FRACTIONAL LOAN INTERESTS

offered by

Blackburne & Sons Realty Capital Corporation
555 University Avenue, Suite 150
Sacramento, California 95825 (916) 338-3136

Minimum Investment: $5,000

Blackburne & Sons Realty Capital Corporation ("**Blackburne**") is a California corporation that is licensed as a real estate broker in the State of California. Blackburne has arranged to make or purchase a loan (the "**Loan**") to a third party borrower (the "**Borrower**"), which Loan will be evidenced by a promissory note (the "**Secured Note**") that is secured by a first mortgage or deed of trust (the "**Security Instrument**") encumbering developed or undeveloped real property located within or outside California (the "**Security Property**"). Blackburne is now offering to qualified California residents direct undivided fractional interests in the Loan ("**Fractional Interests**") on the terms and conditions outlined in this Offering Circular. Persons or entities purchasing Fractional Interests are referred to herein as "**Investors**" or "**Lenders**." Blackburne or its affiliates may also purchase Fractional Interests and to the extent they purchase Fractional Interests, Blackburne or such affiliate is also referred to herein as a "Lender."

The body of this Offering Circular contains only a general description of the terms, conditions, risks and other important factors associated with an investment in Fractional Interests. All information specific to the Loan being offered hereby is outlined in Exhibit A of this Offering Circular, entitled, "Loan Package – Description of Specific Loan" (the "**Loan Package**"). The Loan Package contains detailed information regarding the Loan amount, the identity of the Borrower, details regarding the Security Property and potential risks, disclosures and other considerations specific to the Loan being offered hereby. **Potential investors should read this Offering Circular, including the Loan Package and all other exhibits hereto in their entirety prior to investing.**

An investment in Fractional Interests involves a high degree of risk and is only suitable for experienced investors that have assessed such risks in light of their own personal financial situation, liquidity needs and investment objectives. (See "Risk Factors" and "Investor Suitability Standards."). Significant risks include, without limitation, the following:

- The Borrower may default and Investors may lose all or a portion of their investment. Investors that cannot afford the loss of their entire investment in Fractional Interests should not invest.
- Fractional Interests are assessable securities; meaning that in the event of a default, Investors may be required to contribute additional amounts to protect the value of the investment. Failure to pay such amounts will 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 3%.
- In the event of a payment default by the Borrower, monthly interest payments will immediately cease. Investors should not invest if cessation of monthly interest payments will cause them undue hardship.
- The Borrower may declare bankruptcy delaying or preventing the Lenders from completing a foreclosure.
- Blackburne will broker and service the Loan and will be subject to certain conflicts of interest including conflicts relating to setting its compensation, competition among investors for loan opportunities, allocation of its time and resources among the Lenders and its other investors and other ventures, and its role as both the Loan servicer and a Lender (if applicable). (See "Conflicts of Interest.")
- At maturity of the Loan the Borrower may not be able to refinance with another Lender or otherwise pay off the Loan.
- Investments in Fractional Interests are not liquid investments because the transfer of Fractional Interests is restricted and no public market for Fractional Interests exists or is likely to develop and Investors should not expect the return of their investment prior to the maturity date of the Loan stated in the Loan Package.
- If the loan-to-value ratio for the Loan is based upon a third-party appraisal or broker's opinion of value, there is a greater risk that the accuracy of the information provided in the appraisal or valuation is not accurate. Prospective Investors should do an independent assessment of the valuation information obtained by Blackburne to value the Security Property if such information is material to their decision to purchase Fractional Interests in the Loan.

These Fractional Interest securities are being offered and sold only to residents of the State of California pursuant to a permit granted by the California Commissioner of Financial Protection and Innovation. The Commissioner does not recommend or endorse the purchase of these securities, nor has the Commissioner passed upon the accuracy of the information set forth herein.

The date of this Offering Circular is January 9, 2026.

