

**BLACKBURNE & BROWN EQUITY PRESERVATION FUND, LLC**

**\$2,310,000 of membership interest units of the following Company Class ("Units"):**

**Offered Class:**

<b>Class ID:</b>	<b>Unit Purchase Price:</b>	<b>Minimum investment:</b>
Class 2018-01 REC	\$1.00 per Unit	\$50,000

**Real Estate Investment:**

<b>INVESTMENT PROPERTY</b>	
<b>Property Description:</b>	9 <sup>th</sup> Street Apartment Building
<b>Address:</b>	515 9 <sup>th</sup> Street, Sacramento, CA
<b>Property/Unit Type:</b>	Cash Flow

THE CLASS UNITS DESCRIBED HEREIN ARE BEING OFFERED SOLELY TO ACCREDITED INVESTORS. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY OTHER PERSON.

THE UNITS OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR BY ANY STATE SECURITIES REGULATORY AUTHORITY OR OTHER JURISDICTION, NOR HAS ANY SUCH AUTHORITY OR COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE UNITS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS OR THE LAWS OF ANY FOREIGN JURISDICTION. THE UNITS WILL BE OFFERED AND SOLD UNDER THE EXEMPTION PROVIDED BY SECTION 4(a)(2) OF THE SECURITIES ACT AND REGULATION D PROMULGATED THEREUNDER AND OTHER EXEMPTIONS OF SIMILAR IMPORT UNDER THE LAWS OF THE UNITED STATES AND OTHER JURISDICTIONS WHERE THE OFFERING WILL BE MADE. CONSEQUENTLY: (I) THE COMPANY IS NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO OFFERINGS REGISTERED UNDER THE SECURITIES ACT; (II) THE COMMISSION HAS NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO THE UNITS THE TERMS OF THE OFFERING, OR THE ACCURACY OR COMPLETENESS OF THIS MEMORANDUM OR ANY OTHER OFFERING MATERIALS; (III) UNITS ARE SUBJECT TO SUBSTANTIAL LEGAL RESTRICTIONS ON TRANSFER AND RESALE AND INVESTORS SHOULD NOT ASSUME THEY WILL BE ABLE TO RESELL THEIR SECURITIES. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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**Manager:**

**Blackburne & Sons Realty Capital Corporation**  
4811 Chippendale Drive, Suite 101  
Sacramento, California 95841  
(916) 338-3232 • [www.blackburneandsons.com](http://www.blackburneandsons.com)

***The date of this Memorandum is March 1, 2018***

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ANY PERFORMANCE DATA UTILIZED IN CONNECTION WITH THE OFFERING OF UNITS REPRESENTS PAST PERFORMANCE FOR THE STATED PERIOD, ONLY, AND DOES NOT GUARANTY FUTURE RESULTS. THE COMPANY IS NOT REQUIRED BY LAW TO FOLLOW ANY STANDARD METHODOLOGY WHEN CALCULATING AND REPRESENTING PERFORMANCE DATA AND THE PERFORMANCE OF A COMPANY CLASS MAY NOT BE DIRECTLY COMPARABLE TO THE PERFORMANCE OF ANY OTHER COMPANY CLASS OR OTHER PRIVATE OR REGISTERED INVESTMENTS. CURRENT PERFORMANCE

MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA PRESENTED FOR EARLIER PERIODS OR FOR OTHER COMPANY CLASSES.

THE UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, ANY APPLICABLE STATE SECURITIES LAWS AND THE LAWS OF ANY OTHER RELEVANT JURISDICTION. IN ADDITION, UNITS MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED, IN WHOLE OR IN PART, EXCEPT AS PROVIDED IN THE LIMITED LIABILITY COMPANY AGREEMENT REFERRED TO HEREIN. ACCORDINGLY, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE UNITS UNTIL THE COMPANY CLASS IS DISSOLVED, WHICH COULD EXCEED 10 YEARS OR LONGER. THERE WILL BE NO PUBLIC MARKET FOR THE UNITS, AND THERE IS NO OBLIGATION ON THE PART OF ANY PERSON TO REGISTER THE INTERESTS UNDER THE SECURITIES ACT, ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. AN INVESTMENT IN UNITS INVOLVES CERTAIN SIGNIFICANT INVESTMENT RISKS, INCLUDING RISKS OF LOSS OF CAPITAL OR AN INVESTOR'S ENTIRE INVESTMENT IN UNITS.

THE COMPANY WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940 (THE "*INVESTMENT COMPANY ACT*"). CONSEQUENTLY, INVESTORS WILL NOT BE AFFORDED THE PROTECTIONS OF THE INVESTMENT COMPANY ACT. THE MANAGER OF THE COMPANY IS NOT REGISTERED AS AN INVESTMENT ADVISOR WITH THE SEC OR REGISTERED OR CERTIFIED AS AN INVESTMENT ADVISOR UNDER THE LAWS OF ANY STATE OR OTHER JURISDICTION AND POTENTIAL INVESTORS SHOULD CONSULT WITH THEIR OWN INDEPENDENT SECURITIES PROFESSIONALS TO DETERMINE THE SUITABILITY OF UNITS AND THE REAL ESTATE INVESTMENTS MADE BY THE COMPANY FOR THEIR OWN PERSONAL FINANCIAL SITUATION AND INVESTMENT OBJECTIVES.

THE INFORMATION CONTAINED IN THIS MEMORANDUM SUPERSEDES ANY ADVERTISEMENTS OR SOLICITATION MATERIALS REGARDING THE COMPANY OR THIS OFFERING. THIS MEMORANDUM IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE LIMITED LIABILITY COMPANY AGREEMENT OF THE COMPANY AND THE SUBSCRIPTION AGREEMENT RELATED THERETO. NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE MANAGER. STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE DATE HEREOF UNLESS STATED OTHERWISE HEREIN, AND 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 SUCH DATE.

COMPENSATION WILL BE PAID TO THE MANAGER, WHICH HAS NOT BEEN DETERMINED BY ARM'S-LENGTH NEGOTIATION. THE MANAGER IS ALSO SUBJECT TO CERTAIN CONFLICTS OF INTEREST. (SEE "RISK FACTORS," "COMPENSATION TO MANAGER AND ITS AFFILIATES" AND "CONFLICTS OF INTEREST.")

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

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## INTRODUCTION

Blackburne & Brown Equity Preservation Fund, LLC (the “**Company**”), is a Delaware limited liability company, whose sole manager is Blackburne & Sons Realty Capital Corporation, a California corporation (“**Blackburne**” or the “**Manager**”). The Company has been formed as a Delaware “series LLC” for the purpose of investing in real estate (“**Real Estate Investments**”) and loans secured by real estate (“**Loan Investments**”). Each Real Estate Investment and each Loan Investment will be acquired through isolated membership “series” or “classes” (each, a “**Company Class**”) established by the Manager to acquire the applicable Real Estate Investment (a “**Real Estate Class**”) or Loan Investment (a “**Loan Investment Class**”). The Manager is now offering, to accredited investors only, the opportunity to invest in the Company Class identified on the cover page and further described in this Memorandum (the “**Offered Class**” or “**Class**”). The Offered Class is a Real Estate Class which has been formed by the Manager for the sole purpose investing in the investment property identified on the first page of this Memorandum (the “**Property**” or “**Investment Property**”) and further described in the Property Investment Bulletin attached as Exhibit A, hereto (together with all information and documentation included therewith, the “**Investment Package**”).

### Property Classification

The Investment Property is either: (i) an income producing, commercial or multi-unit residential property that the Manager believes will generate cash flow for distribution to the Class members and prior to the Property’s sale (a “**Cash Flow Property**”); or (ii) a property that is not expected to generate substantial cash flow, including unimproved land, that is being acquired for the primary purpose of realizing a profit from the long term appreciation of the property (an “**Appreciation Property**”). The Units being offered hereby represent an investment in the specific Offered Class described in the Investment Package, only, and the Offered Class will only acquire and hold an interest in the Cash Flow Property or Appreciation Property described in the Investment Package, which Investment Property will be owned separately from all other Investment Properties and Loan Investments held by each other Company Class whether existing as of the date hereof or formed by the Manager in the future. (See “Description of the Company.”) Units in Company Classes that will invest in Cash Flow Properties are sometimes referred to in this Memorandum as “**Cash Flow Units.**” Units in Company Classes that will invest in Appreciation Properties are sometimes referred to in this Memorandum as “**Appreciation Units.**”

If the Investment Property identified in the Investment Package is a Cash Flow Property the primary objectives of the Company Class offered hereby are to: (i) to acquire the Cash Flow Property; (ii) provide Class investors with monthly net cash flow distributions; and (iii) provide Class Members with the opportunity to profit from the long term capital appreciation of the Cash Flow Property upon sale. If the Investment Package indicates that the Investment Property is an Appreciation Property, the primary objectives of the Offered Class are to acquire the Appreciation Property and to provide the Class investors with the opportunity to profit from the long term capital appreciation of the Appreciation Property; however, it is not expected that income will be earned on the Investment Property for distribution to the investors over the Class term. There is no assurance that the objectives applicable to Cash Flow Properties or Appreciation Properties can be met and an investment in either Class Flow Units or Appreciation Units involves risk. (See “Risk Factors.”)

### LLC Agreement and Class Schedule

The Company is governed by the First Amended and Restated Limited Liability Company Agreement for the Company dated May 9, 2017, a copy of which is attached to this Memorandum as Exhibit B (the “**LLC Agreement**”). In order to tailor the terms and conditions of each Company Class to the type of investment being acquired, the LLC Agreement authorizes the Manager to establish separate terms and conditions applicable each new Company Class by providing such terms in a separate schedule to the LLC Agreement at the time that each new Company Class is formed. The schedule applicable to the Class of Units offered hereby is attached to the LLC Agreement provided in Exhibit B to this Memorandum (the “**Class Schedule**”). (See “Description of the Company – Membership Classes and Class Schedules” and “Summary of Limited Liability Company Agreement.”) ***Important information and disclosures regarding the Investment Property and the rights and obligations applicable to purchasers of these Class Units are set forth in the Loan Package and the LLC Agreement, including the Class Schedule. Potential purchasers of Units should read this Memorandum including the Loan Package, the LLC Agreement and Class Schedule and all other exhibits and information provided herewith in their entirety before investing.***

## FORWARD LOOKING STATEMENTS

This Memorandum contains forward-looking statements within the meaning of federal securities law. Words such as “may,” “will,” “expect,” “anticipate,” “believe,” “estimate,” “continue,” “predict,” or other similar words, identify forward-looking statements. Forward-looking statements appear in a number of places in this Memorandum, including, without limitation, the Investment Package and the “Description of the Investment” and “Description of the Company” sections, and include statements regarding the Manager’s intent, belief or current expectation about, among other things, trends affecting the economy and markets in which the Company operates, the Property and the potential performance of the Company Class. Although the Manager believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those predicted in the forward-looking statements as a result of various factors, including those set forth in the “Risk Factors” section of this Memorandum. If any of the events described in “Risk Factors” occur, they could have an adverse effect on the business, financial condition and results of operations of the Property and/or the Company Class. When considering forward-looking statements, prospective investors should keep these Risk Factors in mind as well as the other cautionary statements in this Memorandum. Prospective investors should not place undue reliance on any forward-looking statement. The Company is not obligated to update forward-looking statements.

## SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing in the Investment Package and elsewhere in this Memorandum. The Manager strongly recommends that each prospective investor thoroughly review the entire Memorandum together with all exhibits attached hereto prior to investing. In the case of any inconsistency between the information contained in this Memorandum and the information contained in the Investment Package, the information contained in the Investment Package shall be controlling. Persons who subscribe to purchase the Offered Units are referred to herein as the “**Members**” or “**Class Members**.”

Investment Property..... The Cash Flow Property or Appreciation Property that will be acquired by the Class is described in the Investment Package attached hereto as Exhibit A.

Objectives of the Class..... The objectives of a Company Class purchasing a Cash Flow Property will be: (i) to acquire the Cash Flow Property either directly or through a wholly-owned subsidiary; (ii) to provide the Class investors with the opportunity to receive monthly cash flow distributions; and (iii) provide Class investors with the opportunity to profit from the long term capital appreciation of the Cash Flow Property upon sale.

