor regarding the potential UBTI consequences to it of an investment in the LLC.

The potential for having income characterized as UBTI may have a significant effect on any investment by a tax-exempt entity in the LLC and may make investment in the LLC unsuitable for some tax-exempt entities. Tax-exempt investors should consult their own tax advisors regarding all aspects of UBTI.

Return Preparer Penalties and Tax Return Disclosure

As the LLC earns income, incurs expenses and engages in transactions, it will file tax returns reflecting its items of income, gain, loss and deduction. It will make determinations as to the proper tax reporting of all such items and consider the Members' interests where alternative positions are available. A tax return preparer may not sign a return without itself incurring a financial penalty unless it has a reasonable belief that each position taken on such return is either more likely than not to be sustained if challenged by the IRS or such position is separately disclosed on the return. It is possible that the LLC may adopt positions that require such disclosure by the LLC and/or the Members on their respective tax returns, which may increase the likelihood that the IRS will examine the LLC's or a Member's tax returns, or the LLC may forego otherwise valid reporting positions to avoid such disclosure, which may increase the tax payable by a Member.

State and Local Tax Considerations

In addition to the U.S. federal income tax consequences described above, prospective investors should consider the potential state and local tax consequences of an investment in the LLC. State and local tax laws often differ from U.S. federal tax laws with respect to, among other things, the treatment of specific items of income, gain, loss, deduction and credit. The LLC, as well as the Members, may be subject to various state and local taxes. In addition to being taxed in its own state or locality of residence, a Member may be subject to return filing obligations and income, franchise and other taxes in jurisdictions in which the LLC operates. Each prospective investor is urged to consult with its own tax advisor regarding the state and local tax consequences to it of an investment in the LLC.

Special Considerations for Non-U.S. Members

If the LLC is considered for U.S. federal income tax purposes to be engaged in the conduct of a trade or business within the United States (a "U.S. trade or business"), any Non-U.S. Member will also be considered to be engaged in such U.S. trade or business. Furthermore, the LLC will be required to withhold tax from that portion of its income effectively connected with such trade or business that is allocable to a Non-U.S. Member ("effectively connected income"). The rate of such withholding tax will be equal to the highest U.S. federal income tax rate applicable to such Non-U.S. Member (individual, corporate, etc.). Non-U.S. Members would be liable for U.S. federal income tax on their distributive share of LLC effectively connected income and may credit amounts withheld against their U.S. federal income tax liability. If the LLC is considered to be engaged in a U.S. trade or business, such Non-U.S. Members would be required to file U.S.

federal income tax returns even if no effectively connected income is allocable to them. The LLC would be treated as engaged in a U.S. trade or business to the extent it invests in a partnership that is engaged in a U.S. trade or business. In addition, if the LLC were to dispose of a "United States real property interest," as such term is defined in Section 897 of the Code (including the stock of a domestic corporation the assets of which consist primarily of U.S. real estate) the income or loss from such disposition would be treated as effectively connected with a U.S. trade or business and a Non-U.S. Member would be subject to the foregoing requirements. Each corporate Non-U.S. Member should also be aware that if the LLC is found to be engaged in a U.S. trade or business, or is treated as deriving income which is effectively connected with a U.S. trade or business, the 30% U.S. "branch-profits tax" and "branch-level interest tax" may apply to its investment in the LLC, although the tax rate may be reduced or the tax eliminated entirely for residents of certain countries with tax treaties with the United States. To the extent attributable to stock of U.S. corporations, operating partnership interests, or U.S. real estate, interests owned or treated as owned by an individual non-U.S. Member at the date of death may be included in such individual's estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

If the LLC is not treated as engaged in a U.S. trade or business, and does not invest in any pass-through entity that is itself engaged or is treated as engaged in a U.S. trade or business (or in a "United States real property interest"), a Non-U.S. Member would not be subject to U.S. federal income or branch profits taxation with respect to its share of the LLC's earnings, assuming that a Non-U.S. Member's investment in the LLC is not otherwise effectively connected with the conduct of a U.S. trade or business. (See, however, the discussion below regarding withholding on U.S. source dividends and interest.) However, there can be no assurance that the LLC will be able to structure its operations as described above or that the IRS may not challenge the LLC's position that it is not engaged in a U.S. trade or business or take other positions that, if successful, might result in the payment of U.S. federal income taxes by Non-U.S. Members with respect to their investment in the LLC or in the requirement to file U.S. federal income tax returns.

In general, even if the LLC is not engaged in a U.S. trade or business, a Non-U.S. Member will nonetheless be subject to a withholding tax of 30% on the gross amount of certain U.S. source income which is not effectively connected with a U.S. trade or business. Income subjected to such a flat tax rate is income of a fixed or determinable annual or periodic nature, including dividends and certain interest income. Such withholding tax may be reduced or eliminated with respect to certain types of income under any applicable income tax treaty between the United States and the Non-U.S. Member's country of residence or under the "portfolio interest" rules of the Code, provided that the Non-U.S. Member provides proper certification as to its eligibility for such treatment. Any Non-U.S. Member that is a governmental entity qualifying under Section 892 of the Code, or is a qualifying foreign tax-exempt entity, may be exempt from the 30% withholding tax.

Capital gains and losses of a Non-U.S. Member that are not effectively connected with a U.S. trade or business are not subject to U.S. tax. If capital gains and losses were to be effectively connected with a U.S. trade or business, such gains and losses would be subject to U.S. federal income tax on a net basis. The IRS has taken the position that if a partnership is engaged in a

U.S. trade or business, capital gain or loss realized by a Non-U.S. Person on the disposition of an interest in such partnership is effectively connected with the U.S. trade or business.

In addition to the withholding described above, under Sections 1471 through 1474 of the Code ("FATCA"), a withholding tax at the rate of 30% will generally be imposed on certain distribution to Members that are foreign entities unless the foreign entity provides the withholding agent with certifications and other information (which may include information relating to ownership by U.S. persons of interests in, or accounts with, the foreign entity). If FATCA withholding is imposed, a beneficial owner of a Membership Interest that is not a foreign financial institution generally may obtain a refund of any amounts withheld by filing a U.S. federal income tax return (which may entail significant administrative burden). Non-U.S. Holders should consult their tax advisors regarding the possible implications of FATCA on their investment in the Membership Interests.

Certain Non-U.S. Federal Income Tax Considerations

A specific analysis of the non-U.S. tax implications resulting from the LLC's investment activities in countries other than the United States is beyond the scope of this Memorandum. In order to minimize the tax burden associated with the LLC's investment in a particular country, it is possible that the LLC will form one or more entities to hold such investments. The Manager will attempt to structure such investments to take into account the interests of all of the Members, but there can be no assurance that the Manager will be able to structure such investments to address the interests of each Member.

Any foreign tax paid in respect of foreign income will be allocated among the Members in accordance with their allocable shares of the income to which such taxes relate and may be available to Members for potential foreign tax credits and deductions in calculating their respective income tax liability and income for U.S. federal income tax purposes subject to certain limitations. (See "Tax Treatment of LLC Investments—Foreign Taxes," above).

THE FOREGOING DISCUSSION SHOULD NOT BE CONSIDERED TO DESCRIBE FULLY THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES OF AN INVESTMENT IN THE LLC. EACH PROSPECTIVE INVESTOR IS THEREFORE URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE LLC.

ADDITIONAL INFORMATION AND UNDERTAKINGS

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

EXHIBIT "A"

(Limited Liability Operating Agreement)

EXHIBIT "B"

(Subscription Agreement)