THE SALE OF FRACTIONAL INTERESTS COVERED BY THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION ("**COMMISSION**") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS PROVIDED FOR UNDER ANY OF: (1) THE INTRASTATE OFFERING EXEMPTION PROVIDED FOR UNDER SECTION 3(A)(11) AND RULE 147 PROMULGATED THEREUNDER; (2) THE INTRASTATE OFFERING EXEMPTION PROVIDED UNDER RULE 147A ENACTED BY THE COMMISSION UNDER SECTION 28 OF THE ACT; OR (3) THE PRIVATE PLACEMENT EXEMPTION PROVIDED UNDER SECTION 4(a)(2) OF THE ACT AND/OR REGULATION D PROMULGATED THEREUNDER. THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION PURSUANT TO SUCH EXEMPTIONS. THESE FRACTIONAL INTERESTS MAY NOT BE SOLD OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE ACT OR PURSUANT TO AN EXEMPTION THEREFROM.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY IN ANY STATE OTHER THAN THE STATE OF CALIFORNIA OR WITH RESPECT TO ANY PERSON WHO IS NOT A BONA FIDE RESIDENT OF CALIFORNIA, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY PERSON EXCEPT THOSE PARTICULAR PERSONS WHO SATISFY THE SUITABILITY STANDARDS DESCRIBED HEREIN. (SEE "INVESTOR SUITABILITY STANDARDS.")

THERE IS NO MARKET FOR FRACTIONAL INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. FRACTIONAL INTERESTS ARE NOT REDEEMABLE AND ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER, INCLUDING THE EXPRESS RESTRICTIONS SET FORTH IN THE REGULATIONS OF THE CALIFORNIA COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION (SEE "COMMISSIONER'S RULE 260.141.11"). FRACTIONAL INTERESTS SHOULD ONLY BE PURCHASED BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF FRACTIONAL INTERESTS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT BLACKBURNE IMMEDIATELY TO CHECK ITS ACCURACY.

UNLESS OTHERWISE INDICATED, THE INFORMATION PROVIDED HEREIN IS CURRENT AS OF THE DATE OF THIS OFFERING CIRCULAR, ONLY. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF BLACKBURNE SINCE THE DATE HEREOF.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS OFFERING CIRCULAR OR ANY OTHER COMMUNICATION FROM BLACKBURNE AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX ADVICE AND FINANCIAL PLANNING. LEGAL COUNSEL FOR BLACKBURNE DOES

NOT REPRESENT THE INTERESTS OF PURCHASERS OF FRACTIONAL INTERESTS WITH RESPECT TO THAT INVESTMENT DECISION. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS OR HER OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND/OR OTHER PROFESSIONAL ADVISORS 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 FOR FRACTIONAL INTERESTS.

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SUMMARY OF THE OFFERING

The following information is a brief summary of, and is qualified in its entirety by, the information contained elsewhere in this Offering Circular. This Offering Circular, together with the exhibits attached, should be read in their entirety before any investment decision is made.

Terms of the Offering

Fractional Interests are offered only to bona fide residents of the State of California. The minimum investment is $5,000, and additional amounts may be invested in increments of $500; however, Blackburne may in its discretion, increase or decrease the minimum investment or additional investment amounts required from each Investor on a loan-by-loan basis. Each Investor must meet certain minimum standards of income and/or net worth as described in the "Investor Suitability Standards" section.

Fractional Interests

Fractional Interests represent an undivided fractional interest in the Secured Note evidencing the Loan and a concurrent undivided fractional interest in the Security Instrument. The Fractional Interests may represent an investment in a new loan that is originated by the Investors to the underlying borrower and secured by the Security Instrument, or a purchase of an existing Secured Note that is secured by the Security Instrument. See "Loan Package" attached to this Offering Circular for a specific description of the terms of the Loan, the Borrower the type of Security Instrument, the nature of the security for the Loan and any further risks or considerations specific to the Loan offered hereby. All Investors that purchase Fractional Interests together with Blackburne will hold the Secured Note and the Security Instrument pursuant to the terms of this Offering Circular and the Loan Servicing and Equity Interest Agreement attached to this Offering Circular as Exhibit B (the "**Loan Servicing Agreement**") and as otherwise provided at law. (See "Description of Fractional Interests.")

Investor Assessments

Fractional interests are assessable securities and in the event of a default by the Borrower Investors may be required to invest additional sums in excess of the amounts paid to purchase Fractional Interests. 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 any right to direct future actions taken in connection with the Loan. (See "Terms of the Offering – Lender Assessments," "Loan Servicing – Lender Assessments and Default Provisions." And "Risk Factors – Risk Related to the Ownership of Fractional Interests.")