If the Investment Property is an Appreciation Property, the objectives will be to acquire the Appreciation Property and to provide the Class investors with the opportunity to profit from the long term capital appreciation of the Appreciation Property, only.

Manager of Company and Class ..... Blackburne & Sons Realty Capital Corporation, 4811 Chippendale Drive, Suite 101, Sacramento, California 95814.

Suitability Standards ..... Units in the Offered Class will be sold to qualified “accredited investors,” only. (See “Investor Suitability Standards.”)

Capitalization .....	The minimum and maximum capitalization of each Company Class will be based upon the value of the Investment Property, terms of purchase financing used to acquire the Property (if any) and other factors. The minimum and maximum amounts for the Investment Property offered hereby are set forth in the Investment Package. (See “Investment Package – Summary of Class Terms.”)
Additional Capital Contributions .....	Both Cash Flow Units and Appreciation Units are non-assessable, but in the event additional capital is required in connection with the ownership or operation of the Property or the Class, the Manager may issue additional Units in the Offered Class with priority rights and preferred returns of up to 25%, subject to the right of each existing Class Member to purchase his or her pro rata share of such Units. Members of the Class that decline to purchase additional Units in their Class will have their distribution rights subordinated and will suffer a loss of their voting rights. (See “Description of the Investment,” “Summary of Limited Liability Company Agreement – Additional Capital Contributions; Sale of Additional Units” and “Risk Factors – (See “Risk Factors – Risks Related to the Ownership of Units.”)
Compensation to Manager .....	The Manager and its affiliates will receive substantial compensation in connection with the syndication, promotion and management of each Company Class. (See “Compensation to Manager and Its Affiliates.”)
Cash Flow From Operations .....	Operating cash flow (if any) will be distributed to Class Members as follows: First, 100% to any holders of Additional Capital Units in the Class until they receive a full return of capital, plus a cumulative, non-compounded return thereon not exceeding 25% per annum; and thereafter 70% to the Capital Members of the Class and 30% to the Manager. (See “Description of the Investment” and “Summary of Limited Liability Company Agreement – Cash Distributions.”)
Sale or Refinancing Proceeds .....	Proceeds from the sale or refinancing of the Property will be distributed: First, 100% to any Additional Capital Members of the Class until such Additional Capital Members have received a full return of all capital paid for Additional Capital Units, plus cumulative, non-compounded return thereon not exceeding 25% per annum; Second, 100% to the Capital Members of the Class until such Capital Members have received a full return of their invested capital, plus a cumulative, non-compounded preferred return of 8% per annum on their invested capital; and thereafter, 70% to the Capital Members of the Class and 30% to the Manager. (See “Description of the Investment” and “Summary of Limited Liability Company Agreement – Cash Distributions.”)
Term of the Class .....	The Class will be only be dissolved upon the sale of the Investment Property by the Class. The anticipated holding period for the Investment Property offered hereby is set forth in the Investment Package. Anticipated holding periods will vary depending on the type of Investment Property purchased by the Class and anticipated market conditions over the course of the Class Term. (See “Investment Package – Anticipated Holding Period.”) Class Members will have no right to withdraw their invested capital prior to the sale of the Investment Property and the dissolution of the Class. (See “Risk Factors – Risks Related to the Ownership of Units.”)

Term of the Company .....	The Company shall dissolve upon the sale of all or substantially all of the assets of every Company Class or upon the earlier election of the Manager. (See “Summary of Limited Liability Company Agreement – Term of Classes and Company and Winding Up.”)
No Liquidity .....	Members have no right to withdraw from the Offered Class prior to the sale of the Investment Property and dissolution of the Class. There is no public market for Class Units and none is expected to develop in the future. There are also substantial restrictions on transferability of Units. (See “Terms of the Offering – Restrictions on Transfer.”) Investors must be prepared to hold Units for an indefinite period.
Reports to Members .....	Annual reports and tax return. Annual financial information will not be audited by independent accountants. (See “Risk Factors – Risks Related to the Ownership of Units.”)
Class Liabilities .....	Each Class of Membership Interests created by the Manager shall be independent from each other Class and will have the rights and obligations attributable to the Property acquired by the Company for that Class, only. Additionally, the debts, liabilities, and obligations arising from the Property relating to a particular Class will be enforceable against the assets of that Class, only, and not against the assets of any other Class or against the Company generally. (See “Description of Investment.”)

## **INVESTOR SUITABILITY STANDARDS**

Interests are being offered and sold in reliance upon the exemption from federal registration provided for under section 4(a)(2) of the Securities Act of 1933 (the “**Act**”) and Rule 506(c) of Regulation D issued by the Securities and Exchange Commission, thereunder (“**Regulation D**”) relating to certain limited or private offerings. As such, Interests will be sold only to “accredited investors,” as such term is defined in Regulation D (“**Accredited Investors**”). All Accredited Investors must be of substantial means with no need for liquidity with regard to this investment and must meet certain eligibility and suitability standards, some of which are set forth below. Each investor must execute a Subscription Agreement in the form attached hereto as Exhibit C. By executing the Subscription Agreement, an Investor makes certain representations and warranties, upon which the Manager will rely in accepting subscriptions. Read the Subscription Agreement carefully.

Individual Investors will also be required to provide additional documentation upon which the Manager can verify such Investor’s status as an Accredited Investor. Non-individual investors may also be required to provide verification documentation to the extent such documentation is deemed necessary by the Manager to comply with the Act, Regulation D, or any other state or federal securities laws applicable to this offering. Existing Members desiring to purchase additional Interests in the Company must meet the suitability standards outlined herein at the time each additional purchase of Interests is made.

### **Accredited Investor Standards**

Accredited Investors include individuals and entities who meet the requirements set forth in Rule 501(e) of Regulation D, including those set forth below.

#### **Individuals**

Each Accredited Investor that is an individual must meet one of the following tests:

- (1) The investor is an individual: (i) whose individual income exceeded \$200,000 in each of the two most recent calendar years, and who has a reasonable expectation of reaching the same income level in the current calendar year; or (ii) an individual whose joint income with his/her spouse exceeded \$300,000

in each of the two most recent calendar years, and who has a reasonable expectation of reaching the same income level in the current year (the “**Income Test**”).

- (2) An individual whose individual net worth, or whose joint net worth with such individual’s spouse, at the time of purchase exceeds \$1,000,000 (exclusive of the value of the individual’s primary residence) (the “**Net Worth Test**”).

### **Entities, Trusts, Etc.**

An entity (such as a trust, partnership or corporation) will be an Accredited Investor if it was not formed for the specific purpose of purchasing Interests and it is one of the following:

- (1) Any corporation, partnership, limited liability company or other business entity in which all of the equity owners are Accredited Investors;
- (2) Any trust, with total assets in excess of \$5,000,000 if (i) the trust has not been formed for the specific purpose of purchasing Units, and (ii) the trust’s purchase of Interests is being directed by a sophisticated person with the knowledge and experience in financial and business matters required to capably evaluate the merits and risks of an investment in Units;
- (3) Any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 (“**ERISA**”) with either (i) \$5,000,000 in total assets (regardless of liabilities) or (ii) a bank, insurance company or registered investment advisor as its trustee;
- (4) Any self-directed ERISA plan with investment decisions made solely by persons that are Accredited Investors; or
- (5) An individual retirement account (“**IRA**”) owned by an Accredited Investor.

### **Other Accredited Investors**

Certain other entities may also be eligible to be Accredited Investors. Prospective investors with questions should communicate with the Manager for further information.

### **Verification of Accredited Status**

Units are being offered pursuant to Rule 506(c) of Regulation D which became effective as of September 23, 2013 (“**Rule 506(c)**”). Pursuant to Rule 506(c), the Manager is required take reasonable steps to verify that all purchasers of Units meet the accredited investor standards set forth above at the time such Units are purchased. To meet this requirement, individual investors (i.e., natural persons) purchasing Units are required to deliver documentation to the Manager at the time of subscription that is sufficient for the Manager to verify the investor’s accredited status. A nonexclusive list of the types of verification documentation that may be provided is set forth below.

### **Income Test**

Individuals representing in the Subscription Agreement that they are accredited under the Income Test must provide documentation reflecting annual income in excess of the Income Test thresholds for each of the two years ending prior to the purchase of Units and must represent in the Subscription Agreement that the investor has a reasonable expectation of reaching the income level in excess of the Income Test thresholds during the year of purchase. Acceptable documentation reflecting annual income includes any document issued by the Internal Revenue Service (“**IRS**”) that reports the individual investor’s income for the applicable year including, but not limited to: (i) IRS Form W-2; (ii) IRS Form 1099 (iii) IRS Schedule K-1; (iv) IRS Form 1065; (v) IRS Form 1040); or (vi) any combination thereof.

### **Net Worth Test**

Individuals representing in the Subscription Agreement that they are accredited under the Net Worth Test must provide reliable documentation evidencing both the investors assets and liabilities dated within three months of the subscription date. Acceptable verification documentation under the Net Worth Test include the following:

(1) **Documentation of Assets.** Acceptable documentation reflecting and investors assets include: (i) personal bank statements; (ii) brokerage statements or other statements reflecting securities held by the investor and the value thereof; (iii) certificates of deposit (i.e., CDs) held by the investor; and/or (iv) tax assessments and/or appraisal reports issued by independent third parties indicating the value of real estate assets held by the investor.

(2) **Documentation of Liabilities.** To verify an investor's liabilities the investor must: (i) provide or authorize the Manager to obtain a credit report from one or more nationwide consumer credit reporting agencies; (ii) provide a written statement of any liabilities not reflected in the investors credit report that are material to a determination of the investor's net worth; and (iii) represent in the Subscription Agreement that all liabilities required for the Manager to determine the individual's net worth have been fully disclosed to the Manager either in the investors credit report or in the statement of liabilities described in (ii), hereof.

### **Third Party Confirmation**

As an alternative to the documentation procedures outlined above, any investor may verify his or her accredited status by delivering to the Manager a written confirmation of accredited status that meets the requirements of Rule 506(c)(2)(ii)(C) (a "**Third Party Confirmation**") including each of the following:

(1) The Third Party Confirmation must be issued by: (i) a registered broker-dealer; (ii) an investment adviser registered with the Securities and Exchange Commission; (iii) a licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law; or (iv) a certified public accountant who is duly registered and in good standing under the laws of the place of his or her residence or principal office; and

(2) The Third Party Confirmation must include a representation by the issuing party that he, she or it has taken reasonable steps to verify that the investor is an accredited investor within three months of the investor's purchase of Units and has determined that the investor is an accredited investor.

### **Additional Standards**

Units may be acquired for investment purposes only, and not with a view to, or for resale in connection with, any further distribution thereof.

## **TERMS OF THE OFFERING**

The designation of the Class of Units offered to Investors hereby is set forth on the first page of this Memorandum and in the Investment Package. (See "Investment Package – Class Designation.") The Unit subscription price to each Investor is \$1.00 per Unit. The minimum investment for each Investor in the Offered Class is described in the Investment Package; however, the Manager may accept subscriptions in lesser amounts in its discretion. (See "Investment Package – Minimum Subscription Amount.") This offering is being made only to "accredited investors" who meet the additional suitability standards set forth in this Memorandum and there is no right of withdrawal. (See "Investor Suitability Standards.") The Units described in this Memorandum are subject to certain restrictions on resale and transfer, as set forth below, and involves significant risks to Investors. (See "Risk Factors.")

### **Subscription Procedures**

Prospective Investors can subscribe to purchase Units by completing and delivering to the Manager the Subscription Agreement attached to this Memorandum at Exhibit C (the "**Subscription Agreement**") and paying the full purchase price for Units. Subscription Agreements from prospective Investors will be accepted or rejected by the Manager within 30 days after receipt.

The Manager intends to proceed with establishing the Company Class and issuing Units to Investors only if the Minimum Capitalization Amount set forth in the Investment Package is received by the Manager and only if the transaction for the acquisition of the Property (the “**Purchase Transaction**”), is consummated. The Minimum Capitalization Amount may be the purchase price to be paid by the Class for the Property. (See “Investment Package – Minimum Capitalization Amount” or “Purchase Price.”) The Manager has negotiated the preliminary terms for the Purchase Transaction, which are set forth in the Investment Package; however, these terms and conditions may change prior to closing. By executing and delivering the Subscription Agreement to the Manager an Investor is unconditionally agreeing to become a member of the Class of the Company generally described in the Investment Package and is granting the Manager considerable discretion to negotiate and finalize the terms and conditions of the acquisition of the Class’ interest in the Property and to take all actions necessary to close the Purchase Transaction; provided, however, that the Manager will not enter into any agreement for the acquisition of the Property by the Class or close any Purchase Transaction on terms and conditions that are materially less favorable to the Class on an overall basis than those described in the Investment Package.

