PRIVATE PLACEMENT MEMORANDUM | **ACCREDITED INVESTORS ONLY**

BLACKBURNE & BROWN EQUITY PRESERVATION FUND, LLC

$726,000 of membership interest units of the following Company Class ("Units"):

Offered Class:

Class ID:	Unit Purchase Price:	Minimum investment:
Class 2018-04 LIC	$1.00 per Unit	$20,000

Loan Investment:

REAL ESTATE SECURED LOAN	
Loan Amount:	$726,000
Borrower:	Streamline Management, LLC, a Colorado limited liability company
Security Property:	10030 W. 27th Avenue, Wheat Ridge, CO 80215
Note Rate / Yield:	12.9% / 11.0%

CLASS UNITS ARE SUBJECT TO ADDITIONAL CAPITAL CONTRIBUTION REQUIREMENTS THAT, IN THE EVENT OF A DEFAULT UNDER THE LOAN INVESTMENT ACQUIRED BY THE OFFERED CLASS, MAY REQUIRE INVESTORS TO CONTRIBUTE ADDITIONAL AMOUNTS TO PROTECT THE VALUE OF THE LOAN INVESTMENT. FAILURE TO PAY SUCH AMOUNTS (IF ANY) MAY RESULT IN A LOSS OF THE INVESTOR'S VOTING RIGHTS AND THE SUBORDINATION OF THE INVESTOR'S DISTRIBUTIONS TO THE RETURN OF THE ADDITIONAL AMOUNTS CONTRIBUTED BY OTHER INVESTORS, PLUS A PRIORITY RETURN THEREON OF UP TO THE SECURED NOTE RATE PLUS SEVEN AND ONE-HALF PERCENT (7.5%). (See "Description of the Units – Loan Default and Additional Capital Call Requirements" and "Risk Factors – Risks Related to the Ownership of Units.")

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 REGULATORY AUTHORITY IN ANY 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.

THE UNITS OFFERED HEREIN 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; AND (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.

Manager:
Blackburne & Sons Realty Capital Corporation
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Sacramento, California 95841
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The date of this Memorandum is November 16, 2018

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. 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 LOAN INVESTMENT BEING MADE BY THE OFFERED CLASS 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.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
SUMMARY OF THE OFFERING	1
INVESTOR SUITABILITY STANDARDS	6
TERMS OF THE OFFERING	8
DESCRIPTION OF THE COMPANY	10
DESCRIPTION OF THE INVESTMENT	11
FIDUCIARY RESPONSIBILITY OF THE MANAGER	23
OPERATIONS TO DATE	24
THE MANAGER AND ITS AFFILIATES	25
COMPENSATION TO MANAGER AND ITS AFFILIATES	27
CONFLICTS OF INTEREST	30
RISK FACTORS	33
FEDERAL AND STATE INCOME TAX CONSIDERATIONS	44
SUMMARY OF LIMITED LIABILITY COMPANY AGREEMENT	47
PLAN OF DISTRIBUTION	51
LEGAL MATTERS	51

EXHIBITS:

EXHIBIT A LOAN PACKAGE
EXHIBIT B LIMITED LIABILITY COMPANY AGREEMENT
EXHIBIT C SUBSCRIPTION AGREEMENT

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" established by the Manager to acquire each such investment (each, a "**Company 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 has been formed to invest in the Loan Investment described herein, only, and investors will have no rights with respect to any other Company Class or the Real Estate Investments or Loan Investments held thereby.

Loan Package

The specific Loan Investment that will be acquired by the Offered Class (the "**Loan**" or "**Offered Loan**") is summarized on the cover page to this Memorandum and further described in the Loan Investment Bulletin attached as Exhibit A, hereto (together with all information and documentation included therewith, the "**Loan Package**"). The Loan will be made to a third party borrower (the "**Borrower**"), and will be evidenced by a promissory note (the "**Secured Note**"). The Secured Note will be secured by a first mortgage or deed of trust (the "**Security Instrument**") encumbering developed or undeveloped real property located within the United States (the "**Security Property**"). The Secured Note, Security Instrument and all other documents entered into in connection with the Loan are referred herein as the "**Loan Documents**." The Loan Package attached as Exhibit A contains detailed information regarding the Loan amount, the identity of the Borrower details regarding the Security Property and any additional risks, disclosures and other considerations specific to the Loan Investment that will be acquired by the Offered Class. ***Potential investors should read this Memorandum, including the Loan Package and all other exhibits hereto in their entirety prior to investing.***

The performance of the Offered Class will be entirely dependent on the performance of the Loan Investment described in the Loan Package and involves a high degree of risk. ("See, "Risk Factors.") Moreover, investors may be subject to additional capital calls in the event of a default by the Borrower on the Loan. An investor's failure to contribute their pro rata share of any such amounts may result in a loss of the investor's voting rights and the subordination of the investor's distributions to the return of the additional amounts contributed by other investors, plus priority returns thereon. (See "Terms of the Offering – Additional Capital Calls and Member Subordination" and Description of the Units – Additional Capital Requirements.") Consequently, the purchase of Class Units is only suitable for experienced investors that have assessed the risks of this investment in light of their own personal financial situation, liquidity needs and investment objectives. (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 Loan Investment 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.***

Cannabis Loans

The Loan Investment may be a loan made for the purpose of financing a cannabis related business operating in reliance upon state laws legalizing medical and recreational cannabis in California or other states (the "**Cannabis**

Loans"). Cannabis Loans may be made by the Offered Class: (i) directly to a cannabis related business (a "**Cannabis Operator**") to fund the acquisition, refinancing or development of commercial, industrial or agricultural properties used to grow or dispense cannabis, or to manufacture cannabis related products; or (ii) to a non-Cannabis Operator seeking to acquire, refinance or develop properties for lease or sale to one or more Cannabis Operators for such uses. If the Loan Investment is a Cannabis Loan, Blackburne has taken reasonable actions to ensure that the Cannabis Operator related to the Cannabis Loan (whether the Borrower or otherwise) is operating legally and in accordance with current state, county and city regulations applicable to such operations; however, there is no guaranty potential violations of such laws will not go undetected at the time the Loan Investment is made or that violations will not occur thereafter. Moreover, even if the Cannabis Operator operates in full compliance with all applicable state laws, Cannabis Operators may nonetheless be subject to federal prosecution or forfeiture under the federal Controlled Substances Act which makes it illegal to manufacture, distribute or dispense cannabis. Consequently, ***CANNABIS RELATED LOANS INVOLVE SIGNIFICANT ADDITIONAL RISKS NOT ASSOCIATED WITH OTHER NON-CANNABIS RELATED INVESTMENTS AND ARE NOT SUITABLE FOR CERTAIN INVESTORS. IF THE LOAN INVESTMENT THAT WILL BE MADE BY THE OFFERED CLASS IS A CANNABIS LOAN IT IS CLEARLY INDICATED IN THE LOAN PACKAGE AND THE CLASS SCHEDULE AND THE LOAN PACKAGE INCLUDES A SECTION ENTITLED "RISKS AND OTHER CONSIDERATIONS RELATED TO CANNABIS LOANS." POTENTIAL INVESTORS IN ANY OFFERED CLASS THAT WILL ACQUIRE A CANNABIS LOAN AS ITS LOAN INVESTMENT SHOULD READ AND UNDERSTAND THESE RISKS THOROUGHLY BEFORE INVESTING IN THE OFFERED CLASS AND SHOULD CONSULT THEIR OWN LEGAL COUNSEL AND INVESTMENT ADVISORS WITH RESPECT TO THESE RISKS TO DETERMINE IF AN INVESTMENT IN THE OFFERED CLASS IS APPROPRIATE FOR THEIR PARTICULAR SITUATION.***

Loan Servicing Agreement

In addition to being responsible for managing the Company and the Company Class in accordance with the terms and conditions set forth in the LLC Agreement, Blackburne will act as the loan servicer for the Company Class pursuant to the terms of the Loan Servicing and Equity Agreement included in the Loan Package attached as Exhibit A, hereto (the "**Loan Servicing Agreement**"). The Loan may be fully funded by the Class (a "**Fully Funded Loan**") or a fractionalized loan ("**Fractionalized Loan**") funded, in part, by the Class and, in part, by one or more third party lenders ("**Third Party Lenders**"). If the Loan is a Fractionalized Loan, the Class will own an undivided fractional interest in the Loan (a "**Fractional Interest**") together with one or more Third Party Lenders which will be equal to the total percentage of the Loan principal funded by the Class ("**Percentage Share**"). If the Loan is a Fractionalized Loan, the right of the Class to receive Loan proceeds and its right to approve matters subject to lender consent under the Loan Servicing Agreement will be based upon the Class' Percentage Share in the Loan. (See "Loan Servicing – Loan Servicing & Lender Approvals.") If the Loan is a Fully Funded Loan the Class will be the sole lender on the Loan and the Class' Percentage Share will be 100% and the Class will have the right to receive 100% of the amounts payable under the Loan Documents and will have the sole right to approve matters subject to lender consent under the Loan Servicing Agreement. (See "Loan Servicing – Loan Servicing and Member Approvals.") For the purposes of this Memorandum, references to the "**Lenders**" on the Loan refers to either the Class, alone, in the case of a Fully Funded Loan or to the Class and the Third Party Lenders on a Fractionalized Loan. Moreover, references to the Class' "**Fractional Interests**" means the Class' Percentage Share in the Loan. Whether the Loan Investment offered hereby is a Fully Funded Loan or a Fractionalized Loan is set forth in the Loan Package attached as Exhibit A, hereto.

Loan proceeds received from the Borrower by Blackburne will be distributed to the Company and any Third Party Lenders in accordance with the terms and conditions of the Loan Servicing Agreement. Unless there is a payment default under the Loan, monthly Loan proceeds will be distributed to the Class and any Third Party Lenders in accordance with their Fractional Interests and only after deduction of the Class' Percentage Share of monthly Loan servicing fees payable under the Loan Servicing Agreement. (See "Loan Servicing – Pre-Default Distributions.") The Class' Percentage Share of such net income (less any deductions for Class level expenses) will thereafter be distributed to the Members of the Class pro rata based upon the relative number of Units held by each such Member. (See "Description of the Units – Member Distributions Prior to Default.")

Servicing Assessments & Additional Capital Requirements

Pursuant to the Loan Servicing Agreement all Loan Expenses are payable by the Lenders on the Loan, including the Company Class to the extent of its Percentage Share in the Loan. (See "Loan Servicing – Loan Expenses" for the definition of the term "**Loan Expenses**.") Moreover, to the extent Loan Proceeds or Property Proceeds are insufficient to pay such Loan Expenses, Blackburne may require the Lenders to pay their pro rata share of such amount pursuant to certain assessment procedures outlined in the Loan Servicing Agreement (a "**Servicing Assessment**"). Failure of a Lender (including the Class) to pay such Lender's Servicing Assessment, in full, may result in the subordination of such Lender's distribution rights to the rights of the Lenders and in the loss of the Lender's right to vote on enforcement matters under the Loan Servicing Agreement. (See "Loan Servicing – Distributions to Lenders Under Loan Servicing Agreement.")

In order to address potential Servicing Assessments under the Loan Servicing Agreement, Class Members may be subject to additional capital calls under the LLC Agreement to fund amounts payable by the Class as a Servicing Assessment or for other Class purposes (an "**Additional Capital Call**"). Members that fail to pay their share of any Additional Capital Call may also have their right to receive distributions of Class income and capital subordinated to other Class Members and the right of such Members to receive an additional priority return on their contributions. (See "Description of the Units – Additional Capital Call Requirements.") Such subordination (together with the subordination of any portion of the Class' interest under the Loan Servicing Agreement) would significantly affect a non-contributing Member's returns and could result in the loss of all or a portion of such Member's investment. (See "Risk Factors – Risks Related to the Ownership of Units.")

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 Loan 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 Loan 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 Loan 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 Loan 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 Loan Package, the information contained in the Loan Package shall be controlling. Persons who purchase the Offered Units are referred to herein as the "**Members**" or "**Class Members**."

Objectives of the Class………………….	The objectives of the Class are: (i) to fund the Loan Investment; and (ii) to provide the Class investors with the opportunity to receive monthly interest distributions and the return each Class member's invested capital upon repayment of the Loan at maturity. There is no guaranty these objectives will be met.

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 principal amount of the Loan. The minimum and maximum amounts for the Loan Investment offered hereby are set forth in the Loan Package. (See "Loan Package – Summary of Loan Terms.")
Additional Capital Contribution Requirements……………………………	Class Members may be subject to additional capital calls in the event of a default by the Borrower, in which case Class Members may be required to contribute additional sums in excess of the amounts paid to purchase Units. Investors that fail to pay their share of such amounts will be subject to the subordination of their investment to the rights of those Investors that pay their assessed amounts plus an additional preferred return thereon. Such Investors will also automatically lose their voting rights and any right to direct future actions taken in connection with the Loan. (See "Terms of the Offering – Additional Capital Calls and Member Subordination," "Risk Factors – Risk Related to the Ownership of Units")
Compensation to Manager	The Manager and its affiliates will receive substantial compensation in connection with arranging and servicing the Loan and the management of the Company Class. (See "Compensation to Manager and Its Affiliates.")
Distributions	Provided no payment default has occurred, net interest and principal payments received by the Company, after deduction of (all monthly servicing fees payable to Blackburne under the Loan Servicing Agreement and any Class expenses) will be distributed to the Class Members, pro rata based upon the relative Units held. Net interest distributions received under Loan Servicing Agreement will be made on a monthly basis and net principal received from the Borrower will be distributed to the Class Members within twenty five (25) days of the Company's receipt thereof. If a payment default by the Borrower occurs that requires enforcement actions to be taken, all post-default proceeds received by Blackburne (whether from the Borrower any guarantor or the proceeds of the operation or sale of the Security Property) will first be distributed under the Loan Servicing Agreement to Blackburne in an amount equal to all accrued and unpaid servicing fees, management fees or unpaid protective advances made by Blackburne pursuant to the Loan Servicing Agreement, together with accrued interest thereon at a rate of up to the amount payable by the Borrower under the Secured Note plus 7.5% per annum. Unless Loan is a Fractional Loan and the Class has failed to pay its full share of any Lender assessments due under the Loan Servicing Agreement, all payments received in excess of the amounts payable to Blackburne will thereafter be distributed to the Class Members in accordance with the terms and conditions of the LLC Agreement (including, to the extent applicable, provisions that subordinate the rights of Members that fail to make additional capital contributions

required by the Manager to both (i) the rights of "Priority Members" that make their own additional capital contributions; and (ii) "Super-Priority Members" that make their own additional capital contributions as well as a share of the capital contributions unfunded by the defaulting Members. (See "Terms of the Offering – Additional Capital Calls and Member Subordination;" "Description of the Units – Distributions of Loan Proceeds Following Default" and "Compensation to the Manager and its Affiliates.")

If the Loan is a Fractional Loan and the Class has failed to pay its full share of any Lender assessments due under the Loan Servicing Agreement, the rights of the Class to payments received in excess of the amounts payable to Blackburne under the Loan Servicing Agreement may be subordinated to the rights of any "Priority Lenders" or "Super-Priority Lenders" that cover the Class' assessment with only the remaining proceeds (if any) being distributed to Class Members under the provisions of the LLC Agreement described above. (See "Description of the Units – Loan Default and Loan Assessments.")

Term of the Class...................................... It is anticipated that the Class will be dissolved at the end of the Loan term set forth in the Loan Package; however, the term may be extended for up to six (6) months by the Manager and longer with the approval of a Class Majority. Moreover, if an event of default should occur, the term of the Class will continue through foreclosure and the sale of the Security Property or the conclusion of any other enforcement actions taken by the Class. Consequently, the anticipated term of the Class periods will vary depending on the term of the Loan and the performance of the Borrower under the Loan and the sale of the Security Property. (See "Loan Package – Term of the Loan.") Class Members will have no right to withdrawal their invested capital prior to the conclusion of such actions 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 repayment of the Loan and dissolution of the Class, which may be extended beyond the Loan term in the event of a Loan Default. 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.") Consequently, 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 Real Estate Investment or Loan Investment acquired by the Company for that Class, only. Additionally, the debts, liabilities, and obligations arising from the Real Estate Investment or Loan Investment

held by 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.

<u>Verification of Accredited Status</u>

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) <u>Documentation of Assets</u>. 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) <u>Documentation of Liabilities</u>. 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 Class of Units offered to investors hereby and the Loan Investment being acquired by the Class are set forth in the Investment Package. (See "Loan 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 Loan Package; however, the Manager may accept subscriptions in lesser amounts in its discretion. (See "Loan 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 Loan described in the Investment Package is funded and closed. The Minimum Capitalization Amount will be based upon the principal amount of the Loan and is set forth in the Loan Package. The Manager has negotiated the preliminary terms for the Loan, which are set forth in the Loan 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 if and when the Loan is closed.

Only upon closing of the Loan 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 between when the Manager accepts subscriptions and when the Loan is closed. During this period, proceeds from the sale of Units may be held by the Manager for the account of Class investors into either a non-interest bearing subscription account (the "**Subscription Account**") or deposited in the Loan escrow until subscription funds are required by the Manager to close the Loan. In addition, at any time after receiving or accepting investor subscriptions and prior to the issuance of 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.

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 Calls and Member Subordination

Pursuant to the Loan Servicing Agreement all Loan Expenses (as defined in the Loan Servicing Agreement) are payable by the Lenders on the Loan, including the Company Class to the extent it is the sole Lender or one of many such Lenders. (See "Description of the Loan Investment – Loan Investment Types") Moreover, to the extent Loan Proceeds or Property Proceeds are insufficient to pay such Loan Expenses, Blackburne may require the Lenders to pay their pro rata share of such amount pursuant to certain assessment procedures outlined in the Loan Servicing Agreement (a "**Servicing Assessment**"). In order to address potential Servicing Assessments under the Loan Servicing Agreement, Class Members may be subject to additional capital calls to fund any amounts that would otherwise be payable as a Servicing Assessment in connection with the Loan.

If any Member fails to pay his or her pro rata share of a capital call when demanded by Blackburne (each, a "**Defaulting Member**"), the Defaulting Member will *immediately and automatically* lose his, her or its voting rights under the LLC Agreement and shall immediately and automatically have such Defaulting Member's right to the return of his, her or its investment, or any return thereon, subordinated to the priority rights of all of the Priority Members to the full amount of the their Priority Return AND the full return of each Priority Lender's Invested Interest. (See "Description of the Units – Loan Defaults and Additional Capital Calls.")

Moreover, the failure of a Defaulting Member to pay his, her or its delinquent share of an Additional Capital Call, plus interest thereon at the Delinquent Rate, within 60 days of the deadline to pay such assessment will automatically result in each such Defaulting Member: (i) permanently losing all voting rights granted to such Member under the LLC Agreement: (ii) permanently losing any right to pay their pro rata share of the Additional Capital Call amount, which delinquent share may be paid by the other Members in exchange for certain super-priority rights discussed herein; (iii) permanently and irrevocably having his, her or its right to Class distributions subordinated to the rights of the such Members to full payment of their invested capital and a priority return thereon *AND* (iv) permanently and irrevocably having his, her or its right to Class distributions further subordinated to the rights of any Super-Priority Members to full payment of certain Super-Priority Returns and the full return of their invested capital. (See "Description of the Units – Loan Defaults and Additional Capital Calls;" and "Risk Factors - Risks Related to the 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 Units, 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 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 15 separate Company Classes 12 of which were formed to own Real Estate Investments and three of which were formed to own Loan Investments. Of these 15 Company Classes, only 4 Classes (one Real Estate Class and three Loan Investment Classes) have been formed since the 2014 conversion of the offering to a private placement and only two Loan Investment Classes remain (the "**Existing Classes**"). (See "Operations to Date.") (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 or for profits and losses, are attributable to and derived from the Real Estate Investment or Loan Investment owned by the 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 First Amended and Restated LLC Agreement for the Company dated May 9, 2017 a copy of which is attached hereto as Exhibit B. Prior to amending and restating the Company's limited liability company in 2016, the Company was governed by a prior 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 Investment 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.

Other than the Existing Classes that formed prior to 2015 which formed to acquire agricultural properties, all Company Classes will be formed to purchase a single improved 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 Loan Investments and general information about Loan Investments themselves are provided in the following sections. Such information is a summary of the terms and conditions applicable to Loan Investments only. The details with respect to the Loan Investment being acquired by the Offered Class is set forth in the Loan Package which should be read in its entirety prior to purchasing Units.

Management and Loan Servicing

The Company and each Company Class will be managed by the Manager which will be entitled to compensation from each Company Class including a brokerage fees for arranging the Loan on behalf of the Company Class and any Third Party Lenders (if applicable). (See, "Description of the Loan Investment.") The Manager will also service the Loan on behalf of the Company Class (and in the case of a Fractionalized Loan, any Third Party Lender) pursuant to the terms of the Loan Servicing and Equity Interest Agreement included in the Loan Package. (See, "Loan Servicing.")

DESCRIPTION OF THE UNITS

Units represent an interest in the Class of Membership Interest of the Company that will be created by the Manager for the purpose of funding the Loan identified in the Loan 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 Loan Package and only if the Loan is closed. (See "Loan 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 Loan, 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.")

The primary purposes of the Offered Class are to (i) fund the Loan Investment with the proceeds of this offering of Units; (ii) make monthly payments of Net Interest Income to the Class Members; and (iii) return Class Members' invested capital upon repayment of the Loan at maturity. There is no guaranty any of these objectives will be met.

In addition to serving as the manager of the Class, Blackburne will serve as the loan servicing agent for the Class and any other Lenders acquiring interests in the Loan (if any) pursuant to the Loan Servicing Agreement. (See "Description of the Loan Investment – Types of Loan Investments" and "Loan Servicing.") In the event the Borrower defaults under the terms of the Loan documents, Blackburne is authorized under the Loan Servicing Agreement to take any action deemed necessary to enforce the Loan documents subject only to the right of the Lenders under the Loan Servicing Agreement to approve certain actions provided for therein. Any actions subject to approval by the Company, as a Lender, under the Loan Servicing Agreement will be determined by Class Members holding a majority of the outstanding Class Units (a "**Class Majority**") and the Manager is authorized to act for the Class under the Loan Servicing Agreement on any matters approved by a Class Majority. Units of Defaulting Members (as defined below) that, as of any date, have lost their voting rights for failure to make Additional Capital Contributions required by the Manager will not be considered for the purposes of calculating the Class Majority for this purpose. Consequently, the Manager may be authorized to take any action approved by a Class Majority notwithstanding the objections of a Class Member or group of Class Members holding less than 50% of the total Class Units and notwithstanding the fact that the Class Majority may represent less than 50% of all of the outstanding Units held by all Members of the Class. (See "Risk Factors – Risks Related to the Ownership of Units.") In the event of a deadlock vote among the Class Members (i.e., a vote of exactly 50% for and 50% against any action subject to vote) the Manager shall have the right to determine and take either of the proposed actions that are the subject of the deadlock.

Distributions Prior to Default

The Class will earn income from interest payments made by the Borrower on the Loan. Pursuant to the Loan Servicing Agreement, provided no event of default has occurred under the Loan, the Class' share of all payments received by Blackburne, as the loan servicer, will be distributed to the Class after deduction of the Class' share of loan servicing fees payable to Blackburne and any loan expense reserves retained in accordance with the Loan Servicing Agreement ("**Net Interest Income**"). Net Interest Income received by the Company will thereafter be distributed to the Class Members on a monthly basis pro rata based upon the relative number of Units held by each Class Member after deduction of Class expenses (if any) payable by the Class. (See "Compensation to the Manager and its Affiliates" and "Summary of the Limited Liability Company Agreement.") Any unpaid principal received by the Company from the Borrower at the end of the Loan term or otherwise shall be distributed to the Class Members within twenty five (25) days of the Company's receipt thereof. Upon receipt and distribution of all interest and principal payable under the Loan, the Company Class will be dissolved and terminated by the Manager.

Loan Defaults & Loan Servicing Assessments

Under the Loan Servicing Agreement Fractional Interests are assessable securities. This means that, to the extent the Loan Proceeds or Property Proceeds (as such terms are defined, below) are insufficient to pay expenses required to service the Loan or manage the Security Property following foreclosure (or other transfer of the Security Property), Blackburne may require the Lenders (including the Class) to pay such expenses pursuant to the assessment procedures outlined in the Loan Servicing Agreement. (See "Loan Servicing – Loan Assessment Provisions.") For this purpose, the term "**Loan Proceeds**" means all payments of principal and interest (including default interest), late charges or any other amounts payable to the Lenders by the Borrower or any guarantor under the Loan Documents which are collected by Blackburne prior to a Transfer of the Security Property. The term "**Property Proceeds**" means all proceeds collected by Blackburne from the Security Property or any third party guarantor following a transfer of title to the Lenders (or a Transfer Entity as defined in Loan Servicing Agreement), including, without limitation, all rental income or other proceeds derived from the operations of the Security Property, any insurance proceeds from damage or destruction of the Security Property not applied to repair or reconstruct same, any condemnation proceeds and any proceeds resulting from the sale or refinancing of the Security Property.

If the Loan is a Fully Funded Loan, the Class will be responsible for 100% of any Servicing Assessments made under the Loan Servicing Agreement. If the Loan is a Fractionalized Loan, the Class will be responsible for its pro rata share of any Servicing Assessments made under the Loan Servicing Agreement based upon the amount of the Loan funded by the Class relative to the other Third Party Lenders. Any Servicing Assessment amounts payable by the Class under the Loan Servicing Agreement will, in turn, be payable by the Members in accordance with the additional capital call provisions described below. If the Loan is a Fractionalized Loan, the failure of the Members to fully fund any Assessment under the Loan Servicing Agreement may result in the subordination of the rights of the Class (as a whole) to distributions of Loan Proceeds and Property Proceeds to the priority rights and super-priority rights of any Third Party Lenders that fund the assessed amounts. (See "Loan Servicing")

Additional Capital Call Requirements

If, at any time, the Manager determines in its sole discretion, that the Loan Proceeds or Property Proceeds are insufficient to pay any fees or costs required to service the Loan on behalf of the Class (including paying any Servicing Assessment amounts provided for in the Loan Servicing Agreement) then Blackburne may require the Lenders to pay their pro-rata share of such amounts by complying with the capital call provisions outlined in the LLC Agreement (an "**Additional Capital Call**"). The costs and expenses which may be subject to an Additional Capital Call include, without limitation: (i) the costs incurred (or to be incurred) for any Protective Actions under the Loan Servicing Agreement and deemed necessary by Blackburne or the reimbursement of Blackburne for any accrued but unpaid Protective Advances previously made by the Manager on behalf of the Class or the Lenders on the Loan; (ii) to pay any accrued but unpaid Servicing Fees payable to Blackburne pursuant to the terms of the Loan Servicing Agreement; (iii) to pay any accrued but unpaid Management Fees payable to Manager pursuant to the terms of the Loan Servicing Agreement; and (iv) to pay any other amount subject to assessment under the Loan Servicing Agreement. (See "Loan Servicing" and "Compensation to the Manager and its Affiliates.")

An additional Capital Call may be made by the Manager at any time by giving written notice (a "**Capital Call Notice**") to the Class Members setting forth (i) the total amount required in connection with the Additional Capital Call (the "**Capital Call Amount**"); (ii) the purpose of the Additional Capital Call; (iii) each Class Member's pro rata share of the Capital Call Amount based upon the relative Units held by each Class Member as of the date of the Capital Call Notice (each Class Member's "**Capital Call Share**"); and (iv) the date the Member's Capital Call Share amount is due, which may not be less than ten days following the date of the Capital Call Notice (the "**Capital Call Due Date**").

Loss of Voting Rights and Subordination of Defaulting Members

If any Class Member fails to pay his, her or its Capital Call Share by the Capital Call Due Date (each, a "**Defaulting Member**"), the Defaulting Member will *immediately and automatically* lose his, her or its voting rights under the LLC Agreement and shall immediately and automatically have such Defaulting Member's right to the return of his, her or its investment, or any return thereon, subordinated to the priority rights of all Non-Defaulting Members

("**Priority Members**") to the full amount of the their additional capital contributions plus a return thereon (the "**Priority Return**") equal to the Priority Return Rate set forth in the Loan Package (the "**Priority Return Rate**").

Sixty Day Reinstatement Right

Defaulting Members will have 60 days from the Capital Call Due Date to restore such Member's voting rights and payment priorities by paying the entire delinquent Capital Call Share plus interest accrued thereon at the lesser of: (i) the rate payable on the Loan plus 7.5%; or (ii) the maximum interest rate allowed by law (the "**Delinquent Rate**") and the failure of a Defaulting Member to do so will result in the *permanent and irrevocable* loss of such Lender's voting rights and the *permanent and irrevocable* subordination of the Defaulting Member's distribution rights to the rights of the Priority Members. The loss of a Defaulting Member's voting rights and the subordination of a Defaulting Members interest in distributions may severely affect the value of such Member's Units and the ability of the Defaulting Member to receive the return of his, her or its investment in Units. (See "RISK FACTORS – Risks Related to the Ownership of Units.")

Default Capital Calls and Super Priority

If any Defaulting Member fails to pay its pro rata share of an Additional Capital Call within the 60-day period described above, then, in order to make up the amount of the Additional Capital Call not paid by the Defaulting Members, the Manager may offer each of the Priority Members the right to pay the remaining amount of the additional Capital Call (a "**Default Contribution**") which the Priority Members shall have the right to pay their pro rata share of any Default Units based upon the relative Units of the Priority Members (without reference to the Defaulting Members). Each Priority Member that pays his, her or its share of a Default Contribution (the "**Super-Priority Members**") shall be entitled to the return of their share of the Default Contribution paid, plus interest thereon (each Super-Priority Member's, "**Super-Priority Return**") at the Super-Priority Return Rate set forth in the Loan Package (the "**Super-Priority Return Rate**") prior to any distributions of Loan Proceeds or Property Proceeds to the Defaulting Members and any Priority Members' that fail to pay their Default Contribution share. Additionally, the Super-Priority Members will be entitled to receive distributions equal to their entire invested capital following distributions of the Priority Amounts of the Priority Members but prior to the Priority Member's right to receive their applicable invested capital and the Investment Capital of the Defaulting Members. (See "Distributions of Proceeds Following Default," below.)

Priority Returns and Super-Priority Returns (if any) are calculated solely for the purpose of determining distribution priorities payable to the Priority Members and the Super-Priority Members discussed above and does not represent a set return payable to any investor. Units are not guaranteed by Blackburne or any other party and investor returns are payable solely from any Loan Proceeds or Security Property Proceeds collected by Blackburne and distributed to the investors pursuant to the LLC Agreement. The subordination of an investor's right to distributions to the interests of the other Members may drastically affect the ability of such investor to receive the return of his, her or her investment. (See "Risk Factors – Risks Related to Ownership of Units.")