Only upon closing of the Purchase Transaction will Units be issued to Investors at the rate of \$1.00 per Unit. Once the Subscription Agreement has been accepted, however, the Investor cannot rescind the investment. There will be some period of time (which could exceed several months) between when the Manager accepts subscriptions and when the Purchase Transaction is closed. During this period, proceeds from the sale of Units will be held by the Manager for the account of Class Investors in a non-interest bearing subscription account (the “**Subscription Account**”) until subscription funds are required by the Manager to close the Purchase Transaction. In addition, at any time after receiving or accepting Investor subscriptions for Units, the Manager may return such subscriptions and fully refund any consideration paid for Units, without interest, in its sole and absolute discretion and without any liability or obligation whatsoever. If subscriptions equal to the Minimum Capitalization Amount are received and the Purchase Transaction is closed, then for the purposes of the 8% Preferred Return payable to the Investors in the Class, each Investor will be deemed to have made his or her Capital Contribution to the Company on the date that the purchase price for Units was received and accepted by the Manager (See “Description of the Investment” and “Summary of Limited Liability Company Agreement – Cash Distributions.”)

The Subscription Agreement requires an Investor to warrant that: (i) the Investor received and read this Memorandum and is familiar with its terms, and is relying on it for his or her investment; (ii) the Investor meets the suitability standards set forth herein; (iii) the Investor is experienced in investment and business matters and is capable of evaluating the risks and merits of investing in the Units; (iv) the Investor is aware the investment is subject to certain risks described herein; (v) there will be no public market for the Units, and the Investor may lose his or her entire investment; (vi) the Investor understands the restrictions on transferability and that there is no withdrawal from the Company; (vii) and the Investor is making the investment for the Investor’s own account or the Investor’s family or in his or her fiduciary capacity, and not as an agent for another. The purpose of these warranties is to ensure that the Investor fully understands the terms of the offering and the risk of an investment and the Investor has the capacity to enter into an investment in Units. The Manager, on behalf of the Company, intends to rely on the warranties in accepting subscriptions for Units. In any claim or action against the Manager or Company, the Manager or the Company may use these warranties as a defense and as a basis for seeking indemnity from the Investor.

### **Additional Capital Units and Member Subordination**

In the event the Manager determines that additional capital (i.e., capital in excess of the initial capital required to acquire the Investment Property) is necessary or appropriate for the operation of the Class or the Property, the Manager may create and issue additional Class Units in the Class (“**Additional Capital Units**”). In such event, the Manager will notify the Class Members in writing of their right to purchase the Additional Capital Units. The Manager may issue Additional Capital Units at a purchase price of more or less than \$1.00 per Unit and may include, in the Manager’s sole discretion, additional preferences and penalties for such Additional Capital Units including: (i) a provision that the failure of a Class Member to purchase the Additional Capital Units will result in the loss of voting and approval rights; and (ii) a provision that all distributions from Cash Flow of Operations and/or Sale or Refinance Proceeds shall be made solely to holders of Additional Capital Units in the Class until they have been returned 100% of their additional capital contribution to the Class plus a preferred, cumulative non-compounded return thereon of up to 25% per annum (the “**Additional Capital Return**”). Class Members that purchase Additional Capital Units are sometimes referred to in this Memorandum as “**Additional Capital Members**” and the purchase price paid by the Additional Capital Members for their Additional Capital Units is collectively referred to as “**Additional Capital Contributions**.”

In the event any Class Member fails to purchase Additional Capital Units in the Class, that Class Member will not be in default under the LLC Agreement; however, such Member may lose his, her or its right to vote on Class matters and such Member's percentage interest in the Class will be subordinated and diluted by the issuance of Additional Capital Units and payment of the Additional Capital Return to other persons. (See "Summary of Limited Liability Company Agreement – Additional Capital Contributions; Sale of Additional Units" and "Risk Factors – Risks Related to Ownership of Units.")

### **Restrictions on Transfer**

The sale of Units in this offering has not been registered with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended (the "**Securities Act**"), and is being made in reliance upon the exemptions from such registration requirements provided for under Section 4(a)(2) of the Securities Act and Regulation D promulgated by the SEC for certain limited or private offerings. The Units cannot be resold without registration under the Securities Act or pursuant to an exemption therefrom. Similarly, the sale of these Units has not been qualified under the securities laws of any state or other jurisdictions, in reliance on the exemption from such qualification requirements provided under the provisions of state securities laws relating to the private placement of securities. There is no public or trading market for the Interests, and the Manager does not anticipate that one will develop in the future. The Manager does not anticipate registering the Interests with the SEC to facilitate resales. Therefore, Investors must be prepared to hold the Interests indefinitely, without the expectation of liquidity in this investment. (See "Risk Factors – There is no market for the Interests.")

The Manager and its Affiliates shall also have the right to acquire Units either in this offering from the Company or at any later time from Class Members, and shall thereafter have the right to resell such Units in compliance with the foregoing restrictions. The LLC Agreement places the additional restriction that the Manager must give its prior written consent, which may be withheld in the Manager's sole discretion, to any sale, transfer or encumbrance of all or any part of their membership interests in the Company. Also, Investors have no right to withdraw from the Company prior to the sale of the Property and dissolution of the Class. (See "Summary of the Limited Liability Company Agreement.") Therefore, Investors needing access to their invested capital in the near term should not invest.

## **DESCRIPTION OF THE COMPANY**

The Company was formed by the Manager as a "series" limited liability company in the state of Delaware in 2004. The Company was originally formed for the purpose of acquiring Real Estate Investments, only, through individual Company Classes established by the Manager over the life of the Company; however in 2016, the Manager amended and restated the Company's LLC Agreement to allow for the acquisition of Loan Investments by Company Classes as well. To date the Company has established 14 separate Company Classes 12 of which were formed to own Real Estate Investments and two of which were formed to own Loan Investments. Of these 14 Company Classes, only 3 Classes (one Real Estate Class and two Loan Investment Classes) have been formed since the 2014 conversion of the offering to a private placement and only two Classes (one Real Estate Class and one Loan Investment Class remain outstanding (the "**Existing Classes**"). (See "Operations to Date.") Each Company Class is separate and distinct in all respects from each other outstanding Class. All rights and powers granted to a member of a Class, including rights to distributions and profit and loss allocations attributable thereto are derived from the Real Estate Investment or Loan Investment owned by that individual Company Class, only. Moreover, the debts and liabilities and expenses incurred by a Company Class are enforceable against and payable from the assets of each such Company Class, only, and not against any other Company Class or the assets held thereby. Notice of the limitations on liabilities of each Class (i.e. "Series") shall, for the life of the Company, be set forth in the Certificate of Formation on file with the Delaware Secretary of State as required by Section 18-215 of the Act.

### **Membership Classes and Class Schedules**

The Company is governed by the LLC Agreement for the Company attached hereto as Exhibit B (the "**LLC Agreement**") which provides for the establishment of distinct Company Classes or "series" for the purpose of investing in individual Investment Properties. Each Class is designated numerically in the order created within each calendar year. For example, the first Class created in calendar year 2015 was designated as "Class 2015-01" and the second Class created in 2015 was designated "Class 2015-02". Classes formed after the 2017 introduction of Loan Investment Classes (see

below) also include the designation "REC" if the Class is a Real Estate Class or "LIC" if the Class is a Loan Investment Class. So, for example, if the first Class offered in 2018 is a Real Estate Class, its designation will be "Class 2018-01-REC". If the second Class offered in 2018 (if any) is a Loan Investment Class, its designation will be "Class 2018-02-LIC" and so on. The designations of the Schedule issued for each Class will correspond to the Class designation (e.g., Schedule 2018-01-REC, Schedule 2018-02-LIC, etc.) Upon creation of such new Class the Manager prepares a separate schedule to the LLC Agreement identifying the Class investment and designation and setting forth the Class Members and their capital contributions and percentage interests in the Class ("**Class Schedule**").

The Company's current LLC Agreement is the First Amended and Restated LLC Agreement for the Company dated May 9, 2017 attached hereto as Exhibit B. Prior to the LLC Agreement, the Company was governed by a its original Limited Liability Company agreement dated November 23, 2004 (the "**Prior Agreement**"). Both the current LLC Agreement and the Prior Agreement provide for the establishment of distinct Company Classes or "series" for the purpose of investing in individual investments; however, the Prior Agreement provided terms and conditions for establishment of Real Estate Classes, only. The existing LLC Agreement was adopted in May of 2017 to address the terms and conditions applicable Loan Investment Classes and to allow for Class specific terms to be addressed in the individual Class Schedules created for each new Class.

All newly created Company Classes will be formed to purchase a single Investment Property or to fund a single real estate secured Loan Investment. A general description of the terms and conditions applicable to Units in Company Classes established to acquire Investment Properties and general information about the Investment Properties themselves are provided in the following sections. Such information is a summary of the terms and conditions applicable to the two types of Investment Properties, only. The details with respect to the type of Investment Property being acquired by the Offered Class as set forth in the Investment Package which should be read in its entirety prior to purchasing Units.

### **Management**

The Company and each Company Class will be managed by the Manager which will be entitled to compensation from each Company Class including a one-time Acquisition Fee and 30% and a subordinated interest in Class profits (i.e. the Manager Promote). (See "Compensation to the Manager and its Affiliates.")

## **DESCRIPTION OF THE INVESTMENT**

Units represent an interest in the Class of Membership Interest of the Company that will be created by the Manager for the purpose of purchasing the Investment Property identified in the Investment Package. The Manager is authorized to create and offer to investors additional Classes from time to time which will acquire interests in other Loan Investments or Real Estate Investments on terms and conditions set by the Manger in its discretion. Each Class shall be entirely separate and distinct in all respects from any other Class of the Company, and all rights and powers granted to Members with respect its investment, including all rights to the profits and losses, and distributions of income in shall be attributable to the Class related to such investment, only. Additionally, the debts and liabilities or expenses incurred by a Class will be enforceable against the assets of that Class, only, and not against any other class or the Company generally. (See "Summary of Limited Liability Company Agreement – Membership Classes.") The Class will only be formed and Units will be issued to investors only upon receipt of subscriptions equal to the Minimum Capitalization Amount set forth in the Investment Package and only if the Purchase Transaction is closed. (See "Investment Package – Minimum Capitalization Amount.") There may be a significant period of time from the date subscriptions are received and accepted by the Manager and when the Manager closes the Purchase Transaction, during which time the investors will not earn interest on their Capital Contributions. (See "Terms of the Offering - Subscription Procedures" and "Risk Factors – Investment Delays.")

### **Minimum Capitalization and Property Acquisition**

The Class will only be formed and the Offered Units will be issued to Investors only upon receipt of subscriptions equal to the Minimum Capitalization Amount set forth in the Investment Package and only if the purchase of the Property by the Class (the "**Purchase Transaction**") is closed. (See "Investment Package – Minimum Capitalization Amount.") The Manager may also use a portion of the proceeds from the purchase of Class Units to pay third party real estate

brokerage fees associated with the purchase of the Property by the Company where, in the Manager's business judgment, such fees are appropriate. (See "Investment Package – Purchase Terms.")

There may be a significant period of time from the date subscriptions are received and accepted by the Manager and when the Manager closes the Purchase Transaction, during which time the Investors will not earn interest on their Capital Contributions. (See "Terms of the Offering - Subscription Procedures" and "Risk Factors – Risks Related to Cash Flow Properties.")