Distributions of Loan Proceeds and Property Proceeds

In the event of a Loan default, the Manager, all Loan Proceeds or Property Proceeds collected by the Blackburne will first be distributed to Blackburne under the Loan Servicing Agreement in an amount equal to all accrued and unpaid Servicing Fees, Management Fees, and unpaid Protective Advances made by the Manager and any other fees reimbursements or other amounts payable to Blackburne, as the loan servicer, pursuant to the Loan Servicing Agreement, together with accrued interest thereon at the Delinquent Rate. Thereafter, any Loan Proceeds or Property Proceeds distributed to the Class under the Loan Servicing Agreement will be distributed to the Class Members as follows:

(a) *first*, to the Super-Priority Members, in relative proportion to their total Default Contributions, until each Super-Priority Member has received distributions equal to the full amount of their Super-Priority Return;

(b) *second*, to the Priority Members, in relative proportion to the total pro rata Default Contributions amount paid by each Priority Member, until each Priority Member has received the return of their full Priority Return;

(c) *third*, to the Super-Priority Members, in accordance with their relative Default Contributions, until each Super-Priority Member has received their entire unpaid invested capital;

(d) *fourth*, to the Priority Members, in accordance with their relative additional capital amounts paid, until each Priority Member has received their entire unpaid invested capital;

(e) *fifth*, to the Defaulting Members, in proportion to their relative Units until the Defaulting Members have received their unpaid invested capital; and

(f) *Thereafter*, to the Members in accordance with their relative Units.

If the Loan is a Fractional Loan and the Class has failed to pay its full share of any Lender assessments due under the Loan Servicing Agreement, the rights of the Class to payments received in excess of the amounts payable to Blackburne under the Loan Servicing Agreement may be subordinated to the rights of any "Priority Lenders" or "Super-Priority Lenders" that cover the Class' assessment with only the remaining proceeds (if any) being distributed to Class Members under the provisions of the LLC Agreement described above. (See "Loan Servicing – Distributions to Lenders Under Loan Servicing Agreement.")

DESCRIPTION OF THE LOAN INVESTMENT

Blackburne has applied the following standards and policies in underwriting the Loan, except as otherwise indicated in the Loan Package, which contains detailed information concerning the terms of the Loan, the Security Property and the Borrower. The Loan Package (Exhibit A) and the documents attached thereto contain the authoritative description of the Loan being acquired by the Offered Class and in the event of any conflict or inconsistency between this Memorandum and the Loan Package, the Loan Package shall be controlling.

Types of Loan Investments

The Loan Investment may be an investment in a new loan that is originated by the Class to the underlying Borrower or a purchase or hypothecation of an existing Loan. The Loan is secured by a mortgage or deed of trust (referred to collectively herein as the "**Security Instrument**") encumbering the Security Property or by other promissory notes that are themselves secured by deeds of trust or mortgages on the Security Property ("**Hypothecated Notes**"). See the Loan Package attached as Exhibit A, hereto, for a description of the terms of Loan, the Borrower and the nature of the security for the Loan (i.e., the type of Security Instrument and whether the Loan is secured by a Hypothecated Note), and including the Security Property that secures the or Hypothecated Notes.

The Loan may be fully funded by the Class (a "**Fully Funded Loan**") or a fractionalized loan ("**Fractionalized Loan**") funded, in part, by the Class and, in part, by one or more third party lenders ("**Third Party Lenders**"). If the Loan is a Fully Funded Loan the Class will be the sole lender on the Loan and entitled to 100% of the amounts payable under the Loan Documents and will have the sole right to approve matters subject to lender consent under the Loan Servicing Agreement. (See "Loan Servicing – Loan Servicing and Member Approvals.") If the Loan is a Fractionalized Loan, the Class will own an undivided fractional interest in the Loan (a "**Fractional Interest**") equal to the percentage of the Loan principal funded by the Class ("**Percentage Share**"). If the Loan is a Fractionalized Loan, the right of the Class to receive Loan Proceeds and Property proceeds and its right to approve matters subject to lender consent under the Loan Servicing Agreement will be based upon the Class' Percentage Share. (See "Loan Servicing.") Whether the Loan Investment being acquired by the Offered Class is a Fully Funded Loan or a Fractionalized Loan is set forth in Loan Package attached hereto as Exhibit A.

Borrower and Loan Purpose

The identity of the Borrower and the purpose of the Loan are set forth in the Loan Package attached hereto as Exhibit A. Loans will be made for business purposes, only, which may include: (i) loans made to fund the acquisition or refinancing of a commercial or investment property by the Borrower; (ii) loans made to fund the Borrower's business operations and secured by one or more commercial or residential properties owned by the Borrower; (iii) loans made to fund the construction of improvements on the Security Property ("**Construction**

Loans"); (iv) Cannabis Loans made to a Cannabis Operator or secured by a property utilized by a Cannabis Operator; or (v) any combination of the foregoing.

If the Loan Investment is a Construction Loan or a Cannabis Loan an investment in the Offered Class involves additional risks that are described in the Loan Package attached as Exhibit A, hereto. The risks provided in the Loan Package are in addition to those described in the "Risk Factors" section of this Memorandum and, if the Loan Investment described in the Loan Package is either a Construction Loan or a Cannabis Loan, potential investors should read and understand these additional disclosures in their entirety prior to purchasing Units.

Loan Funding and Issuance of Units

The Manager has entered into a loan approval letter (the "**Approval Letter**") with the Borrower that contains certain conditions that must be satisfied before the loan is obligated to be funded. The Manager may waive one or more of these conditions and proceed to fund the Loan if it determines, in its reasonable business judgment, that the waiver of such condition(s) will not materially affect the likelihood that the Borrower will repay the Loan or the value of the property serving as security for the Loan.

When all of the conditions contained in the Approval Letter have been satisfied or waived or will be satisfied at the closing, the escrow agent for the Loan will close the Loan pursuant to escrow instructions submitted by the Manager. The escrow instructions submitted by the Manager will contain numerous conditions to Loan closing. Investors will only be admitted to the Class and issued Units at the time the Loan is closed. At such time, Loan Funds will be released from escrow and each Class Member will receive a credit to their capital account in the amount of the purchase price paid for Units.

If the Loan Investment is a Construction Loan, following the initial closing the Class' funds will be placed into a disbursement account and disbursed in accordance with a Construction Loan Agreement. If the Loan is a Construction Loan, an investor should review the Loan Package attached as Exhibit A, hereto, which outlines the additional risks and considerations relating to Construction Loans.

Principal, Interest and Term of Loan

The total principal amount of the Loan, the interest rate payable by the Borrower (the "**Note Rate**") and term of the specific Loan offered hereby are set forth in the Loan Package attached as Exhibit A hereto. The initial term of the Loan may be extended for six months by Blackburne to the extent Blackburne believes such an extension is in the best interest of the Members. Any Loan extension in excess of six months from the original maturity date or other Loan modification must be approved by a Member Majority and, if the Loan is a Fractionalized Loan, by a Lender Majority. (See "Loan Servicing – Member Approval Rights.")

Priority of Security

The Security Instrument that secures the Loan will have a first lien priority, subject to no monetary liens other than liens for taxes and assessments not yet due and payable. If the security for the Loan is Hypothecated Notes, the investors will have a first priority lien in the Hypothecated Notes.

Types of Security

The Loan (or the Hypothecated Notes, with respect to a Loan that is secured by Hypothecated Notes) will be secured by an income producing property including, without limitation, an office building, warehouse or other industrial property, a gas station, a strip shopping center or other retail property, an apartment building, a mixed-use property that combines one or more of these types of properties, or by undeveloped land. See the Loan Package attached as Exhibit A, hereto, for details on the Security Property that secures the Loan or the Hypothecated Notes. The Security Property will be located within or outside of California. The loan may also be secured by one or more

additional deeds of trust encumbering other property owned by Borrower or its affiliates where, in the reasonable judgment of Blackburne, such cross-collateralization is necessary to meet the loan-to-value ratio requirements below.

Loan-to-Value Ratios; Appraisals

If the Loan is secured by a Security Instrument, the amount of the Loan (plus, if the Loan is secured by a second Security Instrument, the amount of any senior liens) will generally not exceed a certain percentage (commonly referred to as the "loan-to-value ratio") of the appraised value of the property securing the Loan. The loan-to-value ratios for loans arranged pursuant to this offering are set forth below:

Type of Property	Loan-to-Value Ratio
(a) Improved Single-Family Residence - Non-Owner Occupied	75%
(b) Improved Commercial and Income-Producing Properties	65%
(c) New construction – Residential (as completed value)	75%
(d) New construction – Commercial (as completed value)	65%
(e) Land - single-family residentially zoned lot or parcel which has installed offsite improvements including drainage, curbs, gutters, sidewalks, paved roads, and utilities as mandated by the political subdivision having jurisdiction over the lot or parcel	65%
(f) Land - zoned for and, if required, approved for subdivision as commercial or residential development	50%
(g) Other Unimproved Land	35%

The above stated loan-to-value ratios are estimated maximums only. The loan-to-value ratio for the Loan offered hereby is set forth in Lender Purchaser Disclosure Statement included in with the Loan Package attached as Exhibit A, hereto. The value of the Security Property for determining the loan-to-value ratio will be based upon a written appraisal which will be performed by an independent appraiser certified in California or, if the Security Property is located in another state, by an independent appraiser certified or otherwise qualified by such state. The appraisal shall be dated no earlier than one (1) year before the date the Loan closes. Appraisals for Construction Loans will be prepared on an "as completed" basis, i.e., assuming that the improvements for which the Loan is obtained will be completed which involve additional risks. If the Loan is a Construction Loan, an investor should review the Loan Package attached as Exhibit A, hereto, which outlines the additional risks and considerations relating to Construction Loans.

The Loan may have a loan-to-value up to the percentages stated above and may even exceed the foregoing percentages if, in Blackburne's reasonable judgment, a higher loan amount is warranted by the circumstances of the particular Loan, such as personal guaranties, prior loan history with the particular borrower, improved market conditions, etc.; however, in no event, shall the aggregate principal amount of the Loan, together with the unpaid principal amount of any encumbrances upon the property senior thereto, exceed 80% of the fair market value of improved real property or 50% of the fair market value of unimproved real property, except in the case of a single-family zoned lot or parcel described in (e) above, which shall not exceed 65% percent of the fair market value of that lot or parcel. If the loan-to-value ratio for the Loan does exceed the maximum loan-to-value ratio for the Loan as set forth above, the circumstances warranting the increased loan-to-value ratio are also stated in the Loan Package.

Although Blackburne may conduct a cursory physical inspection of the Security Property, due to the costs involved it will not obtain inspection reports from licensed civil engineers to determine the existence of any toxic or hazardous substances in, on or about the Security Property. Blackburne may engage the services of an engineer or environmental consultant to conduct a third party environmental site assessment of the Security Property, however it is not obligated to do so. (See "Risks Factors – Risks Related to Private Lending.*")*

If the Loan is secured by Hypothecated Notes, the amount of the Loan will not exceed 80% of the then-present value of the Hypothecated Notes, assuming that such Hypothecated Notes are discounted using the prevailing rate of interest at the time the Loan is to be made. Blackburne will only originate a Loan that is secured by Hypothecated Notes if the then-present value of each Hypothecated Note does not exceed 75% of the value of the Security Property that secures such Hypothecated Note, which value is determined as follows: if the Hypothecated Note constitutes seller financing and the sale occurred within two years of when Blackburne is to issue the commitment letter, then the sales price will be presumed to be the value of the Security Property. If the Borrower can provide Blackburne with an appraisal of the Security Property that is dated within two years of the date Blackburne is to issue the commitment letter, then the appraised value contained in such appraisal shall be presumed to be the value of the Security Property. If the sale that created a Hypothecated Note occurred more than two years before Blackburne is to issue the commitment letter, or if Blackburne cannot review an appraisal of the Security Property that is dated within two years of the date it is to issue the commitment letter, then the Security Property will be appraised pursuant to a written appraisal prepared by an independent appraiser who meets the qualifications described above.

Insurance Requirements

The Loan will be funded through an escrow account handled by an independent escrow company (see "Loan Funding" above). The escrow company will not be authorized to disburse any of the investor funds out of the escrow for purposes of funding the Loan until, among other things,

(1) satisfactory title insurance coverage has been obtained for the Loan, with the title insurance policy naming the Class (and any other Lenders, if applicable) as loss payee and providing title insurance in an amount equal to the principal amount of the Loan. Title insurance insures only the validity and priority of the lien of the Security Instrument, and does not insure against loss by reason of other causes, such as diminution in the value of the Security Property, over-appraisals, borrower's defaults, etc.

(2) Satisfactory fire insurance naming the Class (and any other Lenders, if applicable) as loss payee in an amount at least equal to the replacement cost of the improvements on the Security Property, subject to commercially reasonable deductibles. (See "Risks And Other Important Factors.") Blackburne will not require the Borrower to maintain liability insurance or mortgage insurance. If the Security Property consists of undeveloped land, Blackburne may not require the Borrower to carry fire insurance as there would be no improvements to insure.

(3) If the Loan is a purchase of an existing note, then the title company that insures the existing Security Instrument will provide an endorsement recognizing the assignment of the existing note and Security Instrument to the Class (and any other Lenders, if applicable).

(4) If the Loan is secured by Hypothecated Notes, then the Borrower must require the borrowers under the Hypothecated Notes to procure and maintain the fire insurance described in clause (2) above. The title insurance policies that insure the Deeds of Trust securing the Hypothecated Notes will not, however, be endorsed over to the investors since the Deeds of Trust that secure the Hypothecated Notes will continue to recognize the Borrower as the mortgagee or beneficiary.

Credit Evaluations

Blackburne will evaluate the income level and general creditworthiness of the Borrower and of any guarantor to determine the Borrower's ability to repay the Loan according to its terms and the financial strength and resources of the guarantors. The Borrower may not have sources of income that would be sufficient to qualify him or her for loans from other lenders such as banks or savings and loan associations. If the Security Property consists of undeveloped land, it will probably not generate any income. In such event, the Borrower must have sources of income

other than the Security Property with which to repay the Loan. Blackburne will obtain financial statements from, and conduct an independent credit check of, the Borrower. If the Loan is secured by Hypothecated Notes, Blackburne will review credit information concerning the underlying borrowers under the Hypothecated Notes to the extent such information is reasonably available. Information regarding the Borrower is set forth in the Loan Package attached hereto as Exhibit A.

The Secured Note will be recourse to the Borrower and may also be guaranteed by persons related to the Borrower. The guarantor, if any, or the Borrower must be considered creditworthy by Blackburne. Blackburne will make inquiries of sources which it believes are reliable but Blackburne will not be liable in the event its inquiries are incomplete or the information it obtains and relies upon is later determined to be inaccurate. Notwithstanding the foregoing, the Borrower is unlikely to be able to repay the principal amount of the Loan from sources other than the Security Property securing the Loan and such Security Property is considered to be the primary (and perhaps sole) source of repayment of the Loan. (See "Risk Factors – *Risks Related to the Loan Investment*.")

Prepayment Penalties; Exit Fees; Default Interest and Late Fees

The terms of the Loan may include a provision requiring the Borrower pay a penalty if all or a portion of the Loan's principal balance is repaid prior to a date specified in the Loan Documents (a "**Prepayment Penalty**") or an "exit fee" based upon the principal amount of the Loan, payable at the time at any time the time the Loan is paid off whether prior to or following maturity (an "**Exit Fee**"). In most circumstances the Secured Note will also provide for late fees payable by the Borrower ("**Late Fees**") and an increase of the initial rate of interest upon the occurrence of certain events of default outlined in the Loan Documents (such increased interest is referred to herein as "**Default Interest**"). Blackburne may, in its sole discretion and without notice to the Class Members, agree to waive all or a portion of any Prepayment Penalty, Late Fees or Default Interest payable by the Borrower if Blackburne determines, in its sole judgment, that waiving such amount would, or may, increase the ability of the Members to collect greater amounts from the Borrower over the entire term of the Loan or is otherwise in the interest of the Members. Blackburne is also entitled to receive up to 50% of the amount of any Prepayment Penalty, Exit Fee, Late Fee or Default Interest actually collected from the Borrower. (See "Compensation to the Manager and its Affiliates.")