### **Distribution of Cash Flow (Cash Flow Properties Only)**

If the Company receives cash derived from the operation of the Property, the Manager may, in its discretion, deem a portion of such cash as available for distribution to the Class Members, taking into account all debts, liabilities and obligations of the Class then due (including any compensation owed by the Class to the Manager) and all amounts that the Manager deems necessary to place into reserves, taking into account actual or potential debts, obligations or liabilities of the Class (such discretionary portion being "**Cash Flow From Operations**"). Cash Flow From Operations, if any, shall be distributed to Class Members at convenient intervals as determined by the Manager as follows:

- (i) first, 100% to Class Members (if any) holding Additional Capital Units until they have received a full return of all capital paid for applicable Additional Capital Units in the Class, plus any applicable preferred return thereon, and
- (ii) thereafter, 70% to the Capital Members of the Class and 30% to the Manager. (See "Summary of Limited Liability Company Agreement – Cash Distributions.")

If the Property is an Appreciation Property, the primary purpose of the Company is to provide the Members of each Class with the opportunity to gain from the long-term capital appreciation of the Property held by the Class only, and Investors should not subscribe for any Class Units based on an expectation that there will be any distributions of Cash Flow From Operations during the life of the Company.

### **Distributions of Sale or Refinancing Proceeds**

Proceeds received by the Company upon the sale and disposition or refinancing of the Property, if any, shall be distributed to Class Members (subject to the retention of such reserves as the Manager deems prudent) in the following order of priority:

- (i) first, 100% to Class Members (if any) holding Additional Capital Units in the Class until they have received aggregate distributions (i.e., of both Cash Flow from Operations and Sale or Refinancing Proceeds) sufficient to return all of the capital paid for Additional Capital Units in the Class, plus any applicable preferred return thereon;
- (ii) second, to the Capital Members of the Class, in proportion to their unreturned capital contributions, until the Capital Members of the Class have received aggregate distributions sufficient to return their entire invested capital;
- (iii) third, to the Capital Members of the Class until they have received aggregate distributions equal to a cumulative non-compounded return of 8% per annum on initial invested capital in the Class; and
- (iv) thereafter, 70% to the Capital Members of the Class, and 30% to the Manager. (See "Summary of Limited Liability Company Agreement- Cash Distributions.")

### **Manager Acquisition Fee and Promotional Interest**

The Manager will be entitled to an acquisition fee ("**Acquisition Fee**") in the amount set forth in the Investment Package. (See "Investment Package – Manager Acquisition Fee," and "Purchase Terms.") This Acquisition Fee shall be paid to the Manager as compensation for identifying the Investment Property and the Class Members, conducting due diligence on the Property, negotiating any purchase financing (as applicable) and all actions taken by the Manager to capitalize and close the Purchase Transaction. The Manager expects this Acquisition Fee to average between 8% and 10%

of the gross proceeds of the offering of Units in the Class and in no event will such fee exceed 14% of the gross proceeds of the offering. The Acquisition Fee will be payable to the Manager, in cash, at the time of the closing of the Purchase Transaction and shall directly reduce the proceeds available to the Company Class to acquire the Company's ownership interest in the Property. (See "Conflicts of Interest – Compensation to Manager and Its Affiliates" and "Investment Package – Purchase Terms.")

The Manager will also be allocated a 30% profits interest in each Company Class upon the creation of the Company Class as a promotional interest and not in exchange for cash (the "**Promotional Interest**"). If the Manager also purchases Units or Additional Capital Units in the Class for cash, the Manager will also become a Capital Member of such Class and will receive an additional percentage interest in the Company Class by reason of such purchase and will be entitled to all of the rights granted to any other Capital Member in the Class, which rights shall be in addition to the rights of the Manager by reason of its Promotional Interest in a Class. Consequently, the Manager may be entitled to distributions in excess of its Promotional Interest. The Manager's Promotional Interest in the Class is also in addition to all other compensation payable to the Manager from the Class as described elsewhere in this Offering Circular and all compensation payable to the Manager from any other Company Classes. (See "Compensation to Manager and Its Affiliates.")

### **Additional Capital Units**

The Capital Members may be asked to contribute additional capital to their Class to the extent necessary and appropriate for the operation of the Property held by the Class, as determined by the Manager in its reasonable discretion. In the event the Manager determines that additional capital is necessary or appropriate for the operation of the Company Class, the Manager may create and issue additional Class Units in the Class ("**Additional Capital Units**") and will notify the Capital Members of the Class in writing of their right to purchase the Additional Capital Units. The Manager may issue Additional Capital Units at a purchase price of more or less than \$1,000 per Unit and may include, in the Manager's sole discretion, additional preferences and penalties for such Additional Capital Units including: (i) a provision that the failure of a Capital Member to purchase the Additional Capital Units will result in the loss of voting and approval rights; and (ii) a provision that all distributions from Cash Flow of Operations or Sale or Refinance Proceeds shall be made solely to holders of Additional Capital Units in the Class until they have been returned 100% of their additional capital contribution to the Class plus a preferred, cumulative non-compounded return thereon of up to 25% per annum. In the event any Capital Member fails to purchase Additional Capital Units in the Class, that Capital Member will not be in default but his or her percentage interest in the Class will be subordinated and diluted by the issuance of Additional Capital Units to other persons. (See "Summary of Limited Liability Company Agreement – Additional Capital Contributions; Sale of Additional Units" and "Risk Factors – Additional Funds from Investors.")

### **Term of the Class – Anticipated Holding Period**

The Class will only be formed if the Minimum Capitalization Amount and the Purchase Transaction described in the Investment Package is closed. (See "Terms of the Offering – Subscription Procedures.") The Class will only be terminated upon the sale of the Cash Flow Property and the final distribution of the proceeds therefrom to the Class and from the Class to the Class Members. The Manager currently anticipates holding the Property for the holding period set forth in the Investment Package (the "**Holding Period**"); however, the Manager may, in its sole discretion, sell the Property prior to the expiration of the Holding Period or hold the Property for a period exceeding the Holding Period, to the extent the Manager determines, based on local market conditions, that it is in the best interest of the Class to sell the Property early or hold the Property until better market conditions exist. Class Members have no right to withdrawal from the Class prior to the sale of the Cash Flow Property and termination of the Class. Potential investors should not purchase Cash Flow Units unless they are able to hold such Units for an indeterminate period. (See "Risks Factors – Risks Related to Cash Flow Properties.")

### **Property Management**

The Investment Property will be managed by the Manager or a third party property manager retained and overseen by the Manager. All compensation payable with respect to the Investment Property shall be borne entirely by the Members of the Class created for that Property.

## **FIDUCIARY RESPONSIBILITY OF THE MANAGER**

The Manager is accountable to the Company as a fiduciary, which means that a Manager is required to exercise good faith and integrity with respect to Company affairs and the safekeeping and use of all funds and assets of the Company. This is in addition to the several duties and obligations of, and limitations on, the Manager set forth in the LLC Agreement.

The Manager must, on demand, give to any Member or his legal representative true and full information concerning all Company affairs and each Member or his legal representative may inspect and copy the Company books and records at any time during normal business hours.

The LLC Agreement provides that the Manager shall have no liability to the Company or any Class thereof for losses resulting from errors in judgment or other acts or omissions, unless the Manager is guilty of gross negligence, fraud, bad faith or gross misconduct. The LLC Agreement also provides that the Company shall indemnify the Manager against liability and related expense (including reasonable attorneys' fees) incurred in dealing with the Company, Members or third parties, so long as no gross negligence, fraud, bad faith or gross misconduct is involved, which indemnification provision shall survive termination of the LLC Agreement. Therefore, Members may have a more limited right of action than they would have absent these provisions in the LLC Agreement. A successful indemnification of the Manager could deplete the assets of the Company or a Company Class. Members who believe that a breach of the Manager's fiduciary duty has occurred should consult with their own counsel.

## **OPERATIONS TO DATE**

The Company was formed in April of 2007. From its inception through December 31, 2009, the Manager created 12 Company Classes ("**Original Classes**"), all of which invested in Real Estate Investments consisting of farmland being leased and operated by third parties ("**Agricultural Properties**"). Membership Interest Units in the Original Classes were offered and sold to Class Members pursuant to annual permits issued by the California Department of Corporations, since renamed the Department of Business Oversight (the "**DBO**") in 2007, 2008, 2009 and 2010 (DBO File No. 506-2751). In 2011 the Company terminated the offer and sale of Class Units and did not acquire new investments or create any additional Company Classes until 2014.

In February of 2014, the Manager amended the terms of the Company's LLC Agreement and restructured the offering of Class Units as a private placement under Section 4(a)(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. At that time the investment strategy with respect to future Company Classes was amended to focus on the Cash Flow Properties and Appreciation Properties rather than the previously offered Agricultural Properties. In May of 2017, the Manager amended and restated the terms of the Company's Prior Agreement to allow for the formation of, and offer and sale of interests in, the Real Estate Classes and Loan Investment Classes described in this Memorandum. (See "Summary of Limited Liability Company Agreement.") Information regarding the Company's other Classes is provided below; however, potential investors should not view the performance of the any other Class as an indicator of the performance of the Class being offered hereby.

### **Agricultural Properties (Class 2007-01 through Class 2009-03)**

Twelve Company Classes were established from inception through 2009, all of which acquired Agricultural Properties located in Indiana. In 2017, the last of the original twelve (12) Classes that acquired Agricultural Properties (Class 2007-12) title was terminated following a transfer of title to the property to the sole member of the Class. A detailed discussion regarding the performance of the Original Classes is not provided in this Memorandum because of the length of time since the Agricultural Properties were acquired and the wide disparity in the types of risks and profit potential associated with the original Agricultural Properties to those attributable to the Investment Property being acquired by the Offered Class (whether such Property is an Appreciation Property or a Cash Flow Property). Additional information regarding the Original Classes is available upon request and any investor that believes such information may be material to this offering may contact the Manager and such information will be provided.

## **Real Estate Classes & Loan Investment Classes**

Since restructuring the Company's offering of Class Units in 2014, the Company has established one (1) Real Estate Class and two (2) Loan Investment Classes.

### ***Class 2015-02***

Upon the re-opening of the offering of Class Interests in 2015, the Manager established Class 2015-01; however, the acquisition of the Investment Property the Company intended to acquire for that Class failed to close. (See Risk Factors – Risks Related to the Ownership of Units.") Thereafter, Class 2015-02 was established for the purpose of acquiring an industrial property located in North Highlands, California (the "**Class 2015 Property**"). The Class 2015 Property is a Cash Flow Property that was purchased for an all cash purchase price of \$1,400,000. As of the date of this Memorandum, the Class 2015 Property was being rented to tenant(s) at the rental amount of \$132,433 per annum, no material tenant defaults had occurred and Cash Flow From Operations from the Property was being distributed to the Manager and Members on a quarterly basis as set forth in the LLC Agreement. The holding period of the Class 2015-02 Investment Property at the time it was acquired was approximately five (5) years, however, Class 2015-02 Property has been listed for sale since December, 2017 for the amount of \$2,191,020, and entered into contract to sell at \$2,000,000 in early March of 2018. If sold at this amount, Members are projected to earn an 11.57% annualized yield.

### **Class 2017-01-LIC**

In July of 2017, the Manager created the Company's first Loan Investment Class designated Class 2017-01-LIC. Class 2017-01-17- LIC was formed to make a loan in the principal amount of \$204,375 secured by a 1,533sf non-owner occupied, single family residence property in Sacramento, California. The term of this Loan Investment was 3 years and the Loan Investment was repaid in full a few months after origination, upon which this Class was terminated. Each investor in this Class received the full amount of their original investment in this Class plus an average non-compounded simple return thereon of approximately 8.0% per annum.

### **Class 2017-02-LIC**

In November of 2017, the Manager created Class 2017-02-LIC which made a loan in the principal amount of \$175,000, which loan was secured by two apartment buildings (one 6-unit building and one 8-unit building) located in Adams, Massachusetts. To date, the borrower on the loan is performing pursuant the loan terms. The scheduled maturity date for this Loan Investment is December of 2022 at which point the Manager currently believes the Loan Investment could be paid in full.

THE INFORMATION PROVIDED ABOVE IS FOR ILLUSTRATIVE PURPOSES, ONLY, AND IS CURRENT THROUGH THE DATE OF THIS MEMORANDUM, ONLY. PURCHASERS OF THE OFFERED UNITS WILL ACQUIRE AN INTEREST IN THE OFFERED CLASS, ONLY, WHICH WILL OWN THE INVESTMENT PROPERTY DESCRIBED IN THE INVESTMENT PACKAGE AS ITS SOLE OR PRIMARY ASSET. CONSEQUENTLY, THE PERFORMANCE OF OTHER CLASSES OF THE COMPANY (PAST, CURRENT OR FUTURE) SHOULD NOT BE REGARDED AS AN ACCURATE PREDICTOR OF THE FUTURE PERFORMANCE OF AN INVESTMENT IN THE OFFERED UNITS.