Shared Appreciation and Shared Income Loans

The Loan may provide for payments from the Borrower, in addition to interest and principal, that are based upon a percentage of the increase in value of the Security Property over the term of the Loan (a "**Shared Appreciation Loan**") or based upon a percentage of the gross income earned on the Security Property (a "**Shared Income Loan**"). The additional equity payment on a Shared Appreciation Loan (i.e., the "equity kicker") will generally be payable at the time the Security Property is sold or refinanced (a "**Shared Equity Payment**"). Income payments due on Shared Income Loan; however, will generally be payable on a monthly, quarterly or other periodic basis over the term of the Loan (each, a "**Shared Equity Payment**"). If the Loan is a Shared Income Loan or Shared Appreciation Loan, Blackburne will be entitled to receive 50% of all Shared Equity Payments or Shared Income Payments received from the Borrower and the remaining 50% of any such amounts will be distributed to the Class and Class Members. Blackburne may, in its sole discretion and without notice to the Class Members, agree to waive all or a portion of any Shared Equity Payments or Shared Income Payments received on a Shared Appreciation Loan or a Shared Income Loan, if Blackburne determines, in its sole judgment, that waiving any such amount would, or may, increase the ability of the Members to collect greater amounts from the Borrower over the entire term of the Loan or it is otherwise in the interest of the Class.

LOAN SERVICING

Blackburne will be responsible for managing the Company and the Company Class in accordance with the terms and conditions set forth in the LLC Agreement. Blackburne will also be responsible for servicing the Loan on behalf of the Class pursuant to the terms of the Loan Servicing Agreement included in the Loan Package attached as Exhibit A, hereto. By executing the Subscription Agreement, each investor is agreeing to be bound by the terms of the LLC Agreement and is further authorizing Blackburne, as the manager of the Class, to execute the Loan Servicing Agreement on behalf of the Class at the time the Loan is closed. References to the "**Lenders**" on the Loan in this section and throughout this Memorandum refers to either the Class, alone, in the case of a Fully Funded Loan or to

the Class and the Third Party Lenders on a Fractionalized Loan. Moreover, references to the Lender's "**Fractional Interests**" means the Class' Percentage Share, in the case of a Fractionalized Loan and the Class' 100% share in the Loan in the case of a Fully Funded Loan. Whether the Loan Investment offered hereby is a Fully Funded Loan or a Fractionalized Loan is set forth in the Loan Package attached as Exhibit A, hereto.

Loan Servicing & Member Approvals

The Loan Servicing Agreement provides that in the event more than one Lender executes a Loan Servicing Agreement for the Loan, Blackburne will service the loan on behalf of all such Lenders and that any actions subject to Lender approval ("**Lender Approvals**") shall be determined by Lenders that, in the aggregate, hold more than 50% of the total outstanding fractional interests in the Loan (a "**Lender Majority**"). In the event the Loan is a Fully Funded Loan, the Class will own 100% of the "fractional interests" in the Loan and will therefore have the sole right to direct all Lender Approvals under the Loan Servicing Agreement. (See "Description of the Investment – Loan Investments –Generally.") All such Lender Approvals, however, will be presented to the Members by Blackburne and the actions taken will be those actions that are approved by a Class Majority (i.e., Class Members that, in the aggregate, hold more than 50% of the total outstanding Units in the Company Class.

If the Loan Investment is a Fractionalized Loan, Blackburne will service the Loan on behalf of the Class and each of the other Third Party Lenders. (See "Description of the Loan Investment – Loan Investments – Generally.") In such case, the Class will only have the right to direct Lender Approvals under the Loan Servicing Agreement if the Fractional Interest of the Class is greater than 50% of all of the Fractional Interests held by all Lenders on the Loan. If the Loan Investment is less than a 50% interest in a Fractionalized Loan, the Class will have the right to vote in connection with Lender Approvals, however, the actions taken with respect to the Loan will be directed by the Lender Majority (even if such action is opposed by the Class Majority). In any event, any Lender Approval submitted by the Class will be determined by a Class Majority.

General Loan Servicing

Following Loan closing, Blackburne will collect the monthly payments of principal, interest and any other amounts owing by the Borrower under the Secured Note, the Security Instrument or any other of the Loan Documents, and will deposit such funds in a non-interest bearing trust account established with a federally insured bank or savings and loan. Servicing a Construction Loan (if applicable) will include acting for the Lenders in authorizing expenditures from a disbursement account and monitoring Borrower's use of the Loan proceeds and, if the Borrower is permitted to use sales proceeds to finance continued construction of the Security Property, Borrower's reborrowing of sales proceeds deposited in the Disbursement account. Blackburne will receive a monthly Servicing Fee for these services equal to a percentage of the principal balance of the Loan outstanding at the beginning of such month. (See "Compensation to Loan Blackburne and Its Affiliates.")

So long as the Borrower is not in payment default, Blackburne will, on a monthly basis and within twenty-five (25) days of Blackburne's receipt of such funds, disburse funds received from the Borrower to the Lenders in proportion to their Fractional Interests, after deducting the Servicing Fee and any holdbacks made by Blackburne pursuant to the LLC Agreement,. If Blackburne fails to receive from the Borrower interest sufficient to pay the Servicing Fee, Blackburne has the option to require the Lenders to pay their pro rata share of any accrued but unpaid Servicing Fee as an assessment (based on each Lender's Fractional Interest). In such event, Blackburne may fund the portion of any such assessment by making an Additional Capital Call from the Class Members to pursuant to the Capital Call procedures set forth in the LLC Agreement. (See "Summary of the Limited Liability Company Agreement – Loan Default and Additional Capital Calls.") Alternatively, Blackburne may accrue the Servicing Fee and recoup it, together with interest thereon at the Delinquent Rate (i.e., the lesser of the Secured Note rate plus 3% or the maximum amount of interest allowed by law) from any future Loan Proceeds and/or Security Property Proceeds. (See "Description of the Units – Distributions of Loan Proceeds and Property Proceeds" for the definition of "Loan Proceeds" and "Security Property Proceeds.")

<u>Loan Servicing Following Borrower Default</u>.

Upon the discovery by Blackburne of the occurrence of a monetary Event of Default (as defined in the Loan Servicing Agreement, an "**Event of Default**") under the Loan Documents or an Event of Default which materially impairs or threatens the value of the Members' security or the ability of Borrower or any other party to perform its obligations under the Loan Documents, Blackburne shall promptly notify the Lenders (including the Class Members) of such Event of Default and take one of the following courses of action:

(a) promptly perform all acts and execute all documents or prudent to protect the interests of the Members, which may include (but are not limited to) acts and documents necessary to: (i) exercise the power of sale contained in the Security Document, including, without limitation, select a foreclosure agent, make demands, accept reinstatements, seek relief from any stay of foreclosure proceedings, and defend any litigation which seeks to restrain such foreclosure proceedings, and (ii) enforce all rights and remedies available to the Members with respect to any other collateral for the Loan;

(b) negotiate and enter into a forbearance agreement or Loan extension in accordance with reasonable and customary commercial practices if (i) Blackburne determines that such action is necessary or appropriate to protect the interests of the Members, (ii) the term of such forbearance agreement or extension does not extend more than 120 days from the date Blackburne discovers the occurrence of such event of default, and (iii) the purpose of such forbearance or extension is to allow Borrower additional time to refinance or sell the Security Property or otherwise arrange to pay all amounts owing under the Loan Documents. If Blackburne should agree to forbear or extend the Loan for 120 days as provided herein and Borrower has not paid all amounts owing under the Loan Documents on or before the end of such 120-day period, then Blackburne shall promptly proceed to exercise the power of sale contained in the Security Document as provided in subsection (a) above unless otherwise directed by a Member Majority;

(c) accept a deed in lieu of foreclosure from Borrower if doing so would cause the Members to incur no greater expense or liability than if Blackburne completed a non-judicial foreclosure sale; or

(d) file suit or pursue other legal remedies against any guarantors of the Loan if such action will not impair the Member's security interest in the Security Property.

If there is a Construction Loan Agreement applicable to the Loan, Blackburne shall, in addition to the rights set forth above, have the right, without first obtaining the written consent of any of the Members, to exercise those additional remedies in the Construction Loan Agreement which are supplemental to those available to the Members under the Secured Note and Security Document. If the Loan is a Construction Loan, an investor should review the Loan Package attached as <u>Exhibit A</u>, hereto, which outlines the additional risks and considerations relating to Construction Loans.

Judicial Foreclosure

If Blackburne reasonably believes that a judicial foreclosure action may be in the Lenders' best interest, it may, without Lender consent, engage legal counsel or other advisors to assess the costs and benefits of a judicial foreclosure and to present such assessment to the Lenders (and each of the Class Members) at a meeting called by Blackburne (a "**Judicial Foreclosure Meeting**"). Blackburne shall only pursue a judicial foreclosure action on behalf of the Lenders following the completion of a Judicial Foreclosure Meeting and Blackburne's receipt of written instructions approved by a Lender Majority in connection therewith.

Non-Judicial Foreclosure

If, following an Event of Default, Blackburne determines that it is in the best interest of the Lenders to enforce of the power of sale contained in the Deed of Trust and to proceed to sell the Security Property pursuant to a non-judicial foreclosure sale (a "**Foreclosure Sale**"), Blackburne or its affiliate(s) will act on behalf of all of the Lenders in connection with such Foreclosure Sale including retaining a qualified foreclosure company or other foreclosure agent (a "**Foreclosure Agent**") to administer the Foreclosure Sale on the Lenders' behalf.

Blackburne has broad discretion to act and bid at any Foreclosure Sale; however, in no event shall Blackburne, without the express written approval of a Lender Majority, instruct the trustee or the Foreclosure Agent at the Foreclosure Sale to either: (i) place a bid on the Members' behalf which exceeds the total accrued and unpaid amounts due from the Borrower which may be credited towards members' purchase of the Security Property at the Foreclosure Sale (the "**Full Credit Bid**").; or (ii) accept a competing bid for the Security Property in an amount which is less than the Full Credit Bid available to the Lenders.

If at any time prior to the Foreclosure Sale, Blackburne is unclear on the appropriate bidding instructions to be utilized in at the Foreclosure Sale, Blackburne may postpone the Foreclosure Sale until clear directions from the Lender Majority are received.

Transfer and Security Property Management

If the Security Property will be acquired by the Lenders through foreclosure, deed in lieu of foreclosure or otherwise (a "**Transfer**"), title to the Security will be taken in the name of the Class; provided, however, that in the Case of a Fractionalized Loan, Blackburne may form a Transfer Entity in accordance with Article IV of the Loan Servicing Agreement (as further defined therein, a "**Transfer Entity**") which Transfer Entity will be governed by the Transfer Entity Agreement provided for in the such Article (the "**Transfer Entity Agreement**").

Following a Transfer of the Security Property to the Lenders or a Transfer Entity, Blackburne shall serve as the exclusive property manager on behalf of the Lenders or the Transfer Entity and shall be responsible for all Security Property management services set forth in the Loan Servicing Agreement. In consideration of such services, Blackburne shall, as of the date of the Transfer, be entitled to a monthly management fee (the "**Management Fee**") equal to the greater of: (i) the percentage of the outstanding principal amount of the Loan as of the date of Transfer that is set forth in the Loan Servicing Agreement (which percentage shall not exceed the monthly percentage payable as a Servicing Fee in connection with the Loan); or (ii) 8% of the gross revenues actually received from the operations of the Security Property for any month following the Transfer, prorated for partial months.

If the Security Property Proceeds are insufficient to pay the total Management Fee on a monthly basis, Blackburne has the option to require the Lenders to pay their pro rata share of any accrued but unpaid Management Fee as an assessment pursuant to the assessment procedures set forth in the Loan Servicing Agreement. In such event, Blackburne may require the Class Members to pay their pro rata share of the assessment amount through making an Additional Capital Call in accordance with the LLC Agreement. (See, "Description of the Units – Default and Additional Capital Calls.") Alternatively, Blackburne may accrue the Management Fee and recoup it, together with interest thereon at the Delinquent Rate (i.e., the lesser of the Secured Note rate plus 3% or the maximum amount of interest allowed by law) from any future Loan Proceeds and/or Security Property Proceeds. (See "Description of the Units – Loan Default and Additional Capital Calls.")

Sale/Refinance of Security Property

If there should occur a Transfer, Blackburne may sell the Security Property to a non-affiliated third party without first obtaining the written consent of the Lenders if the proceeds of the sale after payment of all fees and other amounts payable to Blackburne under the Loan Servicing Agreement are sufficient to repay: (i) all Priority Returns to the Priority Members (if any); (ii) all Super-Priority Returns to the Super-Priority Members (if any); and (iii) the repayment of each Lender's investment, plus all accrued and unpaid interest payable thereon at the Secured Note rate (without inclusion of any default interest or late fees or other fees). In any other proposed sale and in any proposed refinance of the Security Property, Blackburne must first obtain the consent of a Lender Majority.

Loan Expenses

Each Lender (including the Class) is be responsible for the payment its pro rata share of any Loan Expenses based upon such Lender's Fractional Interest. The "**Loan Expenses**" is defined in the Loan Servicing Agreement to include any unpaid costs or expenses payable in connection with the Loan that Blackburne deems necessary, in its reasonable judgment, to service the Loan on the Lenders' behalf, including any costs or expenses required to collect all amounts due under the Loan Documents, protect the Lenders' interest in Loan, enforce the Lenders' rights under

the Loan Documents and/or, following a Transfer, any fees and costs incurred to manage, refinance or sell the Security Property or complete any stage of the construction or rehabilitation that may be required on the Security Property (if applicable). Such Loan Expenses may include, by way of example and without limitation, any of the following (as applicable): (i) all fees and costs incurred to foreclose on the Security Property (either judicially or non-judicially); (ii) all fees and costs incurred negotiating and documenting any forbearance agreement between the Lenders and the Borrower or any guarantors; (iii) all fees and costs incurred forming a Transfer Entity and transferring title of the Security Property to the Transfer Entity (including any filing fees, taxes and other fees and costs and taxes incurred forming and operating the Transfer Entity); (iv) any fees or costs incurred to pay for property taxes or insurance on the Security Property (including forced order fire insurance or taxes paid on behalf of the Borrower); (v) any fees or costs or expenses incurred to keep any senior liens current (if any);(vi) any costs incurred renovating or otherwise improving the Security Property for rent or sale on behalf of the Lenders; (vii) any fees or costs incurred marketing the Security Property for sale; (viii) any fees or costs incurred for market studies and other reports as Servicer deems advisable; (ix) any fees or costs incurred to pay any leasing commissions and/or tenant improvement costs; and (x) any fees or costs payable to attorneys, accountants, appraisers, contractors and other third parties in connection with any such Loan Expenses.

So long as there are sufficient Loan Payments or Property Proceeds available to pay all outstanding Loan Expenses, including any loan expense holdbacks retained by Blackburne in accordance with the Loan Servicing Agreement (see below), each Lender's share of such Loan Expenses will be deducted from such Loan Payments or Property Proceeds (or available holdbacks) prior to any distribution of such proceeds to the Class and any Third Party Lenders under the Loan Servicing Agreement. If, at any time, Blackburne determines, in its sole discretion, that the Loan Payments or Property Proceeds are insufficient to pay any Loan Expenses on behalf of the Lenders, then Blackburne may make a Servicing Assessment (i.e., require the Class and any Third Party Lenders to pay their pro-rata share of such Loan Expenses) by complying with the provisions of this Section 6.2 of the Loan Servicing Agreement. The amount of any Servicing Assessment payable by the Class with thereafter be subject to the Additional Capital Call provisions in the LLC Agreement. (See "Description of the Units – Additional Capital Requirements.") If the Loan is a Fractionalized Loan and the Class fails to pay its full Servicing Assessment amount (due to the failure of the Class Members to pay their full Additional Capital Amounts or otherwise), the Class (as a whole and including Class Members that pay their full Capital Call Share) may lose its right to vote on Loan matters and may have its right to distributions subordinated to one or more Third Party Lenders on the Loan. (See "Description of the Units – Additional Capital Call Requirements" and "Risk Factors – Risks Related to the Ownership of Units.")