## **THE MANAGER AND ITS AFFILIATES**

The Manager of the Company is Blackburne & Sons Realty Capital Corporation, a California corporation, which will manage and direct the affairs of each Company Class including identifying the Investment Property, structuring each Company Class' investment in the Investment Property, managing the Investment Property over the course of the Company Class' ownership of the Investment Property and selling the Investment Property at a time and for a purchase price determined by the Manager. Information regarding the Manager and its affiliates and principal executive officers is set forth below.

**Blackburne & Sons Realty Capital Corporation.** Blackburne & Sons Realty Capital Corporation ("**Blackburne**") was formed in 1980 under its prior corporate name "Blackburne & Brown Mortgage Company, Inc.,

which name was changed to Blackburne & Sons Realty Capital Corporation in December of 2009. Blackburne was formed for the purpose of originating loans which are secured by first and second deeds of trust on income-producing real property in Northern California. These loans are marketed to individual investors and employee benefit plans and are fully serviced by the Manager. The Manager has experienced steady, controlled growth over the past 30 years and now services a loan portfolio of approximately \$50 million. The Manager also brokers larger loan requests to selected financial institutions, such as banks. George Blackburne, III is the President, Secretary and Chief Financial Officer/Treasurer of Manager.

**George Blackburne, III.** George Blackburne, III is the founder and President, Secretary and Chief Financial Officer/Treasurer of the Manager. He is a graduate of the University of Santa Clara where he majored in finance. In 1982 he received his M.B.A. from the University of Santa Clara, with an emphasis in finance. He graduated with honors from the University of Northern California School of Law in May of 1991 and was admitted to the California State Bar in November 1991. Mr. Blackburne is a licensed California real estate broker and is also a licensed attorney in California and Indiana. As President of the Manager, he is responsible for all phases of operations of the Company and each Company Class. Mr. Blackburne resides full-time in Plymouth, Indiana, and manages the Manager's business primarily by telephone and email correspondence.

**Angela Vannucci.** Angela Vannucci is a Vice President of the Manager. She is a graduate of Colorado School of Mines, with a B.S. in Economics and received her Master of Science in Accountancy (MSA) in July of 2009. Ms. Vannucci joined Blackburne in 2003 and became licensed as a Salesperson by the California Bureau of Real Estate (formerly the California Department of Real Estate) in April, 2004.

**Blackburne & Brown Mortgage Fund I.** The Manager is also the general partner of Blackburne & Brown Mortgage Fund I, a California limited partnership ("**Fund I**"), which was formed in 1991 to engage in the business of making mortgage loans. Until 2007, Fund I offered limited partnership interests to qualified investors pursuant to a permit originally issued by the Department of Corporations on August 16, 1992 (File No. 505-3976). On January 23, 2008, Blackburne closed Fund I and commenced winding down its operations. The decision to close Fund I and wind down its operations was made based upon the Manager's assessment of the effect that the current turmoil in the lending and real estate markets will have on Fund I's loan portfolio and its determination that Fund I's yield would likely remain below investor expectations for the foreseeable future. (See "Risk Factors – Sub-Prime Lending Markets.") Fund I is currently in the process of winding down its operations including distributing loan payments and loan payoffs as received and liquidating its assets including a number of REO Properties held by the Fund. Further information regarding Fund I's performance is available upon request.

**Blackburne & Brown Mortgage Fund II, LP.** Blackburne is also the sole general partner of Blackburne & Brown Mortgage Fund II, LP ("**Fund II**"), a second fund formed for the purpose of making or investing in mortgage loans. Fund II currently offers limited partnership interests to qualified investors pursuant to the private placement exemption from registration under Section 4(a)(2) of the Act and Rule 506 of Regulation D promulgated thereunder and state exemptions from qualification applicable to such offerings. From its inception in 2008 through February 28, 2018, Fund II had invested in over 112 loans with an aggregate principal balance of \$5,350,099. During this period the Fund made eleven (11) loans with an aggregate original principal amount of \$617,518 that resulted in foreclosure and the acquisition of the real properties securing the loans (i.e., REO Properties) resulting in an overall foreclosure rate of approximately 9.82%. Total actual and estimated gains (losses) incurred or expected to be incurred in connection with these REO Properties was estimated to be approximately (\$25,837) as of March 31, 2018, representing a loan gain (loss) rate of approximately 0.482%. Further information regarding Fund II's performance is available on request.

**BRE Accusation.** In June of 2007, the California Department of Real Estate, subsequently renamed the Bureau of Real Estate ("**BRE**") initiated an administrative action (the "**Accusation**") against Blackburne and its designated broker and President, George Blackburne, III (collectively, the "**Blackburne Parties**"). The Accusation alleged three trust account violations occurring prior to November of 2006, resulting from the issuance of checks from Blackburne's trust accounts prior to sufficient funds being deposited into the trust accounts to cover the checks. The Accusation also alleged that improper signature authority on the trust accounts was granted to an unlicensed employee without the proper bonding. The BRE Accusation did not allege any conversion or misappropriation of investor funds, and the trust account shortages had already been rectified prior to the BRE audit and the filing of the Accusation. The Accusation was settled by a Stipulation and Agreement between the Blackburne Parties and the BRE (the "**Stipulation**"), whereby Blackburne and Mr. Blackburne agreed to a 30-day suspension of Blackburne's real estate broker's license, which suspension was stayed for a period of two years subject to the payment of certain fees and audit costs by Blackburne and certain other conditions,

all of which have been satisfied. Pursuant to the Stipulation, the 30-day suspension was vacated on July 10, 2010. Further information regarding the Accusation may be obtained by contacting Blackburne at 4811 Chippendale Drive, Suite 101 Sacramento, California 95841, telephone no. (916) 338-3232, or by contacting the BRE directly at the following address: California Bureau of Real Estate, Mortgage Lending Unit, P.O. Box 187000, Sacramento, CA 95818-7000, telephone no. (916) 227-0770, website: [www.bre.ca.gov](http://www.bre.ca.gov).

## **COMPENSATION TO MANAGER AND ITS AFFILIATES**

The following discussion summarizes the forms of compensation to be received by the Manager (Blackburne) and its Affiliates. All of such compensation shall be payable to Blackburne from each Class of the Company with respect to the services attributable to the Property held by such Class. Except for the Manager’s share of the Company’s cash distributions derived from Cash Flow from Operations or Sales or Refinancing Proceeds, the Manager’s compensation will be received regardless of the success or profitability of the Company or any Class thereof. None of the following compensation was determined by arm’s length negotiations with the Class Members of any Class of the Company. The Manager retains the right to terminate all or any portion of its business relationship with the Company at any time, in which event the Company would seek to retain one or more other firms to perform the various services to be rendered by the Manager as described below. Removal and replacement of Blackburne as the Manager of the Company for any reason will not affect the Manager’s right to receive all compensation accrued through the date of such replacement. Moreover, the Manager’s status as a Member and its Promotional Interest in Cash Flow From Operations and Sales or Refinancing Proceeds for each Class shall survive any such removal and replacement of the Manager, whether for cause or otherwise.

### **Form of Compensation**

### **Estimated Amount or Method of Compensation**

Acquisition .....	Fee	Up to 14.0% of the total capital contributions of the Class Members of each Class, payable to the Manager at the closing of each Purchase Transaction. (See “Investment Package – Manager Acquisition Fee” and “Purchase Terms.”) The Acquisition Fee will directly reduce the amount of proceeds received from the sale of Units that is available for investment in the Property. (See “Conflicts of Interest” and “Risk Factors.”)
Cash Flow from Operations.....		30% of Cash Flow from Operations after Additional Capital Members of the Class (if any) have received a full return of all capital paid for Additional Capital Units in the Class, together with any applicable preferred return thereon.
Sale or Refinancing Proceeds.....		30% of Sale or Refinancing Proceeds <u>after</u> additional Capital Members of the Class (if any) have received a full return of all capital paid for Additional Capital Units in the Class, plus any applicable preferred return thereon, and Capital Members of the Class have received the full return of their invested capital in the Class, plus a cumulative non-compounded 8% annual return thereon.
Interest in Taxable Profits of Company ..... .....		The Manager will ultimately be allocated a share of the Company’s taxable profit equal to its 30% Promotional Interest in cash distributions from a Class, as described above, although it is anticipated that (due to depreciation and other tax deductions by the Company) such profit allocations will occur in years after cash distributions are made.

Property Management Fees and Leasing Commissions .....	The Manager or its Affiliates will be entitled to receive property management fees anticipated to be approximately 4% to 5% of gross revenues from Property operations with a minimum property management fee of \$1,500 per month. Such property management fees may be increased by the Manager in its discretion, but in no event shall they exceed market rates prevailing where the Property is located for the same type, level and quality of services. In addition, the Manager or its Affiliates may receive leasing commissions at rates no greater than prevailing market rates.
Reimbursement of Expenses .....	Reimbursement for all actual out of pocket costs and expenses incurred by Manager in the course of conducting due diligence investigations with respect to the Property, acquiring the Property, forming the Company and the Company Class, preparing this Memorandum, preparing the LLC Agreement, admitting new Members to the Company and conducting and operating the Company business.
Interests in Units .....	The Manager and/or its Affiliates may also purchase Units in one or more Classes of the Company on the same terms as other Investors, in which event it and will receive allocations and distributions of profits and cash flow on the same terms and conditions as other Class Members of such Classes.
Affiliate Class Compensation .....	The Manager and/or its affiliates is also entitled to fees and other forms of compensation from other Classes of the Company based upon the type of Class and the Class investment. Such compensation will be payable by the applicable Classes only and will not be borne by the Offered Class.
Other Services and Reimbursements .....	The Manager or its affiliates may render such other services to the Class or its affiliates as the Manager deems appropriate and may be compensated for such services at the prevailing rate in the geographical area where the Property is located for such services rendered by third parties.

## **CONFLICTS OF INTEREST**

The following is a list of the important areas in which the interests of the Manager will conflict with those of the Company. The Member must rely on the general fiduciary standards which apply to a Manager of a limited liability company to prevent unfairness by the Manager in a transaction with the Company. (See “Fiduciary Responsibility of the Manager.”)

### **Compensation to Manager and Affiliates**

None of the compensation set forth under the “Compensation to Manager and Affiliates” section was determined by arms’ length negotiations with the Class Members of the Company, including the Acquisition Fee. The Promotional Interest, any property management fees, leasing commissions or other compensation payable to the Manager (if applicable).

The Acquisition Fee paid to the Manager will result in a direct reduction of the proceeds of this offering available for the Company Class to acquire its interest in the Property and is directly adverse to the interests of the Class Members of each Class. (See “Investment Package – Manager Acquisition Fee” and “Purchase Terms.”) The Manager’s 30% Promotional Interest in each Class results in the reduction of each Capital Member’s return on his or her investment in the Class and is also directly adverse to the interests of the Class Members.

If the Manager is entitled to Property Management Fees, Leasing Commissions, and/or other fees, all such fees must be paid to the Manager prior to any cash distributions to the Company Class and/or from the Company to the Class Members of the Class, including distributions of Cash Flow From Operations or Sale or Refinancing Proceeds. Moreover, to the extent the income from the Property is insufficient to pay all fees due to the Manager, such fees will accrue in favor of the Manager. As such, such charges and any increase in such charges will have a direct, adverse effect upon the interests of the Company and the Class Members. See the Investment Package for a complete description of the fees (if any) payable to the Manager associated with the management of the Property and the Class.

### **Other Classes, Companies or Businesses**

The Manager will be the Manager of each Company Class and may form additional Classes to invest in other Real Estate Investments or Loan Investments. The Manager is not obligated to offer interests in any other Class to the Class Members. The Manager also acts as the sponsor of other companies and businesses (and may act as the sponsor for other companies formed in the future) that conduct businesses or make investments similar to that of the Company and the Class. The Manager or its principals may engage for their own account, or for the account of others, in other business ventures, similar to that of the Company Class or otherwise, and neither the Company Class nor any Class Member shall be entitled to any interest therein.