Holdbacks

If Blackburne should determine, in its reasonable judgment, that the Borrower may default in its payment or other obligations under the Secured Note or the other Loan Documents and that costs may need to be incurred to protect the value of the Security Property as security and/or to enforce the rights of the investors under the Loan Documents, then Blackburne shall have the right to retain up to three months' interest under the Secured Note in order to pay for such costs.

Protective Advances

Blackburne shall not advance or be obligated to advance its own funds for the Class or any Third Party Lender for any principal or interest owing under the Loan Documents. Blackburne may, however, in its sole discretion and without being so obligated to the Class or any Lender, advance its own funds on behalf of the Lenders under the Loan Servicing Agreement to be applied towards the payment of such items, costs and expenses as Blackburne may reasonably determine are necessary to protect the Lenders' interest in and to enforce the Lenders' rights under the Loan Documents or any fees and costs to refinance or sell the Security Property or complete any stage of the construction or rehabilitation of the Security Property (collectively, "**Protective Actions**"). Such Protective Actions may include, by way of example, and without limitation, any applicable costs and expenses incurred for: (i) paying property taxes, insurance (including forced order fire insurance); (ii) bringing or keeping senior liens current (if any); (iii) providing trustee's sale guarantees and otherwise foreclosing on the Security Property; (iv) marketing the Security Property for sale; (v) forming a Transfer Entity to take title to the Security Property or otherwise documenting a Transfer; (vi) documenting forbearance or other agreements with the Borrower or other parties following an Event of Default; (vii) engaging attorneys, accountants, appraisers, contractors and other third parties in connection with any

Protective Actions; (viii) obtaining market studies and other reports as Blackburne deems advisable; and (ix) paying any leasing commissions and/or tenant improvement costs.

If Blackburne makes any advances to pay for Protective Actions ("**Protective Advances**"), such Protective Advances shall be repayable to Blackburne as an assessment under the Loan Servicing Agreement and, if assessed, the Class' share of any such amounts will be subject to the Additional Capital Call provisions in the LLC Agreement.

Distributions to Lenders Under Loan Servicing Agreement

Provided there has been no payment default under the Loan, the Loan Servicing Agreement provides that all monthly Loan payments received by Blackburne, as the Loan servicer, will be distributed to the Class and the Third Party Lenders, if any, pro rata based upon each such Lender's Percentage Share in the Loan after deduction of the monthly Servicing Fee payable to Blackburne. Property Proceeds collected by Blackburne following an event of default will be distributed to the Lenders (including the Class) as follows:

(a) *first*, to Blackburne in an amount equal to all accrued and unpaid Servicing Fees, Management Fees, and unpaid Protective Advances made by Blackburne and any other fees reimbursements or other amounts payable to Blackburne pursuant to the Loan Servicing Agreement (other than the Incentive Fee referenced in subsection (g), below), together with accrued interest thereon at the Delinquent Rate;

(b) *second*, to the Super-Priority Lenders, in relative proportion to their total Default Contributions, until each Super-Priority Lender has received distributions equal to the full amount of their Super-Priority Return;

(c) *third*, to the Priority Lenders, in relative proportion to the total pro rata Assessment amount paid by each Priority Lender, until each Priority Lender has received the return of their full Priority Return;

(d) *fourth*, to the Super-Priority Lenders, in accordance with their relative Default Contributions, until each Super-Priority Lender has received their entire unpaid Investment Interest;

(e) *fifth*, to the Priority Lenders, in accordance with their relative Assessment amounts paid under the Loan Servicing Agreement, until each Priority Lender has received their entire unpaid Investment Interest;

(f) *sixth*, to the Defaulting Lenders, in proportion to their relative Percentage Shares until the Defaulting Lenders have received their Investment Interest;

(g) *seventh*, to Blackburne in an amount of any Incentive Fee payable under the Loan Servicing Agreement; and

(h) *thereafter*, to the Lenders in accordance with their Percentage Share in the Loan.

Amounts received by the Class under the Loan Servicing Agreement will thereafter be allocated and distributed to the Members in accordance with the LLC Agreement. (See "Summary of the Limited Liability Company Agreement – Operating Agreement Distributions to Members.")

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 Limited Liability Company 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 Limited Liability Company 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 Limited Liability Company 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 Limited Liability Company Agreement. Therefore, Members may have a more limited right of action then they would have absent these provisions in the Limited Liability Company 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 commercial 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 Classes to invest in the Real Estate Investments and Loan Investments 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. As of the date hereof, all of the original twelve Classes that acquired Agricultural Properties (Class 2007-12) has been concluded. 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 three (3) Loan Investment Classes.

Class 2015-02-REC

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. This Class 2015 Property was sold in June 29, 2018 for $2,000,000.

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 non-owner occupied, residential property in Sacramento, CA. The term of this Loan Investment was 36 months and the Loan Investment was repaid in full on October 20, 2017, 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 October 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 located in Adams, MA. To date, the borrower on the loan is performing pursuant the loan terms. The scheduled maturity date for this Loan Investment is 60 months at which point the Manager currently believes the Loan Investment will be paid in full. Projected yield on this investment is 9.0%.

Class 2018-01-REC

In March of 2018, the Manager established Class 2018-01; 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.")

Class 2018-02-LIC

In August of 2018, the Manager created Class 2018-02-LIC which made a loan in the principal amount of $210,000, which loan was secured by an office building located in Winchester, WV. The first payment on this loan is scheduled for November 1, 2018. The scheduled maturity date for this Loan Investment is 60 months at which point the Manager currently believes the Loan Investment will be paid in full. Projected yield on this investment is 9.0%.

Class 2018-03-LIC

In October of 2018, the Manager created Class 2018-03-LIC with the intent to make a loan in the principal amount of $475,000 to purchase a mobile-home park located in Alto, GA. However, this offering was cancelled when the borrower was unable to come to closing with the necessary down payment.

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 and underwriting the Loan Investment and servicing the Loan over the course of the Company Class term. 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 an Executive 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, and subsequently licensed as a Broker by the California Bureau of Real Estate in July, 2017.

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 July 31, 2018, Fund II had invested in over 119 loans with an aggregate principal balance of $5,076,248. During this period the Fund made twelve (12) loans with an aggregate original principal amount of $765,018 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 15%, based on aggregate principal balance. Total actual and estimated gains incurred or expected to be incurred in connection with these REO Properties was estimated to be approximately ($346,938) as of July 31, 2018, representing a loan gain (loss) rate of approximately (6.8%). Further information regarding Fund II's performance is available on request.

DRE Accusation. In June of 2007, the DRE 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 DRE Accusation did not allege any conversion or misappropriation of investor funds, and the trust account shortages had already been rectified prior to the DRE audit and the filing of the Accusation.

The Accusation was settled by a Stipulation and Agreement between the Blackburne Parties and the DRE (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 DRE 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.dre.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. If the Loan is a Fractionalized Loan, the Class will be responsible only for its Percentage Share of any compensation payable to Blackburne under the Loan Servicing Agreement and the remainder of such compensation will be paid by the Third Party Lenders on the Loan. (See "Introduction – Loan Servicing Agreement & Additional Capital Requirements" and "Loan Servicing.") The Manager retains the right to terminate all or any portion of its business relationship with the Company at any time and may be subject to removal as the loan servicer under the Loan Servicing Agreement. (See "Risk Factors – Risks Related to the Manager.") In the event of such removal, the Company or the Class (as applicable) would seek to retain one or more other firms to perform the various services to be rendered by Blackburne described below. Removal and replacement of Blackburne as the Servicer of the Company or the Class or its removal as the loan servicer for any reason will not affect the Manager's right to receive all compensation accrued through the date of such replacement.

Form of Compensation	**Estimated Amount or Method of Compensation**
Loan Origination Fee …………………….	As compensation for funding the Loan, Blackburne will receive a loan origination fee, or "points," in the amount described in the Loan Package. The loan origination fee will be payable by the Borrower out of the Loan proceeds, and not out of fund's provided by the investors. Blackburne anticipates charging loan origination fees ranging from one percent (1%) to six percent (6%) of the original loan amount.
Loan Servicing Fee..................................	Up to one-twelfth (1/12) of two and nine-tenths percent (2.9%) of the principal balance of the Loan outstanding at the beginning of such month (the "**Servicing Fee**"). So long as the Borrower is making payments of interest and/or principal as required by the Loan Documents, the Class' Percentage Share of the Servicing Fee will be deducted from the monthly payments received from Borrower and made to the Class and any Third Party Lenders under the Loan Servicing Agreement. If the monthly payments from the Borrower are not sufficient to pay the Servicing Fee for any month, Blackburne may elect, at any time, and from time to time, to either: (i) allow any unpaid Servicing Fees to accrue and be paid from the future distributions Loan Proceeds or Security Property proceeds; or (ii) assess the Lenders (including the Class) for their Percentage Share of any accrued but unpaid Servicing Fees pursuant to the Assessment provisions set forth in the Loan Servicing Agreement and the corresponding provisions in the LLC Agreement.
Prepayment Penalties; Exit Fees and Default Interest..	Blackburne shall be entitled to 50% of any prepayment penalties, exit fees or default interest actually collected from the Borrower under the Loan Servicing Agreement. The remaining 50% of such fees, interest or penalties will be distributed to the Class and any Third Party Lenders

pro rata in accordance with their relative Percentage Shares. (See "Lending Standards and Policies – Prepayment Penalties; Exit Fees and Default Interest.")

Shared Equity Payouts............................... If the Loan is a Shared Appreciation Loan, Blackburne shall be entitled to retain up to 50% of any Shared Equity Payments collected from the Borrower (if any) with the remainder being distributed to the Lenders (including the Class) in accordance with their relative Percentage Shares. (See "Lending Standards and Policies – Shared Appreciation Loans and Shared Income Loans.")

Property Management Fees and Leasing Commissions …………………………… Following a Transfer of the Security Property to the Class or a Transfer Entity, Blackburne will serve as the exclusive property manager on behalf of the Lenders (including the Class) or the Transfer Entity (of which the Class will be a member) and shall be responsible for all Security Property management services set forth in the Loan Servicing Agreement. In consideration of such services, Blackburne will, as of the date of the Transfer, be entitled to a monthly management fee (the "**Management Fee**") equal to the greater of: (i) the percentage of the outstanding principal amount of the Loan as of the date of Transfer that is set forth in the Servicing Agreement (which percentage shall not exceed the monthly percentage payable as a Servicing Fee in connection with the Loan); or (ii) 8% of the gross revenues actually received from the operations of the Security Property for any month following the Transfer, prorated for partial months.

If the monthly payments from the Borrower are not sufficient to pay the minimum Management Fee described above, Blackburne may elect, at any time, and from time to time, to either: (i) allow any unpaid Management Fee to accrue and be paid from the future distributions Loan Proceeds or Security Property Proceeds; or (ii) assess the Lenders (including the Class) for any accrued but unpaid Management Fees pursuant to the Servicer Assessment provisions of the Loan Servicing Agreement and the corresponding Additional Capital Call provisions set forth in the LLC Agreement. (See "Term of the Offering – Loan Default and Member Subordination.")

If the Company Class takes title to Security Property that formerly secured a Hypothecated Note and Blackburne manages the Security Property on behalf of the Lenders (including the Class), then Blackburne will be entitled to a commercially reasonable monthly property management fee. In addition, Blackburne or its affiliates may receive leasing commissions at rates no greater than prevailing market rates.

Incentive Fees……………………………..	Following an event of default, Blackburne will be responsible for enforcing the Loan documents under the Loan Servicing Agreement including collecting all post-default Loan Proceeds or Property Proceeds ("**Post-Default Proceeds**") on behalf of the Class and any Third Party Lenders. (See "Loan Servicing – Loan Servicing Following Borrower Default.") In order to incentivize Blackburne to maximize the Post-Default Proceeds the Loan Servicing Agreement provides, Blackburne is entitled to an incentive fee payable as follows (the "**Incentive Fee**"): (a) The Incentive Fee shall be payable from distributions of Post-Default Proceeds made to Blackburne as loan servicer under the Loan Servicing Agreement, only. (b) The Incentive Fee shall only be payable after the Lenders (including the Class and all Third Party Lenders, if any) have received the return of the their entire investment plus all interest and other amounts payable from Post-Default Proceeds under the Loan Servicing Agreement, including all amounts payable to any Super Priority Lenders and Priority Lenders under the Loan Servicing Agreement. (See "Loan Servicing – Distributions to Lenders Under Loan Servicing Agreement .") (the "**Accrued Lender Deficit Amount**"). (c) The amount of the Incentive Fee paid will be limited to an amount equal to three percent (3%) of the total amount of Post-Default Proceeds collected in excess of the Accrued Lender Deficit Amount ("**Excess Default Proceeds**"). (d) All other Excess Default Proceeds shall be distributed to the Class and any other Lenders in accordance with their Percentage Shares in the Loan and the Class' share of such Excess Default Proceeds will thereafter be distributed to the Class Members in accordance with the LLC Agreement. (See "Loan Servicing – Distributions to Lenders under Loan Servicing Agreement" and "Description of the Units – Distributions of Loan Proceeds and Property Proceeds.")
Reimbursement of Expenses………………	Reimbursement for all actual out of pocket costs and expenses incurred by Manager in the course of forming 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 on the same terms and conditions as other Class Members of such Classes.
Other Services and Reimbursements……...	The Manager or its Affiliates may render such other services to the Company 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.
Possible Additional Compensation………...	If following any Assessment, a Defaulting Lender pays (including the Class of another Lender of the Loan) his, her or its delinquent Servicing Assessment amount, plus interest at the Delinquent Rate, in order to reinstate such Lender's voting rights and distribution priorities under the

Loan Servicing Agreement, then Blackburne shall apply the Servicing Assessment amount received to the payment of the Servicing Assessment, but may retain any interest paid thereon to the extent not required to pay any additional costs resulting from the Defaulting Lender's delinquent payment.

If, after a default by Borrower, Members take title to property that is still under construction, Blackburne may recommend that the Members complete all or part of the construction before selling property, and Blackburne may propose itself, or another affiliate to supervise the construction or to provide other services required in order to complete construction in which case Blackburne would receive additional compensation in an amount which cannot be determined at this time.

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

The terms on which Blackburne will act as Loan originator and servicer have not been negotiated at arm's length or set by law, and each Member should independently evaluate the terms of the Loan Servicing Agreement. The Loan origination fees negotiated by Blackburne with the Borrower could affect the terms of the Secured Note that Blackburne is able to negotiate for the Class and the Class Members. Fees paid to Blackburne may also diminish Borrower's ability to pay Class Members. Blackburne believes, however, that its fees to the Members and to Borrowers are reasonable and within the range of those customary and usual in the mortgage loan business for the same type of loan.

Moreover, Blackburne may earn a large portion of its compensation from commissions (or "points") that it collects at Loan closing, which are not affected by whether the Loan proves to be a good investment. Therefore, Blackburne could be motivated to close loans using Member funds that are risky or otherwise not in the best interests of the Class Members in order to earn its loan points. Investors should independently review the terms of the Loan carefully prior to investing and must rely on the good faith of Blackburne to protect their interests in this regard.