The Company and each class thereof will not have independent management and it will rely on the Manager for the operation of the Company and each Class. The Manager will devote only so much time to the business of the Company and shall allocate its time among the Classes as is reasonably required. The Manager will have conflicts of interest in allocating management time, services and functions between the various classes, its existing business interests other than the Company, the Company, and any future business entities which it may organize, as well as other business ventures in which it may be involved.

### **Lack of Independent Representation**

Neither the Company nor the Class have been represented by independent legal counsel to date. The use by the Manager and the Company of the same counsel in the preparation of this Memorandum, the organization of the Company and the creation of each Class may result in the lack of independent review. Counsel to the Manager does not and will not represent the Class Members or their interests in any respect. Accordingly, Class Members should consult with their own counsel regarding this investment. (See "Legal Matters.")

### **Conflicts of Manager**

The Manager and its Affiliates may, in the day-to-day management of the Company or in the making of investment decisions, experience conflicts between their duties and responsibilities to the Class Members and their own personal interests as Members or other Company Classes or the Manager of the Company the nature and extent of which are not known at this time. The Manager and its affiliates may purchase Units in one or more Classes for the same price and upon the same terms as other investors and, in such event, be admitted to the Class as Class Members. In such event, the Manager or such affiliates will have the same rights and obligations as other Class Members. Therefore, the Manager may experience conflicts between its (or its affiliates') interests as a Class Member and its interest as the Manager of the Company or other Company Classes and its fiduciary duties and obligations to the Class Members.

### **Indemnification of Manager**

The LLC Agreement provides that the Manager shall not be liable to the Company, the Class or to any Member for any loss or damage sustained by the Company, the Class or any Member, unless the loss or damage shall have been the result of gross negligence, fraud, deceit, reckless or gross misconduct, or a knowing violation of law by the Manager. The Members understand that while Blackburne has been in business since 1980, neither Blackburne nor its owner, the family trust for George Blackburne, is wealthy and could be financially ruined by a protracted legal action, even if totally unjustified. The indemnification and promise to defend is a "key deal point" and material, especially in light of the deep pockets of the typical Blackburne investor. Therefore, notwithstanding a claim of gross negligence, fraud, deceit, reckless or gross misconduct, the Class or any Member agree that said duty to indemnify and defend shall continue until a final decision on the claim(s) have been adjudicated. The LLC Agreement also provides that, to the fullest extent permitted by

applicable law, the Company and the Class shall indemnify any individual or entity made or threatened to be made a party to any action, suit or proceeding by reason of the fact that such individual or entity is or was a Manager, officer, employee or other agent of the Company or the Class.

## **RISK FACTORS**

The purchase of Units involves risk. In addition to the general investment risks described throughout this Memorandum, including but not limited to those set forth in the section entitled “Conflicts of Interest,” prospective purchasers of Units should carefully consider the following risks prior to making a decision to invest. Some of the risks associated with an investment in Units will differ depending on the type of Investment Property being acquired by the Company Class which are discussed separately, below. It should be recognized that all risk factors discussed below are those which, at the date of this Memorandum, are believed by the Manager to be the most likely to be significant. Prospective purchasers of Units should realize, however, that factors other than those set forth below may ultimately affect the investment offered pursuant to this Memorandum in a manner and to a degree that cannot be foreseen at this time. Potential purchasers of Units should consult with their own legal, accounting and investment professionals with respect to the suitability of a purchase of Units to their own financial situation and risk tolerance level.

### **Risks Related to Cash Flow Properties**

#### ***The Cash Flow Property will be subject to the risk of declines in property and rental values***

The performance of a Cash Flow Class and the ultimate profitability of the Cash Flow Property relies heavily on both a stable rental market for the Property and the future appreciation of the value of the Property. While the rental markets during 2007-2008 remained relatively stable in most areas, the sub-prime lending crisis and the current national and global recession caused dramatic declines in real estate values during such period, with the most well-publicized declines in property values (and the largest loan losses) occurring in the single-family residential sector, with some regions experiencing declines of over 40%. However, the dramatic declines in home values and the current increases in national unemployment have begun to affect other sectors of the real estate market including commercial and industrial property and may continue to do so for the foreseeable future.

Any market declines resulting from real estate declines generally may result in losses to the Members of the Class holding a Property or may significantly increase the anticipated holding period associated with a Property because the Manager will be required to hold the Property until the applicable real estate market stabilizes and the Property it can be sold at a more favorable purchase price.

#### ***Future Operations of the Cash Flow Property are speculative.***

The Property may be occupied by one or more commercial or residential tenants. There is no assurance that the Property will maintain a satisfactory occupancy level and revenue stream during the term of the Company. Any predictions about possible future events must be considered to be speculative. In the event the Property fails to maintain projected occupancy levels and revenue streams, the Company could experience lower operating profits than are anticipated, which would affect overall investment results. The loss of one or more tenants will reduce the Company’s profits (or cause losses) until one or more satisfactory replacement tenants can be found. Declines in net operating income due to loss of tenants, declining rental values or other causes could also render the Company unable to meet its loan obligations.

#### ***Cash Flow Units are subject to the general risks of investing in real estate.***

The investment in the Property will be subject to the risks generally incident to the ownership of commercial real property, including changes in general or local economic conditions, area values, interest rates, competition from other properties, availability of mortgage funds, real estate tax rates, occupancy rates, governmental rules and fiscal policies (including rent control legislation), increased operating costs, environmental liabilities, acts of God including earthquake, and flood and other factors which are beyond the control of the Manager. To the extent the

***Cash Flow Properties are subject to the Risks of Leverage***

If the Offered Class will acquire a Cash Flow Property it will either refinance existing mortgage indebtedness on the Property or obtain new mortgage indebtedness in connection with its acquisition of the Property. This is sometimes referred to as “leveraging” which, while it increases the monies available for investment, also represents an additional element of risk. If the cash flow of the Property is insufficient to service the mortgage debt, and the Members of the Class are unwilling or unable to provide additional capital, the Company’s equity in the property attributable to such Class could be reduced or eliminated through foreclosure, in which case investors in the Class could lose all or substantially all of their investment. If Class Members are required to make additional capital contributions to service the mortgage debt or otherwise, all additional capital.

***The date of the sale of property is not definite and investors may be required to hold Cash Flow Units for an indefinite period.***

The anticipated Holding Period set forth in the Investment Package may be extended to the extent deemed necessary by the Manager in light of the then current market conditions. Accordingly, the purchase of Units must be viewed as a long-term investment. (See “Risk Factors – Illiquid Investment; Limited Transferability.”) The Manager may, however, decide to sell the Property at any time as market conditions dictate. Accordingly, investors should not base their decision to invest upon any assumption as to the duration of the investment.

***Cash Flow Units will be subject to the risk of uninsured losses.***

The Manager will arrange for comprehensive insurance, including such liability, fire and extended coverage on the Property as is customarily obtained for similar properties in the same geographic locale. However, there are certain types of coverage (generally against losses of a catastrophic nature, such as earthquakes, hurricane and tropical storm, floods and wars) which are either unobtainable or prohibitively expensive. Should loss occur to the Property that is not covered by insurance, the Company could lose both its invested capital and anticipated profits.

**Risks Related to Appreciation Properties**

***Appreciation Properties are subject to the ongoing risk of property value declines in the market where the Appreciation Property is located.***

The performance of the Offered Class and the ultimate profitability thereof relies heavily on the future appreciation of the value of the Property. While the real estate markets have stabilized somewhat since the financial crisis of 2007-2008, such stabilization has been slow and uneven throughout the United States. The market where the Appreciation Property is located may still be subject to significant factors negatively affecting the value of the Appreciation Property, including high unemployment, a surplus of similar properties and other factors. Moreover, there is no guaranty that property values will appreciate over the course of the anticipated holding period for the Property or that the dramatic declines in property values and the increases in national unemployment seen after the financial crisis will not reoccur over the term of the Class.

Any market declines resulting from real estate declines generally may result in losses to the Class Members or may significantly increase the anticipated holding period associated with the Appreciation Property because the Manager will be required to hold the Property until the applicable real estate market stabilizes and the Property it can be sold at a more favorable purchase price.

***Appreciation Units are subject to the general risks of investing in real estate.***

The investment in an Appreciation Property will be subject to the risks generally incident to the ownership of real property, including changes in general or local economic conditions, area values, interest rates, competition from other properties, availability of mortgage funds, real estate tax rates, occupancy rates, governmental rules and fiscal policies (including rent control legislation), increased operating costs, environmental liabilities, acts of God including earthquake, and flood and other factors which are beyond the control of the Manager.

***Appreciation Properties may be subject to the Risks of Leverage***

If the Offered Class' acquisition of an Appreciation Property is financed through the acquisition of mortgage indebtedness on the Property the investment will be subject to the risk of "leverage" which, while it increases the monies available for investment, also represents an additional element of risk. If the financing requires periodic payments which are not supported by the income generated by the Property and the Members of the Class are unwilling or unable to provide additional capital, the Company's equity in the property attributable to such Class could be reduced or eliminated through foreclosure. In such case investors in the Class could lose all or substantially all of their investment.

***The date of the sale of property is not definite and investors may be required to hold Appreciation Units for an indefinite period.***

The anticipated Holding Period set forth in the Investment Package may be extended to the extent deemed necessary by the Manager in light of the then current market conditions. Accordingly, the purchase of Units must be viewed as a long-term investment. (See "Risk Factors – Illiquid Investment; Limited Transferability.") The Manager may, however, decide to sell the Property at any time as market conditions dictate. Accordingly, investors should not base their decision to invest upon any assumption as to the duration of the investment.

***Appreciation Units will be subject to the risk of uninsured losses.***

The Manager will arrange for comprehensive insurance, including such liability, fire and extended coverage on the Property as is customarily obtained for similar properties in the same geographic locale. However, there are certain types of coverage (generally against losses of a catastrophic nature, such as earthquakes, hurricane and tropical storm, floods and wars) which are either unobtainable or prohibitively expensive. Should loss occur to the Property that is not covered by insurance, the Company could lose both its invested capital and anticipated profits.

***If the Appreciation Property is unimproved land there is an increase in the risks of loss to Class Members.***

Unimproved land tends to be more susceptible to variations in value, as compared to income-producing property. The value of unimproved land is highly dependent on zoning, the proximity of transportation, sewage and other properties and entitlements to improve the property, factors which are not in the Company's control. Also, unimproved land may be more susceptible to a claim of eminent domain by a governmental authority.

**Risks Related to the Ownership of Units**

***There is no guaranty against investor losses or that investors will realize a return on their investment.***

No assurance can be given that a purchaser of either Cash Flow Units or Appreciation Units will realize a substantial return on his or her investment, or any return at all, or that he or she will not lose their investment. For this reason, each prospective investor should read this Memorandum and all exhibits carefully and should consult with his or her own personal attorney, accountant, or business advisor prior to making an investment decision.

***Investments in Units may be subject to investment delays during which time no interest will not be earned.***

There will be a delay between the time the Manager accepts an Investor's subscription and the time the Purchase Transaction is closed and Class Units are issued to the Investors. During this period, all Investors' funds will be held in a non-interest bearing account on behalf of the Investors. Only if the Minimum Capitalization Amount is received by the Manager and the Purchase Transaction is closed will the Investor be issued Class Units and become a Class Member of the Company. (See "Investment Package – Minimum Capitalization Amount.") In such cases, each Class Member's Preferred Return will accrue as of the date such Class Member's subscription funds were received by the Manager. If the Purchase Transaction does not close for any reason within 120 days after the subscription is received by the Manager, Investors' funds will be returned without interest. While the Manger will try to minimize the delay between the time when Investor's subscription funds are received and the Purchase Transaction closes, this delay could exceed several months. During this time an Investor's subscription for Units is irrevocable and Investors will earn no interest on their Subscription funds.

***Investors may be required to invest additional amounts to protect their voting rights and avoid subordination of their rights to distributions***

The Manager is under no obligation to contribute any additional capital to any Company Class in the event additional capital is required by the Class to continue operations or to protect the Class Members' rights in the Investment Property (including protecting the Property from foreclosure). In such event, the Manager may, in its discretion, issue Additional Capital Units in any Class and request the Class Members of such Class to contribute additional capital to the Class by purchasing such Additional Capital Units. To the extent that any Class Members of the Class fail to purchase the Additional Capital Units in the amount requested by the Manager, such capital member's rights will be adversely affected. (See "Summary of Limited Liability Company Agreement – Additional Capital Contributions.")