Other Classes, Companies or Businesses

The Manager will be the Manager of each Company Class and may form additional Classes to invest in other Loan Investments (or Real Estate Investments). The Manager is not obligated to offer interests in any other Class to the Class Members. The Manager may also act as the sponsor for other companies formed to 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 Limited Liability Company 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 Limited Liability Company 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.

CERTAIN LEGAL ASPECTS OF LOANS SECURED BY REAL ESTATE OR PERSONAL PROPERTY

Repayment of the Loan and the Secured Note will be secured by either a mortgage or a Deed of Trust or by Hypothecated Notes that are themselves secured by a mortgage or Deed of Trust. In some states, a mortgage is the form of security instrument used to secure a real property loan, while in other states a Security Instrument is the form of security instrument used to secure a real property loan. A mortgage has two parties: a borrower called the "mortgagor" and the lender called the "mortgagee." The mortgagor gives the mortgagee a lien on the property as security for the loan or, in some states, the mortgagor conveys legal title of the property to the mortgagee until the loan is repaid but retains equitable title and the right of possession to the property so long as the loan is not in default. For loans that are secured by a mortgage or Security Instrument, the Company Class would be named as mortgagee, as a tenant in common with the other Lenders (if any), of an undivided fractional interest under the mortgage that secures the loan. A Deed of Trust has three parties: a borrower-grantor called the "trustor," a third-party grantee called the "trustee," and a lender-creditor called the "beneficiary." The trustor grants the property, irrevocably until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the Security Instrument and the directions of the beneficiary. The Borrower will be the trustor, an independent title or escrow company will be the trustee, and the Company Class will be the beneficiary (as a tenant in common with any Third Party Lenders, if any) under the Security Instrument that secures the Loan.

Foreclosure

The manner in which Blackburne will enforce its rights under a mortgage or Deed of Trust, and in which a Borrower may enforce its rights with respect to Hypothecated Notes, will depend on the laws of the state in which the Security Property is situated. Depending on local laws, a lender may be able to enforce its mortgage or Deed of Trust by judicial foreclosure or by non-judicial foreclosure through the exercise of a power of sale. Local laws will also dictate, among other things, the amount of time and costs associated with a judicial or non-judicial foreclosure sale, whether or not a lender would be entitled to recover a deficiency judgment (i.e., the resulting shortfall if the proceeds from the sale of the Security Property are not sufficient to pay the debt) from the borrower, either concurrently with or following a judicial or non-judicial sale, whether there are limits as to the amount of this deficiency judgment, and whether the borrower would have a right to redeem the Security Property following a judicial or non-judicial sale.

A judicial foreclosure is a public sale of the Security Property conducted under an order of the court of the state in which the Security Property is located, with the sales proceeds being applied to satisfy the underlying debt. A judicial foreclosure is subject to most of the delays and expenses of other lawsuits and can take up to several years to complete, depending on how busy the local courts are.

In contrast, a non-judicial foreclosure is a private sale of the Security Property conducted directly by the mortgagee, in the case of a mortgage, or the trustee, in the case of a Security Instrument, following the giving of appropriate notice and the expiration of appropriate cure periods. It is generally cheaper and quicker to conduct a non-judicial foreclosure than to conduct a judicial foreclosure.

A lender would typically undertake a judicial foreclosure when the lender seeks to obtain a deficiency judgment. In some states, a lender is not entitled to recover a deficiency judgment if the lender foreclosures non-judicially. Some states also limit the amount of deficiency that can be recovered from a borrower following a judicial foreclosure sale to the difference between the amount of the debt owing to the lender and the higher of (i) the successful sales price bid at the foreclosure sale, or (ii) the fair market value of the Security Property at the time of foreclosure (a so-called "fair value limitation"). Moreover, some states provide that a borrower and/or junior lienholder has a right to redeem the Security Property for a period of time following a judicial foreclosure sale by paying to the successful bidder an amount equal to the successful sales price bid at the foreclosure sale and the costs of the foreclosure sale. This right of redemption can depress the amount bid at a judicial foreclosure sale because the successful bidder would have to take the Security Property subject to the borrower's and/or the junior lienholder's right of redemption.

If a lender elects to undertake a non-judicial foreclosure sale it would, in many states, forego the right to obtain a deficiency judgment. However, real property that is sold through a non-judicial foreclosure sale is, in many states, not subject to a right of redemption.

In summary, whether or not a lender would pursue a judicial or a non-judicial foreclosure, and the extent and nature of other remedies available to a lender against a borrower in connection with a real property secured loan, will depend on the laws of the state in which the real property is located. If the Borrower were to default under the Loan, Blackburne, as the loan servicer, would evaluate the applicable laws, consider the enforcement practices typically undertaken by commercial lenders in the state in which the Security Property is located and consider the constraints imposed on it under the Loan Servicing and Equity Interest Agreement before commencing enforcement actions.

Hypothecated Notes

Hypothecated Notes are considered personal property security. As such, the manner in which the Class would enforce its security interest in the Hypothecated Notes following a loan default would be governed by the terms of the Security Agreement and the Uniform Commercial Code and other laws applicable in the governing state. In many states, a secured creditor may sell the personal property security by providing notices to the debtor and perhaps to other secured creditors of the debtor and then to sell the personal property security at a public or private sale. Generally, the secured party must act in good faith and in a commercially reasonable manner in noticing and conducting this sale. Depending on the laws of the governing state, the debtor may be entitled to reinstate the debt by

paying the delinquent amount prior to the sale, and the secured party may or may not be entitled to purchase at the sale.

If a secured creditor fails to comply with the laws that govern the sale of personal property security, the secured creditor's ability to obtain a deficiency judgment (i.e., the deficiency that results if the proceeds from the sale of the personal property collateral are insufficient to cover the debt) may be limited, impaired or forfeited, a court may enjoin the sale, and/or the secured party may be liable to the debtor for the damages that it suffered due to the secured party's failure to comply, which may include a claim for conversion.

Depending on the laws of the governing state, the secured party may be entitled to retain the personal property security in satisfaction of the debt by giving notice to the debtor and perhaps other parties of its intent to do so. If such parties fail to object within a prescribed period of time, the secured party can retain the personal property security in satisfaction of the debt. If such parties object to this course of action, the secured party will be obligated to conduct a public or private sale.

Generally, the proceeds from a sale of personal property collateral are applied first, against the costs of the sale, then to the senior secured claim, then to any junior secured claim, and the balance to the debtor.

Other Loan Enforcement Issues

Other matters, such as litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws, may have the effect of delaying enforcement of the lien of a defaulted loan and may in certain circumstances reduce the amount realizable from sale of a foreclosed property. Where a loan is secured by Hypothecated Notes, the bankruptcy of a borrower under a Hypothecated Note can impair the value of the Hypothecated Note as security.

In some instances, a loan may not only be secured by real property security but also guaranteed by a third party guarantor. Investors should be aware that, depending on local laws, a guarantor may have defenses that would impair the ability of the lender to enforce its guaranty. For example, in some states if a loan obligation is modified without the guarantor's consent, the guarantor may be exonerated from part or all of its obligations under the guaranty. Other states may require that a lender first exhaust all of its remedies against the borrower and real property security and only then can seek any resulting deficiency from the guarantor. A guarantor may, under some local laws, be able to waive some of these defenses in advance provided that the waivers are sufficiently explicit.

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. 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 performance of the Loan 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 Private Lending

Members will be in the private money lending business and are subject to the general risks associated with loan defaults and foreclosures.

Proceeds from the sale of Units will be used to make a Loan from the Company Class to the Borrower, which loan is secured by real property and the improvements thereto, or by undeveloped land. Accordingly, the Members assume the risk of default by the Borrower. In the event of a default by the Borrower, the Security Property will be the primary protection for the Class' investment. The Loan may be an interest-only or partially amortizing loan that provides for relatively small monthly payments of interest only or interest and some portion of principal, with a large

"balloon" payment of principal due at the end of the term. Most borrowers are unable to repay the principal amount of such loans out of their own funds and therefore must sell or refinance the Security Property at loan maturity. A downturn in the real estate market, fluctuations in interest rates, and the unavailability of mortgage funds could adversely affect the ability of borrowers to pay off or refinance their loans at maturity. These same factors can impair the value of the Hypothecated Notes as security, since the Hypothecated Notes are themselves secured by real property security. If the Security Property consists of undeveloped land, it may be more difficult for the Borrower to sell or refinance the Loan than if the real property security were improved real estate because undeveloped land is generally viewed as being a riskier and more speculative form of investment or real property security than is improved real estate. See "*Loans secured by undeveloped land include additional risks*" below.

There are a number of factors that could adversely affect the value of the real property security, whether the real property security secures the Loan directly or secures Hypothecated Notes that serve as security for the Loan, including, among other things, the following:

(1) Blackburne will rely on appraisals to determine the fair market value of the property used to secure the Loan, and may rely on appraisals in connection with valuing the real property that secures Hypothecated Notes. (See "Lending Standards and Policies – Loan-to-Value Ratios; Appraisals.") No assurance can be given that such appraisals will, in any or all cases, be accurate. Moreover, since appraisals fix the value of real property at a given point in time, subsequent events could adversely affect the value of real property used to secure a loan. Such subsequent events may include, but are not limited to, changes in general or local economic conditions, neighborhood values, interest rates, or applicable zoning laws.

(2) If the Borrower defaults, the Class may be forced to purchase the Security Property at a foreclosure sale either directly or, if the Loan is a Fractionalized Loan through a Transfer Entity with the Third Party Lenders by credit bidding some or all of the outstanding debt. The ability of the Class to recoup its investment will then depend primarily on their ability to operate the Security Property on a profitable basis and/or to refinance or sell the real property security in an amount sufficient to fully repay the Class' initial investment, together with interest that is owing thereon after the full payment of all foreclosure costs and any other costs incurred enforcing the Loan and refinancing or selling the Security Property. Moreover, any Defaulting Members that fail to pay their pro-rata share of any Loan Expenses will have their payment rights subordinated to the distribution rights of any Priority Members and/or Super Priority Members and will have an increased risk that the amounts received of sale or refinance of the Security Property will be insufficient to return their initial investment or any interest thereon. (See "*Failure to make additional capital contributions may increase risks of loss and result in the loss of investor's voting rights*," below).

(3) The laws of the state in which the Security Property is located and the manner in which the Class' security interest in the security is enforced may preclude the Class from recovering any deficiency from the Borrower if the real property security proves insufficient to repay amounts owing to the Class. (See "Certain Legal Aspects of Loans Secured By Real Estate")

(4) Blackburne may hold back a portion of Loan proceeds at the closing of the Loan and designate such funds as an interest reserve for the purpose of funding all or a portion of the monthly payments to the Members under the Secured Note. (See "LOAN FUNDING.") Following the application of the interest reserve, the Borrower may be required to begin making payments to the Members and may be unable or unwilling to do so.

Loan defaults and reserves for potential Loan defaults may effect payments to Members.

Monthly payments of interest to Members are dependent upon the Borrower meeting its obligations under the Secured Note. If the Borrower defaults on its payment obligations, monthly payments to the Class (and the Class Members) will immediately cease. Moreover, if Blackburne has reason to believe that the Borrower will default under the Loan either because of a default in any payment due under the Secured Note or for any other reason, Blackburne may withhold from Members up to three months' interest to defray the expected costs resulting from the expected default and to enforce the Members' rights to payment under the Loan documents. In either circumstance, Members would not receive the amount of unpaid or reserved interest unless and until the Borrower paid such amounts or proceeds were otherwise collected from the Security Property through sale or otherwise sufficient to recover the costs

of foreclosure and the unpaid interest. Consequently, Investors should not invest if the cessation of monthly payments payable under the Loan would cause them undue hardship.

Units are subject to increased risks related to high-yield mortgage loans.

Blackburne does not intend to invest in the type of undocumented, reckless loans that resulted in the "sub-prime mortgage" collapse in 2007-2008 because its loans will not have such high loan-to-value ratios. The Loan Investment may, however, be to a borrower that is less creditworthy than those who can satisfy institutional lenders' credit requirements or who cannot satisfy institutional lenders' income documentation requirements, which are reasons Blackburne can charge much higher interest rates on its loans. (See "Lending Standards and Policies.")

Privately funded loans often involve higher risks than conventional, some of which include: (i) an increased risk of the non-availability of credit for a borrower to refinance the loan at maturity; (ii) an increased risk of foreclosures in the area surrounding the Security Property negatively affecting the value of the Security Property; (iii) increased constraints on consumer credit affecting the ability of borrowers to sell residential property; and (iv) increased risk of an abandonment of property by a borrower due to other financial problems or general market decline. The occurrence of any of these events for the Borrower could lead to a default on the Loan, causing losses and extra costs payable by Members which may lead to lower returns or losses for investors.

If the Loan Investment is a Construction Loan or Cannabis Loan an investment in Units is subject to additional risks described in the Investment Package.

Investments in Construction Loans and Cannabis Loans involve additional risks that are not prevalent in other types of loan investments. If the Loan Investment described in the Loan Package is either a Construction Loan or a Cannabis Loan, each potential investor should read and understand the additional risk factors and disclosures provided in the Loan Package prior to purchasing Units in the Offered Class.

The real estate market may experience declines in property values and increased credit standards.

During the real estate market decline following the financial crisis, the most dramatic and well-publicized declines in property values (and the largest loan losses) occurred in the single-family residential sector. Other property categories, however, also experienced declines in value and a dramatic slow-down in sales. Any Loan offered pursuant to the terms hereof is subject to the risk of loan losses resulting from declines in property values and there is no guaranty that market declines equal to or greater than, those experienced during the financial crisis will not occur in the future. If the market value of the Security Property declines significantly or declines below the Loan amount, the Borrower may have difficulty paying or refinancing the Loan or selling the Security Property, causing losses to the investors.

Moreover, the tightening of credit standards and general unavailability of credit following the financial crisis significantly affected the ability of borrowers to refinance loans and the ability of potential purchasers to finance the purchase of real property. As of the date hereof, these tight credit conditions remain in some markets. If there is limited availability of credit at the Loan's maturity the Borrower may have difficulty paying or refinancing the Loan or selling the Security Property despite the Security Property's value, causing losses to the investors.

The Borrower may be less creditworthy, which may increase the risk of a Loan default.

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

If the Loan is secured by Hypothecated Notes, the creditworthiness of the borrowers under the Hypothecated Notes, as well as the creditworthiness of the Borrower who pledges the Hypothecated Notes as security, needs to be considered. Blackburne will evaluate such credit information as is reasonably available to it concerning the borrowers under the Hypothecated Notes. This credit information is also made as of a particular point in time, and the financial conditions and/or credit status of the borrowers under the Hypothecated Notes can also change.

Members' rights may be affected by the bankruptcy and equitable rights of the Borrower.

The recovery of sums advanced by the Class in making the Loan and protecting its interest in the Security Property may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the Loan was made or in which the rights of the Class under the Loan Documents are enforced. A foreclosure sale or attempts to enforce rights against the Hypothecated Notes may be delayed by the filing of a petition in bankruptcy, which automatically stays any actions to enforce the terms of the loan. The length of this delay and the costs associated therewith may have an adverse impact on the Class and the Class Members' ability to recoup some or all of the investment. If the Loan is secured by Hypothecated Notes, then a bankruptcy filing by one of the borrowers under the Hypothecated Notes can weaken the value of the Investors' security for the Loan and/or delay or impair the Borrower's collections on or enforcement efforts with respect to such Hypothecated Notes, even if the Borrower under the Loan is not in bankruptcy

Members must rely on information provided by others which may prove inaccurate or incomplete

The success of a Loan will depend, among other things, on an accurate assessment of the creditworthiness of the Borrower and the underlying value of the Security Property, or the value of the Hypothecated Notes and the real property securing the Hypothecated Notes. While Blackburne will make an investigation regarding the Security Property and the Borrower, it will rely to some extent on third parties such as credit agencies, appraisers, the Borrower's mortgage broker and the Borrower itself to provide the information upon which Blackburne will base its decision to make a loan and offer Units in the Loan to prospective investors. 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 Blackburne with respect to the Loan, the Borrower, the Security Property, the Hypothecated Notes, the borrowers under the Hypothecated Notes and the real property securing the Hypothecated Notes in order to assess for themselves the reliability of that information.

Members may be subject to the risks related to the ownership of the Security Property

If the Borrower defaults on the Loan and the Class forecloses or otherwise takes title to the Security Property following a Transfer, the Class and the Class Members will bear the economic and other risks borne by an owner of real property. These risks include, but are not limited to, the financial risks involved in leasing, operating and selling the real property, the risks for environmental clean-up costs and related environmental liabilities described herein and the risk of liability for uninsured casualties on the real property. If the Security Property consists of undeveloped land, the risks of owning such property may be greater than the risks of owning improved real estate. These same risks apply to a loan that is secured by Hypothecated Notes, since these notes are themselves secured by real property security and the Borrower who has pledged these notes as security for its loan will be exposed to the risks of ownership if it has to take title to such real property security.

Members may be subject to the additional risks associated with undeveloped land

The Security Property, or the property that secures Hypothecated Notes, may consist of undeveloped land. For a number of reasons, undeveloped land is generally considered a riskier and more speculative form of security for a loan than is improved real estate. For example, before improvements can be constructed on undeveloped land the owner of the land may need to secure entitlements (e.g., zoning approvals, variances, and architectural approvals), undergo review of and obtain clearance on environmental impact issues (including issues concerning traffic, open space, school or transit impact, endangered species, wetlands, noise and air quality), obtain building permits, secure access and connections to necessary utilities, obtain construction financing, undertake and complete construction, and find buyers or tenants once the undeveloped land has been improved. Many of these risks are no longer at issue with respect to improved real estate.

Moreover, it is likely that undeveloped land will not generate any income that can be used to pay the interest and/or principal owing under the Loan or real property taxes assessed against the undeveloped land. Accordingly, the Borrower must have other sources of income in order to make these payments. If Hypothecated Notes are secured by undeveloped land, then the borrowers under such Hypothecated Notes must also have other sources of income in order to make their payments under the Hypothecated Notes.

Even if the owner of undeveloped land intends to hold the undeveloped land for investment, rather than developing the land itself, any prospective purchaser of the undeveloped land will take these risks into account when it sets the purchase price. Additionally, it can take up to several years or more to market and sell undeveloped land. Due to this potentially protracted time frame, it may be difficult for the owner of undeveloped land to sell the undeveloped land in time to pay off the Loan at maturity. Finally, most lenders are more reluctant to lend against undeveloped land than against improved real estate due to the risks and other matters described above. Due to these considerations, it may be more difficult for the Borrower to sell or refinance the real property security in order to repay the Loan, or for the borrowers under Hypothecated Notes to sell or refinance in order to repay the Hypothecated Notes.

In acknowledgment of these increased risks, Blackburne will not make a loan secured by undeveloped land that exceeds fifty percent (50%) of the fair market value of the undeveloped land (as compared to up to a 75% loan-to-value ratio for improved real estate). If the Loan is secured by Hypothecated Notes, Blackburne provides two threshold tests that must be met before it will originate the Loan: the Loan will not exceed 80% of the then-present value of the Hypothecated Notes, and the then-present value of each Hypothecated Note will not exceed 50% of the value of the undeveloped land. This more conservative underwriting does not, however, eliminate the risks described above. It merely provides the investors with a greater equity cushion should the Borrower default under the Loan.

Members are subject to the risk of uninsured Losses

As a condition to funding of a loan, Blackburne will require the Borrower to obtain and maintain fire insurance on the Security Property. However, there are certain types of losses (generally those of a catastrophic nature, such as losses due to war, terrorism, earthquakes, hurricanes, floods or mudslides) that are either uninsurable or not economically insurable. Should any such disaster occur, investors could suffer a loss of principal and interest on the loan secured by the uninsured property. If the Security Property consists of undeveloped land, Blackburne may not require the Borrower to carry fire insurance as there would be no improvements to insure. Blackburne will not require the Borrower to carry liability insurance with respect to the Security Property. If an accident should occur on the real property security (e.g., a "slip and fall") or some other event should occur that would be covered under a liability insurance policy, the Borrower would be liable to pay any resulting claims. This could impair the Borrower's ability to repay the loan. Moreover, any insurance obtained is subject to cancellation and coverage may not be able to be reinstated or otherwise obtained as a result of the cancellation.

Early Loan payoff will affect an investor's return on investment.

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

Guaranties may be unenforceable by Members

The obligations of the Borrower may be guaranteed by a guarantor. Current California laws provide a number of protections for guarantors. Under certain circumstances, these protections could serve to limit or exonerate the guarantor of its obligations under its guaranty. Some of these protections are waivable, while others may not be waivable due to public policy considerations. Even ostensible waivers of some of these protections may be held by a California court to be unenforceable for a variety of reasons, such as the ostensible waivers being deemed too vague.

Also, a guarantor may, in some circumstances, be entitled to the protections of the anti-deficiency and "one form of action" laws available to the Borrower.

Members run the risk of being responsible for environmental liabilities.

Under current federal and state law, the owner of real property contaminated with toxic or hazardous substances (including a mortgage lender that has acquired title through foreclosure) may be liable for all costs associated with any remedial action necessary to bring the property into compliance with applicable environmental laws and regulations. This liability may arise regardless of who caused the contamination or when it was caused.

A lender's best protection against environmental risks is to obtain a Level I environmental report on the property before making or investing in a loan. Such reports from qualified environmental inspectors are expensive. Blackburne will take certain precautions to avoid environmental issues and will generally not make or invest in loans secured by properties known or suspected to have (or to be likely to have) environmental problems unless Blackburne believes that such environmental problems do not materially affect the value of the Security Property. Prior to making a loan, however, Blackburne may not always engage an environmental inspection firm to conduct a full Level I review of the property. Therefore, there can be no assurance that Blackburne will always be able to detect whether or not a property is contaminated prior to arranging a Loan. A less extensive and hence less expensive report may be used. Such abbreviated reports do not provide a property owner with a legal safe haven. In many cases, in order to compete in a highly competitive market, Blackburne will not obtain any environmental report at all; however, in such cases the chances of environmental impairment will appear reasonably unlikely.

If a Security Property is a heavy industrial site or a property with known underground storage tanks, Blackburne may engage an environmental inspection firm to conduct a "Phase I" review of the property if deemed necessary by Blackburne; however, due to the nature of many types of environmental contamination, the possibility of the existence of toxic substances may not be apparent from a site visit, and a Phase I review may not reveal the extent or all types of contamination. As a result, it is possible that a security property could have toxic contamination not known to Blackburne at the time of making the subject loan.

The presence of hazardous waste can reduce the value of the Security Property and clean-up costs can reduce the Borrower's ability to repay the Loan. Moreover, if , following the closing of the Loan, Blackburne discovers environmental contamination on the Security Property, the potential clean-up costs may render it unprofitable to foreclose on or otherwise take title to the Security Property following a default by the Borrower. While Blackburne may require Borrowers to agree to hold Members harmless from any liability for such contamination, the Borrower may lack the financial resources to perform under the indemnity. Since Lenders could have personal liability to clean up hazardous waste on a Security Property to which they take title in foreclosure or otherwise, Blackburne may, in the case of a Fractionalized Loan, recommend the Lenders take title to the Security Property through a Transfer Entity rather than directly in order to limit the Third Party Lenders' exposure to such liabilities. (See "Loan Servicing–Security Property Ownership.") Even if Blackburne does not foreclose on a contaminated site, the mere existence of hazardous substances on the property may depress the market value of the Security Property such that the loan is no longer adequately secured increasing the risk of loss upon a Borrower default.

The presence of junior liens may increase risks of loss on a senior loan.

The Security Instrument will provide a first priority lien on the Security Property; however, there may be junior liens that also encumber the Security Property and which secure the repayment of other debts owing by the Borrower. The presence of junior liens on the Security Property may increase the risks to the Members in a variety of ways. First, the presence of junior liens on the Security Property means that the Borrower has less equity in the Security Property. When a Borrower has little equity in a Security Property, it may be less committed to developing or maintaining the Security Property or servicing the debt on the Security Property since it has little money at risk. Also, if the Borrower has to service the debt secured by the junior liens, then the revenue generated from the Security Property may be used to service these debts, rather than being used to maintain or enhance the value of the Security Property. Further, if a junior lienholder should go bankrupt, the automatic stay would prevent a senior lienholder (which would include the Members under the Security Instrument) from foreclosing on its senior lien. Thus, the

Members could be delayed from enforcing its rights under the Security Instrument due to the bankruptcy of a junior lienholder.

Risks Related to The Manager

Members must rely on the Manager to service the Loan and, if applicable, manage the Security Property following a foreclosure

Unless and until a Member Majority (or a Lender Majority in the case of a Fractionalized Loan) removes Blackburne, Members must rely on Blackburne to service the Loan and, if the Class (or the Class and any Third Party Lenders on a Fractionalized Loan) should take title to the Security Property, to manage the Security Property. While Blackburne believes it has adequate financial resources and personnel to service the Loans, manage the Security Property and otherwise meet its obligations under the LLC Agreement, it is possible that over the term of the Loan Blackburne's resources could deteriorate. If that were to occur and investors desired to replace Blackburne, obtaining the vote of the Lender Majority required to do so would be difficult and expensive. The investors could also find it difficult to find someone willing to replace Blackburne as the loan servicer or property manager, and such new loan servicer or property manager would likely require compensation in excess of that paid to Blackburne under the LLC Agreement.

Blackburne's withdrawal as Loan servicer may adversely affect overall investment returns and place additional burdens on the Members .

The Loan Servicing Agreement may be terminated by either Blackburne or by a Lender Majority upon 30 days prior written notice. Upon termination by Blackburne or a Lender Majority (including the a Class Majority if applicable), Members may have difficulty identifying and retaining a replacement servicer to act for the Class (and any Third Party Lenders, if applicable) in connection with the Loan and any replacement servicer may charge fees for such services that are significantly greater than those charged by Blackburne which would adversely affect the overall amounts received by the Members on the Loan.

Blackburne is not required to devote its full time to loan servicing activities

Blackburne is not required to devote its full time to the fulfillment of its duties under the LLC Agreement, but only such time as it determines is reasonably required.

There are risks of government action if Blackburne does not comply with all applicable laws and regulations.

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

Blackburne is subject to conflicts of interest.

There are several areas in which the interests of Blackburne will conflict with those of the Members, which should be carefully considered. (See "Conflicts Of Interest.")

Blackburne is not a licensed investment advisor or otherwise qualified to assess the suitability of an investment in Units for any particular investor.

If Blackburne is required to assess an investor's suitability for the purchase of Units, such assessment is being conducted based upon statutory requirements applicable to Blackburne in some states. For example, as a real estate broker licensed by the California Department of Real Estate ("**DRE**"), Blackburne has a statutory responsibility to make reasonable efforts to determine that an investment in a loan made or arranged by Blackburne is suitable and appropriate for the lender or purchaser of such loan investment based upon information provided by the potential lender or purchaser regarding such lender/purchaser's financial situation and investment objectives. If such information is collected from investors in connection with the purchase of Units the information is being collected for

statutory purposes, only, and the acceptance of an investor's investment should not be relied upon by a potential investor in determining if an investment in Units or the underlying Loan Investment is suitable or advisable for such investor's own personal financial situation. Blackburne is not a licensed investment advisor and is not otherwise qualified to make such a determination on any investor's behalf. Investors should consult with a knowledgeable investment professional prior to investing in Units to determine such an investment is suitable given their financial situation and investment objectives.

Risks Related to the Ownership of Units

Members may be required to make additional capital contributions to their initial investment.

The Manager has the right to require the Members to make Additional Capital Contributions to pay their pro rata share of any amounts required to service the Loan or protect the Class' interest in the Security Property to the extent Loan Proceeds and Security Property Proceeds are insufficient to cover such costs. Consequently, if the Borrower defaults under the terms of the Loan Documents, the investors may be required to pay their pro rata share of any Additional Capital Request in addition to the amount paid to purchase their Units. Failure to make an Additional Capital Contribution as required under the LLC Agreement is a breach of the terms of the LLC Agreement and to the extent Blackburne or any of the other Class Members are damaged by such breach, the Member may be subject to legal action to compel their performance under the LLC Agreement and for additional monetary damages suffered by the Manager and/or the other Class Members. Investors that cannot afford to pay potential Additional Capital Calls that may be required upon Borrower default, should not invest in Units.

The failure of an investor to pay any required Additional Capital Contribution will increase such investor's the risk of loss.

The failure of any investor to pay their pro rata share of any Additional Capital Call amount when due will result in the immediate subordination of such Member's right to distributions of any Loan Proceeds or Security Property Proceeds to the rights of the Priority Members and any Super Priority Members and, unless such Member reinstates their payment priority by making the required reinstatement payments within 60 days as required by the LLC Agreement, such subordinations shall at the option of Blackburne become permanent and irrevocable. (See "Terms of the Offering – Additional Capital Calls and Member Subordination," and "Description of the Units – Loan Default and Additional Capital Calls.") The sole source for repayment of a Member's investment following a default by the Borrower are the Loan Proceeds or, following a Transfer of the Security Property, the Security Property Proceeds than can be collected by Blackburne. If a Defaulting Member's right to distributions is subordinated to the right of each of the Priority Members and the Super-Priority Members to the full return of the priority returns *and* the full return of such Members' invested capital it is less likely that the Loan Proceeds or Security Property Proceeds collected by Blackburne and distributed to the Class Members will be sufficient to repay a Defaulting Lender's full invested capital and more likely that such the Defaulting Members will suffer a loss of some or all of their investment.

Members will be subject to the decisions of a Member Majority

Pursuant to the terms of the LLC Agreement, all actions that are subject to the vote of the Members (including, if the Loan is a Fractionalized Loan, any consents made by the Class under the Loan Servicing Agreement) will be determined by a Member Majority (i.e., any one or more Class Members that hold more than fifty percent (50%) of the total outstanding Units). Consequently, no Class Member will have the right to require or approve any action of the Class or the Manager that conflicts with the will of the Member Majority and it may be difficult, time consuming and costly to solicit adequate votes to take any action because there may be a significant number of Class Members with differing opinions and perspectives with respect to a course of action to take.

If the Loan is a Fractionalized Loan, the Class may be subject to the decisions of a Lender Majority under the Loan Servicing Agreement.

If the Loan is a Fractionalized Loan, the Class will own its Fractional Interest in the Loan as tenants-in-common with the Third Party Lenders and the Manager will service the Loan on behalf of all such lenders under the Loan Servicing Agreement. Pursuant to the terms of the Loan Servicing Agreement, Blackburne, as the loan servicer,

is authorized and required to take any action that Blackburne is not expressly authorized to take unilaterally, if such action is approved by a Lender Majority (i.e., Lenders holding more than 50% of the total outstanding Fractional Interests entitled to vote on such action. Such decisions may include, without limitation: (i) approval of a loan forbearance exceeding 90 days following a Borrower default; (ii) how, when or if to foreclose upon the Security Property and the determination of how the Lenders (including the Class) shall take title to the Security Property; (iii) the terms and conditions of any Transfer Entity created to hold the Security Property; and (iv) approval of any sale of the Security Property to Blackburne or its affiliates or any sale of the Security Property for an amount less than the Lenders investment.