***Units are an Illiquid Investment with Limited Transferability and investors must be able to hold Units for the entire Class term.***

There is no public or private market for Units and it is not anticipated that any will develop. There are also significant restrictions on the subsequent resale or assignment of Units. (See "Terms of the Offering – Restrictions on Transfer.")

***The tax implication of a purchase of Units should be assessed in light of each purchaser's own financial situation***

Each investor should consult with his or her own tax advisors to review this investment with respect to applicable federal and state income tax consequences. Any decisions to purchase Units should be based solely on the possible economic return, without giving effect to any tax benefits other than the expected treatment of the Company as a partnership for tax purposes. (See "Federal and State Income Tax Considerations.")

***Each Company Class is subject to the risks of litigation***

The Manager will act in good faith and use reasonable judgment in managing the Company and each Class thereof and will manage the Property directly or will oversee its management. However, the Company and each Class thereof is exposed to the risk of litigation for any allegations by tenants or various other parties (warranted or otherwise) regarding the Property. It is impossible for the Manager to foresee what allegations may be brought by a specific tenant or other party and the Manager will use its best efforts to avoid litigation if, in the Manager's judgment, the circumstances warrant an alternative resolution. If a claim is brought and/or litigation is commenced against the Manager, a third party property manager or the Joint Venture, the Company may be named as a defendant in any such litigation and could incur legal fees and costs to respond to the allegations and to defend any resulting litigation. Additionally, the Manager will comply with Section 18-215 of the Delaware Limited Liability Company Act in order to ensure that the liabilities of any Class shall be enforceable only against the assets of that Class, and not against assets of any other Class of the Company. If a claim is brought and/or litigation is commenced against another Class, or the Manager, a third party property manager or the Joint Venture for acts relating to such Class, the Company generally will be named as a defendant in such litigation. In such circumstances, the Class to which the claims relate will incur additional legal fees and costs to respond to the allegations or defend the assets of the remaining Classes in any resulting litigation.

***A purchase of Units in a single Company Class that will acquire a single real property investment lacks diversity***

If an Investor owns Units in only one Class, there will be no diversification of risk because the Class will invest all of the Investor's funds in a single Property.

**Risks Related to the Manager**

***Class Members must rely on the Manager to manage the Company, the Class and the Class' interest in the Investment Property.***

Unless and until the Investors remove the Manager as manager of the Company for "cause" (as defined in the Company's operating agreement) by a vote of a majority-in-interest, they must rely on the Manager to manage the Company. Moreover, the Manager may also serve as the property manager for a Property. As such, the success of each

Class will depend, to a significant extent on the expertise and abilities of the Manager. While the Manager believes it has adequate financial resources and personnel to manage the Properties, it is possible that over the term of the Company the Manager's resources could deteriorate. If that were to occur and the Members desired to replace the Manager, the Members could find it difficult to find someone willing to replace the Manager as the manager or property manager, and such new manager or property manager might require compensation in excess of that paid to the Manager, which would in any event retain its Promotional Interest in Cash Flow from Operations and Sale or Refinancing Proceeds.

***The Manager will be required to rely on information provided by others***

While the Manager will make an investigation regarding the Property, it will rely to some extent on third parties such as credit agencies, appraisers, brokers and the owner itself to provide the information upon which the Manager will base its decision to invest in the Property. There is no guarantee that this information will be accurate. Individual prospective Investors may request and will be given an opportunity to review any information obtained by the Manager with respect to the Property, in order to assess for themselves the reliability of that information.

***The Manager is subject to conflicts of interest***

The Company will be subject to various conflicts of interest on the part of the Manager and its Affiliates, which could adversely affect the profitability of the Company or any Class thereof, and each Class Members' return on his or her investment. (See "Conflicts of Interest.")

## **FEDERAL AND STATE INCOME TAX CONSIDERATIONS**

The following is a summary of certain tax considerations which may be relevant to the Company and to a prospective Member but does not purport to cover all of the potential tax considerations applicable to any specific purchaser of Units. It is impracticable to present a detailed explanation of all aspects of the federal, state and local tax laws which may affect the Company or all aspects of the tax consequences to any Member. Moreover, on December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "TCJA") which made sweeping changes to the Internal Revenue Code of 1986 (as amended, the "Code"), affecting how both individuals and businesses will be taxed at the federal level. Accurately determining the potential effects of the TCJA on the tax obligations of any Member will require further guidance from the Internal Revenue Service ("IRS") and other regulators and a final determination of how the various TCJA provisions affect the Company and each Member's own financial situation.

Consequently, this Memorandum makes no representations as to effect of the TCJA on an investment in the Offered Class or that any deductions or other federal income tax advantages described herein or otherwise believed to be available under the TCJA will be available to the Company, the Class or any Member. ***Each prospective investor must consult with, and rely on the advice of, his, her or its personal tax advisor with respect to the tax consequences of this investment and the suitability for the investor of an investment in Units with respect to federal, state, foreign and local taxation.***

### **General Overview**

Subject to the foregoing, the Manager expects the Company, as a limited liability company, to be treated as a partnership for federal and state income tax purposes. As such, the Company's income, expenses, deductions and credits are "passed through" to each holder of Units in proportion to their percentage interest in each Class of the Company. Each Member will have a capital sub-account for each Class of Units purchased by a Member that is adjusted to the extent the Member receives distributions or allocations of tax losses for each Class (capital account is reduced) and is credited with a capital contributions and an allocable share of the Company's income for each Class (capital account is increased). Each Member will receive a Schedule K-1 for each tax year that summarizes this information. Each Member will need to pay tax on such Member's share of taxable income for each Class of the Company in which the Member holds an interest – the Company will not "withhold" the Member's taxes and will not make distributions for taxes prior to the sale of the Property.

The tax basis of each Member's Membership Interest in a Class of the Company is initially the purchase price for the Units purchased in such Class. The basis is adjusted downward for distributions and losses and upward for allocated taxable profits. Upon the resale of any Units of a Class by a Member, the selling Member will have to pay income tax on any gain realized by the Member.

### **Taxation of the Members**

If, as expected, the Company is treated for federal income tax purposes as a partnership and not as an association taxable as a corporation, it will file an annual informational income tax return but will not be subject as an entity to the payment of federal income tax. Each Member will be required to report such Member's share of income or loss without regard to the amount, if any, of cash or other distributions made to it. Thus, each Member will be taxed on such Member's share of income even though the amount of cash distributed to it may be less than the resulting tax liability. Subject to various limitations referred to herein, each Member may deduct such Member's share of losses for each Company Class, if any, to the extent of such Member's tax basis in such Member's Units for the Class. Any losses in excess of basis may be carried forward indefinitely to offset future taxable income of the Class. In computing income or losses for a Class, the Company will include appropriate deductions for non-capital costs and the cost recovery portion of capital costs. If distributions in any Class in any one year exceed the taxable income of the Class (whether in liquidation or otherwise), the amount of such excess will be treated as a return of capital reducing the tax basis of each Member in the Class. Any cash distributions in a Class in excess of the recipient's basis are treated as a sale or exchange of an interest in the Company resulting in taxable income to the recipient.

### **Allocation of Profits and Losses**

The net profits and net losses of the Company will be allocated as set forth in the LLC Agreement attached hereto as Exhibit B. Section 704(b) of the Code provides that, for federal income tax purposes, each partner's distributive share of a partnership's income or loss, and of specific items of income, gain, loss, deductions and credits, is determined by reference to the partnership agreement, i.e., the LLC Agreement. The allocations provided in a partnership agreement will control unless such allocations do not have "substantial economic effect." If an allocation provision of a partnership agreement is found to lack "substantial economic effect" partnership items will be allocated in accordance with a partner's interest in the partnership based on all the facts and circumstances.

The Service has promulgated Regulations under Section 704(b), designed to implement the provisions of the Tax Reform Act of 1976 dealing with substantial economic effect. Extremely complex, these Regulations set forth three alternative tests, one of which must be met in order for an allocation to be valid under Section 704(b). Allocations are valid if: (i) the allocation has substantial economic effect; or (ii) the partners can show that, taking into account all facts and circumstances, the allocation is in accordance with the partners' interests in the partnership; or (iii) the allocation can be deemed to be in accordance with the partners' interests in the partnership in accordance with special rules set forth in the Regulations. In order for an allocation to have "substantial economic effect," it must have both "economic" effect and "substantial" economic effect. Generally, an allocation can have economic effect only if (i) the allocation is reflected as an appropriate increase or decrease in the partners' capital accounts, maintained in accordance with the proposed regulations; (ii) liquidation proceeds are, throughout the term of the partnership, distributed in accordance with the partners' capital account balances; and (iii) any partner (including any limited partner) with a deficit in his capital account following the distribution of liquidation proceeds is required to restore the amount of such deficit to the partnership, which amount is distributed to partners in accordance with their positive capital account balances or paid to creditors.

Furthermore, the allocations' economic effect must be "substantial." The partners' allocations will be substantial if there is a reasonable possibility that the allocations will affect substantially the dollar amounts to be received by the partners independent of tax consequences. Nevertheless, substantiality will be lacking when (1) the after-tax consequences to one partner (on a present value basis) is enhanced and (2) there is a strong likelihood that no partner's present value after-tax consequences will suffer a concomitant diminution in value. Finally, to the extent the allocations provide for "shifting" tax consequences or "transitory" allocations, the allocations cannot be substantial.

There can be no assurance that the Service will not successfully challenge the allocations of profits, losses and credits under the LLC Agreement. For example, the Service might contend that the fees payable to the Manager should be treated as distributions to a Member rather than as fees and that the allocation of profits and losses for tax purposes and credits among the Members should be modified to reflect the increase in the Manager's overall interest in the Company

that would arise from such re-characterization. Since the test of whether an allocation has “substantial economic effect” or is in accordance with Members’ interests in the Company is in part a question of fact, and, in part, the interpretation of relatively recent and complex regulations, no assurance can be given that the Service may not challenge one or more allocations in the LLC Agreement. Furthermore, if a challenge were made, no assurance can be given that a court would not sustain the challenge. If the allocations made by the LLC Agreement are set aside, a Member’s share of any item of income, gain, loss, deduction or credit will be determined considering all facts and circumstances.

### **Tax Basis for the Interest in the Company**

A Member’s adjusted tax basis in the Company for federal income tax purposes includes the cost of the Member’s interest therein. A Member’s basis will be increased by any subsequent cash contribution it makes to the Company by its distributive share of the Company’s taxable income, by any income exempt from taxation, and by the Member’s share, equal to the Member’s proportionate share of the Company profits, of non-recourse loans (i.e., neither the Manager nor Members are personally liable for the repayment of the loan) made to the Company. A Member’s basis will be decreased (but not below zero) by actual cash distributions from the Company, by a Member’s distributive share of the Company’s losses, by an actual or deemed decrease in its share of the Company’s non-recourse borrowings, and by its share of nondeductible expenses of the Company, which are not properly chargeable to its capital account or any sub-account relating to Units held in a particular Class. In the event that cash distributions to a Member exceed the adjusted basis of the Member, a Member must recognize gain equal to such excess. The basis of a Member’s interest in the Company will be computed without regard to the “at-risk” limitation discussed below.

### **Application of At Risk Limitations**

Section 465 of the Code provides that the amount of any losses (otherwise allowable for the year in question) that may be deducted by an individual, an S corporation, or a “closely held corporation” (i.e., one in which 5 or fewer shareholders directly or indirectly own more than 50% of the stock) other than a leasing company, in connection with activities that are part of a trade or business or that are engaged in for the production of income, cannot exceed the aggregate amount with respect to which such taxpayer is “at risk” in such activity at the close of the tax year. In the case of a partnership engaged in such activities, the limitations apply to each partner who is an individual, S corporation, or “closely held corporation.” A partner generally will be considered “at risk” to the extent of the cash and adjusted basis of other property contributed to the partnership, as well as any borrowed amounts contributed to the partnership with respect to which such partner has personal liability for payment from his own assets. If at the end of a taxable year a partner’s amount “at risk” has been reduced below zero, the deficit amount “at risk” is recaptured and must be included in gross income in that year. The amount recaptured is treated in future years as if it were a deduction suspended by the “at risk” provisions. To the extent that partner’s amount “at risk” is increased above zero in a subsequent year, this additional deduction may be allowable at such time.