Consequently, in the event the Fractional Interest acquired by the Class in the Loan does not constitute a Lender Majority under the Loan Servicing Agreement, Blackburne will not have the right to impose decisions on behalf of the Class (whether made by Blackburne unilaterally or approved by a Class Majority) on the Third Party Lenders. Consequently, the Class may not have the right to enforce its right as a secured party upon a Borrower default and may be subject to enforcement decisions that are not in the Class' best interests if the enforcement action conflicts with the decisions of the Lender Majority.

A breach of the Loan Servicing Agreement by a Third Party Lender may cause losses on the Loan.

If the Loan is a Fractionalized Loan, each non-approving Lender is required under the terms of the Loan Servicing Agreement to take any action and to execute any documents required to implement any action approved by a Lender Majority and failure to do so is on express breach of the Loan Servicing Agreement. Nonetheless, there is a risk that a non-approving Lender that does not approve of an action approved by a Lender Majority may refuse to take the actions required by the Lender upon demand. Such refusal may affect the ability of the other Lenders (including the Class) to adequately enforce the Loan and/or may affect their ability to sell the Security Property or cause a diminution of its value upon sale. Moreover, the failure of a Lender to take an action approved by a Lender Majority may require the other Lenders (including the Class) to take legal action against the non-approving Lender to compel the approved action which would result in increased costs payable prior to the return of the Class' (and the Class Members') investment. While the Class may also have a claim for damages and legal fees incurred by the other Lenders by reason of the non-approving Lender's failure to act in accordance with the Loan Servicing Agreement, there is no guaranty such action would be successful or would adequately reimburse the Lenders for the actual losses suffered.

The failure of an investor to pay any Additional Capital Call may result in the loss of such investor's right to participate in decisions affecting the Loan.

In addition to the subordination of rights resulting from any Defaulting Lender's failure to pay their pro rata share of an Additional Capital Call, such a failure also results in the immediate loss of a Defaulting Member's voting rights under the LLC Agreement. Moreover, unless a Defaulting investor reinstates their voting rights by making the required reinstatement payments within 60 days as required by the LLC Agreement, the loss of voting rights will become permanent unless otherwise agreed by Blackburne. Consequently, to the extent an investor defaults on his, her or its obligations to make an additional capital contributions in response to an Additional Capital Call, he, she or it will not be included in the calculation of the Class Majority (discussed above) and will lose any right to consent to or direct any action to be taken in connection with the Loan, notwithstanding such Members interest in the Class and the Loan. As a result, any Defaulting Lender losing his, her or its voting rights will be subject to actions taken by other Members that may have different and conflicting interests with respect to the Loan.

Units are not liquid investments

There is no public market for the Units and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Units will be restricted by the provisions of the Securities Act of 1933, as amended, and the intrastate exemption, Regulation D, Rule 147, Rule 504 and Rule 505 thereunder, and by the provisions of the Loan Servicing and Tenancy in Common Agreement. Unless an exemption is available, Units may not be sold or transferred without registration under the Securities Act of 1933, as amended, or pursuant to an exemption thereunder, and the prior written consent of the California Commissioner of Business Oversight. Investors must be capable of bearing the economic risks of this investment with the understanding that Units may not be

liquidated by resale or redemption. Investors should expect to hold Units through the scheduled maturity date of the Secured Note.

Units are not insured or guaranteed by any government agency or public entity.

Units are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or any other governmental agency or public entity, in contrast to certificates of deposit or accounts offered by banks, savings and loan associations or credit unions. The return of each investor's investment in Units will be dependent upon the ability of the Borrower to repay the Loan or, in the event of default, the value of the Security Property.

Investors are subject to investment delays

There will be a delay between the time Blackburne accepts an Investor’s subscription and the time a loan is funded to the borrower. During this period, all investors’ funds will be deposited in either Blackburne's non-interest bearing trust account or directly into the Loan escrow. Such funds will earn no interest while held in the subscription account and will earn no interest while held in escrow. This delay is not anticipated to be more than sixty (60) days in most cases.

Investors are subject to the risks of litigation

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

An investment in a single Loan lacks diversity.

There will be no diversification of risk for Members because the Class will invest in a single Secured Note secured by a single Security Instrument. As such, all of their funds will be loaned to one borrower and will be secured by a single parcel of real property security. If the loan is secured by Hypothecated Notes, Blackburne will still be loaned to one borrower; however, there may be some diversity if each Hypothecated Note represents a loan made to a different borrower and is secured by different real property security.

Units are risky and speculative investments and if you cannot afford to lose your entire investment, you shouldn’t invest.

Prospective investors should be aware that the Units are risky and speculative investments suitable only for investors of adequate financial means. If you cannot afford to lose your entire investment, you should not invest in the Units. If Blackburne accepts an investment, you should not assume that the Units are a suitable and appropriate investment for you.

<u>Risks Related to the Ownership of Units</u>

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

No assurance can be given that the Borrower will pay the Loan pursuant to its terms or that any Class Member will realize a stated 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 or minimal interest will 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 on behalf of the investors in a non-interest bearing account or the escrow established for the Purchase Transaction. 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 "Loan 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 with nominal or no 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.

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 servicing the Loan. However, the Company and each Class thereof is exposed to the risk of litigation for any allegations by the Borrower any guarantor or various other parties (warranted or otherwise) regarding the Loan. It is impossible for the Manager to foresee what allegations may be brought by a specific Borrower 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 or the Company the Class 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 for acts relating to such other 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. If the Class is wrongfully named in a lawsuit against another Class, the Class may also incur legal fees to obtain a dismissal from such suit notwithstanding the improper inclusion of the Class as a defendant.

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 Loan Investment.

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 will serve as the Loan Severer under the Loan Servicing Agreement. As such, the success of the 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 Class, the Company and to service the Loan, 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 loan servicer, and such new manager or loan servicer might require compensation in excess of that paid to the Manager.

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

While the Manager will make an investigation regarding the Loan and the Borrower, it will rely to some extent on third parties such as credit agencies, appraisers, brokers and the Borrower itself to provide the information upon which the Manager will base its decision to invest in the Loan. 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 Loan, the Borrower, or the Security 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

Introduction

The following is a summary of certain tax considerations which may be relevant to the Company and to a prospective Member. It is impracticable, however, 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 a Member. This Memorandum makes no representations as to state and local income tax consequences. No assurances are given that any deductions or other federal income tax advantages that are described, or that prospective Members may contemplate, will be available.

The following discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), the applicable Treasury Regulations (the "**Regulations**") and proposed Treasury Regulations (the "**Proposed Regulations**") adopted thereunder, current administrative rulings, and judicial opinions, all existing as of the date hereof. It must be emphasized that all of these authorities are subject to modification at any time by legislative, judicial, or administrative action and that any such modification could be applied on a retroactive basis. Future tax reform proposals may have a material adverse effect on the potential tax benefits that may be expected to be realized by prospective Member from an investment in Units.

The Company's legal Counsel will not prepare or review the Company's income tax information return, which will be prepared by the Manager and independent accountants for the Company. The Company will make a number of decisions on tax matters, often with the advice of independent accountants retained by the Company that will usually not be reviewed with legal counsel.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH, AND RELY ON THE ADVICE OF, HIS, HER OR ITS PERSONAL TAX ADVISOR WITH RESPECT TO THE SUITABILITY FOR THE INVESTOR OF AN INVESTMENT IN UNITS WITH RESPECT TO FEDERAL, STATE, FOREIGN AND LOCAL TAXATION.

General Overview

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 in addition to regular distributions made from the Loan Proceeds or Property Proceeds.

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 Limited Liability Company 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 Limited Liability Company 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 Limited Liability Company 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 Limited Liability Company 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 Limited Liability Company 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 amounts 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 Manager is granted a special power of attorney in the Subscription Agreement for the purpose of executing the Limited Liability Company Agreement on behalf of the Class Members. The following is a summary of the Limited Liability Company Agreement for the Company and is qualified in its entirety by the terms of the Limited Liability Company Agreement itself. Potential investors are urged to read the entire Limited Liability Company Agreement, which is set forth as Exhibit B to this Memorandum. Unless otherwise defined in this Memorandum, capitalized terms set forth below shall have the meanings set forth in the Limited Liability Company Agreement.

Rights and Liabilities of Members

The rights, duties and powers of Members are governed by the Limited Liability Company 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 the Class (including any additional capital contributions made in response to any Additional Capital Calls). 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 Member Majority (i..e, Class Members holding a majority of the outstanding Units) shall have the following rights: (i) to approve any action or consent subject to Lender approval under the Loan Servicing Agreement; (ii) without the Manager's concurrence to remove the Manager with or without cause and admit a successor Manager; and (iii) with the Manager's concurrence approve any amendment of the Limited Liability Company 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 Limited Liability Company 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. (See "Conflicts of Interest.")

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 a 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 Limited Liability Company 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 investment 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 the Pro Forma information included in the Loan Package for further information.) 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 Loan Package except as expressly agreed by Blackburne. (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.")

Loan Default and Additional Capital Calls

If, at any time, the Manager determines in its sole discretion, that the Loan Proceeds or Security Property Proceeds (as defined below) are insufficient to pay any fees or costs required to service the Loan on behalf of the Class, then Blackburne may require the Lenders to pay their pro-rata share of such amounts by complying with the Capital Call provisions outlined in the LLC Agreement (an "**Additional Capital Call**"). (See "Description of the Units – Loan Default and Additional Capital Calls.') If any Class Member fails to make any of these capital contributions when requested by the Manager (each, a "**Defaulting Member**"), the Defaulting Member will *immediately and automatically* lose his, her or its voting rights under the LLC Agreement and shall immediately and automatically have such Defaulting Member's right to the return of his, her or its investment, or any return thereon, subordinated to the priority rights of all Priority Members (i.e., the non-Defaulting Members) to the full amount of the their additional capital contributions plus the Priority Return stated in in the Loan Package payable thereon.

Moreover, the failure of a Defaulting Member to pay his, her or its delinquent share of an assessment, plus interest thereon at the Delinquent Rate within 60 days of the deadline to pay such additional capital contributions, automatically results in each such Defaulting Member: (i) permanently losing all voting rights granted to such Member

under the LLC Agreement: (ii) permanently losing any right to pay their pro rata share of the Additional Capital Call, which delinquent share may be paid by the Priority Members in exchange for the super-priority rights discussed below; (iii) permanently and irrevocably having his, her or its right to distributions of any Loan Proceeds or Property Proceeds subordinated to the rights of the Priority Members to full payment of their Priority Return and their Invested Capital ; *AND* (iv) permanently and irrevocably having his, her or its right to distributions of any Loan Proceeds or Property Proceeds further subordinated to the rights of any Super-Priority Members to full payment of their investment and or the Super-Priority Return thereon. (See “Risk Factors - Risks Related to Ownership of Units.”)

If any Defaulting Member fails to pay an assessment within the 60-day period described above, then, in order to make up the amount of the assessment not paid by the Defaulting Members, the Manager may offer each of the Priority Members the right to pay the remaining amount of the additional Capital Call (a “**Default Contribution**”) which the Priority Members shall have the right to pay their pro rata share of any Default Units based upon the relative Units of the Priority Members (without reference to the Defaulting Members). Each Priority Member that pays his, her or its share of a Default Contribution (the “**Super-Priority Members**”) shall be entitled to the return of their share of the Default Contribution paid, plus interest thereon at the Super –Priority Return Rate set forth in the Loan Package attached as Exhibit A (each Super-Priority Member’s, “**Super-Priority Return”)** prior to any distributions of Loan Proceeds or Property Proceeds to the Defaulting Members and any Priority Members' that fail to pay their Default Contribution share. Additionally, the Super-Priority Members will be entitled to receive distributions equal to their entire invested capital following distributions of the Priority Amounts of the Priority Members but prior to the Priority Member’s right to receive their applicable invested capital and the invested capital of the Defaulting Members. (See “Cash Distributions” below.)

Rights, Powers and Duties of Manager

Subject to the right of the Class Members to vote on specified matters and the right of Third Party Lenders (if any) to vote on matters pursuant to the Loan Servicing Agreement, the Manager will have complete charge of the business of the Company and the servicing of the Loan Investment. 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.

Operating Agreement Distributions to Members

Loan Proceeds and Property Proceeds received by Blackburne as the Loan servicer will first be distributed to the Class and any Third Party Lenders in accordance with the terms of the Loan Servicing Agreement. (See "Loan Servicing – Distributions to Lenders under Loan Servicing Agreement.") Net proceeds received by the Class under the Loan Servicing Agreement will, thereafter, be distributed to the Class Members in accordance with the distribution provisions set forth in the LLC Agreement. Such distribution provisions are summarized below.

Member Distributions Prior to Default

Prior to an event of default by the Borrower (if any), monthly payments of interest (and if required under the loan documents amortized principal) received by the Company under the Loan Servicing Agreement (after deduction of monthly Loan Servicing Fees payable to Blackburne) will be distributed to the Class Members pro rata based upon the relative number of Units held by each Class Member after deduction of all Class expenses. Any unpaid principal received by Company from the Borrower at the end of the Loan term or otherwise shall be distributed to the Class Members within

twenty five (25) days of the Company's receipt thereof. Upon receipt and distribution of all interest and principal payable under the Loan, the Company Class will be dissolved and terminated by the Manager.

Post-Default Distributions

Following a default, all Loan Proceeds or Property Proceeds[1] received by the Class under the Loan Servicing Agreement (and after all fee deductions and priorities payable thereunder) will be distributed in the following order of priority:

(b) *first*, to the Super-Priority Members, in relative proportion to their total Default Contributions, until each Super-Priority Member has received distributions equal to the full amount of their Super-Priority Return;

(c) *second*, to the Priority Members, in relative proportion to the total pro rata Default Contributions amount paid by each Priority Member, until each Priority Member has received the return of their full Priority Return;

(d) *third*, to the Super-Priority Members, in accordance with their relative Default Contributions, until each Super-Priority Member has received their entire unpaid invested capital;

(e) *forth*, to the Priority Members, in accordance with their relative Assessment amounts paid, until each Priority Member has received their entire unpaid Invested Capital; and

(f) *fifth*, to the Defaulting Members, in proportion to their relative Units until the Defaulting Members have received their Invested Capital Amounts.

Profits and Losses

Profits for income tax purposes will be allocated in substantially the same manner as cash distributions (other than distributions of invested capital representing a return of capital). Losses will be allocated among the Members of the Class (a) first, in accordance with their positive capital sub-accounts for the Class; and (b) thereafter, in accordance with the relative capital contributions made by the Members to the Class. Upon transfer of Units (if permitted under the Limited Liability Company 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 Limited Liability Company 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.

[1] The terms "*Loan Proceeds*" and *Property Proceeds*" are defined in the section of this Memorandum entitled "Description of the Units – Distributions of Loan Proceeds and Property Proceeds."

No Withdrawal from Company

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

Limitations on Transferability

The Limited Liability Company 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

The Class will continue until either the repayment of the Loan by the Borrower at maturity or otherwise or, following a default, completion of all enforcement actions taken and distribution of the proceeds received in connection therewith. 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 nor 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 Limited Liability Company 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 Limited Liability Company 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 making or documentation of the Loan or preparation of the Loan Documents. 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.

<u>EXHIBIT A</u>

LOAN PACKAGE

Loan Investment Bulletin – Attached

[Additional Risks and Considerations of Cannabis Related Loans - Attached]

[Additional Risks and Considerations of Construction Loans- Attached]

Form of Loan Servicing Agreement – Attached

Loan and related documents – Attached

EXHIBIT B

LIMITED LIABILITY COMPANY AGREEMENT

EXHIBIT C

SUBSCRIPTION AGREEMENT