### **Limitations on Losses and Credits from Passive Activities**

Code Section 469 limits taxpayers’ use of losses and credits from so-called “passive activities” in offsetting taxable income and tax liability arising from non-passive sources. A passive activity includes (a) one which involves the conduct of a trade or business in which the taxpayer does not materially participate, or (b) any rental activity. With certain limited exceptions, a limited partner will not be treated as materially participating in a limited partnership’s activities. Generally, a taxpayer’s deductions and credits from passive activities may be used to reduce his tax liability in a given taxable year only to the extent that such liability arises from passive activities. Potential Members are urged to consult their personal tax advisor regarding the impact of federal taxes upon an investment in the Company.

### **Tax Returns and Audit**

The Company will furnish annually to the Members sufficient information from the Company’s tax return for the Members to prepare their own federal, state and local tax returns. The Company’s tax returns will be prepared by accountants to be selected by the Manager.

In the event that any of the tax returns of the Company are audited, it is possible that substantial legal and accounting fees will have to be paid to substantiate the position of the Company and the Manager and such fees would

reduce the cash flow otherwise distributable to the Members. Also, such an audit may result in adjustments to the Company tax returns and this, at a minimum, would require an adjustment to each Member's personal return. An audit of a Member's tax returns may also result in an audit of non-partnership items on each Member's tax returns, which in turn could result in adjustments to such items.

### **State and Local Taxes**

In addition to the federal income tax consequences described above, prospective Members may be subject to state and local tax consequences by reason of investment in the Company. Any distributions made to a Member generally will be required to be included in determining his reportable income for state or local income tax purposes in the jurisdiction in which such Member is a resident. Investors are urged to consult their personal tax advisor regarding the impact of state and local taxes upon an investment in the Company. A discussion of state and local tax law is beyond the scope of this Memorandum.

## **SUMMARY OF LIMITED LIABILITY COMPANY AGREEMENT**

The Company is currently governed by the Amended and Restated Limited Liability Company Agreement for the Company dated May 9, 2017 a copy of which is attached as Exhibit B to this Memorandum (the "**LLC Agreement**"). The Manager is granted a special power of attorney in the Subscription Agreement for the purpose of executing the LLC Agreement on behalf of the Class Members. The following is a summary of the LLC Agreement for the Company and is qualified in its entirety by the terms of the LLC Agreement itself. Potential investors are urged to read the entire LLC Agreement. Unless otherwise defined in this Memorandum, capitalized terms set forth below shall have the meanings set forth in the LLC Agreement.

### **Rights and Liabilities of Members**

The rights, duties and powers of Members are governed by the LLC Agreement and the Delaware limited liability company act set forth in Title 6 of the Delaware Code, Annotated, Sections 18-101 *et seq.* (the "**Act**") and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to such Agreement and Act.

Investors who become Class Members in a Company Class in the manner set forth herein will not be responsible for the obligations of the Company or the obligations of any other Class of which they are not Members and will be liable only to the extent of their agreed upon capital contributions to a Class. Any cash distributed to Members may constitute, wholly or in part, a return of capital. Accordingly, Members may be liable to repay to the Company some or all of such cash distribution, as a return of capital plus interest, to the extent necessary to discharge liabilities existing at the time of such return.

Class Members will have no control over the management of the Company except that a Majority Interest of the Class Members shall have the following rights: (1) without the Manager's concurrence to remove the Manager with or without cause and admit a successor Manager; or (2) with the Manager's concurrence approve any amendment of the LLC Agreement (except for the purpose of establishing new Classes and admitting new Class Members pursuant to the Agreement). Members representing 10% of the Membership Interests entitled to vote on a matter may call a meeting of such Members as outlined in the LLC Agreement.

If the Manager or its Affiliates purchase and hold Units as Class Members of any Class, they may vote their Units, in their sole discretion, the same as any other Class Member.

### **Membership Classes**

The Company is a Delaware "Series" LLC and the Manager has the right, from time to time, to form separate Classes for the purpose of acquiring a Real Estate Investment or Loan Investment. Units in the Company represent a Membership Interest in a designated Class, only, and all of the rights, powers, obligations and liabilities of a Member under the LLC Agreement shall relate only to the Real Estate Investment or Loan Investment held by such Class. Separate and distinct records shall be maintained by the Manager for each Class and investment and related assets associated with the Class shall be held and accounted for separately from the other Classes and the assets of the Company generally. Under

the Delaware Limited Liability Company Act, the debts and liabilities and obligations incurred, contracted for or otherwise existing with respect to any Class shall be enforceable against the assets of such Class only, and not against the assets of the Company generally or any other Class and none of the debts, liabilities, obligations and expenses incurred, contracted for or otherwise existing with respect to the Company generally or any other Class shall be enforceable against the assets of such Class. All other general operating expenses of the Company that are not specifically attributable to a particular Property or Class (such as tax return preparations, securities permit renewal costs and franchise taxes) will be allocated evenly among the number of Classes in existence at the end of the Fiscal Year in which such expenses are incurred. (See “Investment Package – Pro Forma.”) Notice of the limitations on liabilities of each Class shall, for the life of the Company, be set forth in the Certificate on file with the Delaware Secretary of State as required by Section 18-215 of the Act.

### **Capital Contributions**

Interests in each Company Class will be sold in Units of \$1.00 each, and no person may acquire less than the Minimum Subscription Amount set forth in the Investment Package. (For purposes of calculating this Minimum Subscription Amount, a person may cumulate Units he/she purchases individually with Units purchased by his or her spouse.) To purchase Units an investor must deliver to the Company a completed and signed Subscription Agreement in the form attached to this Memorandum as Exhibit C, together with a check for the full purchase price of Units subscribed. (See “Terms of the Offering – Subscription Procedures.”)

### **Additional Capital Contributions: Sale of Additional Units**

The Manager may, in its discretion, request that the Class Members of a Class contribute additional capital to the Company by purchasing Additional Capital Units to the extent necessary or appropriate for the operation of a Property owned by a Class. In the event the Manager determines that additional capital is necessary, the Manager will notify the Class Members of that Class, in writing, and shall set forth the reason for the necessity of the additional capital, the amount of additional capital required, the purchase price for the Additional Capital Units being offered (which price may be more or less than \$1.00 per Unit), and the amount of additional capital requested from each Capital Member of the Class based upon the pro rata number of Units in the Class owned by each Capital Member. To the extent that any Class Members in the Class fail to purchase the Additional Capital Units in the amount requested by the Manager, other Class Members of that Class may purchase the Additional Capital Units or the Manager may sell additional Units and admit additional Class Members to fund the additional capital contributions required. Additional Capital Units of each Class may be senior to Units of the same Class (i.e., will be repaid before any distributions of that Class with respect to such Units) and may also provide for a cumulative, non-compounded return of up to 25% prior or senior to existing Class Members of the Class. If Additional Capital Units are issued, the profit interests of Class Members of the Class who do not purchase Additional Capital Units will also be diluted proportionately. Additionally, the Manager may also provide that the failure of a Capital Member to purchase Additional Capital Units, as requested by the Manager, will result in the loss of all such Capital Member’s voting and approval rights under the LLC Agreement.

### **Rights, Powers and Duties of Manager**

Subject to the right of the Class Members to vote on specified matters (see above), the Manager will have complete charge of the business of the Company. The Manager is not required to devote its full time to Company affairs or to devote any portion of its time to any particular Class but only such time as is reasonably required for the conduct of such business. The Manager acting alone, through any one of its authorized officers, has the power and authority to act for and bind the Company.

### **Cash Distributions**

Cash distributions will be made by the Company to the Members of a Real Estate Class (after payment of all Company expenses attributable to the Class, including all accrued unpaid fees and compensation to the Manager (see “Compensation to Manager and Its Affiliates”)) as either (1) Cash Flow from Operations or (2) Sale or Refinancing Proceeds.

(1) Cash Flow from Operations shall be distributed (i) first, 100% to the Additional Capital Members of the Class (if any) until they have received a full return of all capital paid for Additional Capital Units in the Class plus any

applicable preferred return thereon; and (ii) thereafter, 70% to the Class Capital Members in accordance with their percentage interests and 30% to the Manager.

(2) Sale or Refinancing Proceeds shall be distributed as follows: (i) first, 100% to Additional Capital Members of the Class (if any) until they have received aggregate distributions of any kind (whether from Cash Flow from Operations or Sale or Refinancing Proceeds) during the term of the Company sufficient to return all capital paid for Additional Capital Units in the Class plus any applicable preferred return thereon; (ii) second, to the Capital Members in the Class until they have received aggregate distributions sufficient to return their entire invested capital in the Class, plus a cumulative non-compounded return of 8% per annum on such invested capital; and (iii) thereafter, 70% to the Class Capital Members in accordance with their percentage interests and 30% to the Manager.

### **Profits and Losses**

Profits and losses for income tax purposes will be allocated in substantially the same manner as cash distributions (other than sums representing a return of capital), although the year in which such allocations occur will probably be different from the year in which corresponding cash distributions are made.

Upon transfer of Units (if permitted under the LLC Agreement and applicable law), taxable profit and loss will be allocated to the transferee beginning with the next succeeding calendar month.

### **Accounting and Reports**

The Manager shall provide to the Members, within 90 days after the end of the year, such detailed information as is reasonably necessary to enable them to complete their own tax returns. Any Members may inspect the books and records of the Company at reasonable times.

### **Amendment of the Agreement**

The LLC Agreement may be amended by the Manager alone with respect to the creation of new membership Classes and the admission of additional Members. The Manager may also unilaterally make any amendments that have no material effect on the existing rights of Members in existing Classes. Any other amendment requires the consent of a Majority Interest of the Class Members of each Class that is materially affected by the proposed amendment.

### **No Withdrawal from Company**

A Member has no right to withdraw from the Company or to obtain the return of all or any portion of their invested capital until dissolution and termination of such Member's Class or the Company.

### **Limitations on Transferability**

The LLC Agreement places substantial limitations upon transferability of Units. No Unit may be transferred, and a transferee may not become a substituted Member without the consent of the Manager, which may be granted or withheld in the Manager's sole and absolute discretion. (See "Terms of the Offering – Restrictions on Transfer.") Sale or transfer of Units is also restricted by applicable state and federal securities laws.

### **Term of Classes and Company**

Each Class will continue until the Property relating to that Class is sold or otherwise disposed of by the Company, at which time all Units of that Class will be redeemed and terminated. The term of the Company will continue until dissolved upon the earliest of: (i) the sale of all or substantially all of the Company assets and termination of all Classes; (ii) the election of the Manager; or (iii) entry of a decree of judicial dissolution.

## **Winding Up**

Neither the Company or any Class thereof will be terminated upon the occurrence of an event of dissolution, but shall continue until its affairs have been wound up. Upon dissolution of the Company or a Class of the Company, the Manager will wind up its affairs by liquidating its remaining assets as promptly as is consistent with obtaining the fair current value thereof. All funds received by the Company shall be applied and promptly distributed in accordance with the LLC Agreement and the Act.

## **PLAN OF DISTRIBUTION**

The Units will be offered and sold by the Company on a “best efforts” basis, with respect to which no commissions or fees will be paid to the Manager or its Affiliates. There is no firm commitment to purchase any Units, and there is no assurance that the full amount of this offering will be received in the form of cash subscriptions.

## **LEGAL MATTERS**

The Company has retained legal counsel to advise it and the Manager in connection with the preparation of this Memorandum, the LLC Agreement, as well as the offer and sale of the Units offered hereby. Such counsel has not been retained to provide legal services in connection with the purchase of the Property or the negotiation or closing of any Purchase Transaction. Company counsel has not represented the interests of investors or Class Members in connection with the Units offered hereby. Investors purchasing Units that wish to obtain the benefit of review by legal counsel on their behalf must retain their own attorneys to do so.

**EXHIBIT A**

**INVESTMENT PACKAGE**

*[See attached Property Investment Bulletin and related documents]*

**EXHIBIT B**

**LIMITED LIABILITY COMPANY AGREEMENT**

**EXHIBIT C**

**SUBSCRIPTION AGREEMENT**