Lending Standards and Policies

The amount of the Loan in which Fractional Interests are offered is set forth in the Loan Package attached hereto as Exhibit A. The Loan will be evidenced by the Secured Note. If the Loan is for construction or rehabilitation of a property, the Loan will be directly secured by a Security Instrument encumbering the Security Property being improved or rehabilitated (a "**Construction Loan**") and will be subject to a Construction Loan Agreement. Construction Loans may be funded in installments and may be underwritten based upon the "as completed" value of the Security Property and involve additional risks of loss. 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 amount of the Loan will not exceed a certain percentage of the appraised value of the property securing the Loan (see "Description of Loans and Loan Criteria – Loan-To-Value Ratio; Appraisal

Requirement"). The Loan will provide that Lenders will receive interest payments monthly and repayment of principal when the Secured Note matures or, in the case of a fully or partially amortizing Loan, monthly payments of interest and a portion of principal with a balloon payment of any remaining principal outstanding at maturity. The Secured Note may be payable earlier if the Security Property is sold or if the Borrower refinances the loan. Information regarding the Borrower and the specific terms of the Loan are set forth in the Loan Package attached hereto as Exhibit A.

Cannabis Loans

The Loan may be made for the purpose of financing a cannabis related business (a "**Cannabis Operator**") operating in reliance upon state laws legalizing medical and recreational cannabis in California (the "**Cannabis Loans**"). Cannabis Loans may be made (i) directly to the 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 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 is made or that violations will not occur thereafter. Moreover, even if the Cannabis Operator operates in full compliance with all applicable California laws, Cannabis Operators may nonetheless be subject to federal prosecution or forfeiture under the federal Controlled Substances Act which makes it illegal under federal law 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 OFFERED HEREBY IS A CANNABIS RELATED LOAN IT IS CLEARLY INDICATED IN THE LOAN PACKAGE AND THE LOAN PACKAGE INCLUDES A SECTION ENTITLED "RISKS AND OTHER CONSIDERATIONS RELATED TO CANNABIS LOANS." POTENTIAL INVESTORS IN CANNABIS LOANS SHOULD READ UNDERSTAND THESE RISKS THOROUGHLY BEFORE INVESTING IN ANY CANNABIS LOAN AND SHOULD CONSULT THEIR OWN LEGAL COUNSEL AND INVESTMENT ADVISORS WITH RESPECT TO THESE RISKS TO DETERMINE IF AN INVESTMENT IN THE LOAN IS APPROPRIATE FOR THEIR PARTICULAR SITUATION.***

Loan Servicing

Blackburne will service the Loan pursuant to the terms of the Loan Servicing and Equity Interest Agreement, a copy of which is attached hereto as Exhibit B (the "**Loan Servicing Agreement**"). Blackburne will collect and disburse to the Investors on a monthly basis payments made by the Borrower under the Loan, less a loan servicing fee and any holdbacks or reserves, as authorized under the Loan Servicing Agreement. (See "Loan Servicing – Secured Note Servicing" and "Compensation to Blackburne.") If the Borrower should default under the Loan, Blackburne will enforce the terms of the Secured Note by commencing foreclosure procedures and otherwise taking those actions reasonably required to protect the Lenders' interest in the Loan, subject to the terms and conditions of the Loan Servicing Agreement. If Blackburne determines that the Lenders will acquire the Security Property through foreclosure, a deed in lieu of foreclosure or otherwise (a "**Transfer**"), Blackburne may form a limited partnership, limited liability company or other business entity (a "**Transfer Entity**") to take title to the Security Property, in which case the Lenders will be required to transfer their Fractional Interests into the Transfer Entity in exchange for a corresponding percentage interest in the Transfer Entity. (See "Loan Servicing"). Failure of a Lender to complete such a transfer may result in legal action against such Lender by Blackburne and/or the other Lenders. (See "Risk Factors – Risks Related to the Ownership of Fractional

Interests.") If Lenders should take title of the Security Property through a Transfer Entity or otherwise, Blackburne will provide property management services in exchange for management fees as provided in the Loan Servicing Agreement. (See "Loan Servicing" and "Compensation to Blackburne and its Affiliates.")

Lenders will have only those rights expressly set forth in the Loan Servicing Agreement. If Lender approval is required under the terms of the Loan Servicing Agreement, Blackburne is authorized to take any action approved by Lenders holding more than 50% of the outstanding Fractional Interests held by all Lenders on the Loan (a "**Lender Majority**"). Consequently, an Investor will not have the right to enforce his, her or its individual rights as a secured party upon a Borrower default and there is a risk that an Investor will be subject to enforcement decisions that are not in the Investor's best interests if the enforcement action conflicts with the decisions of the Lender Majority. (See "Risk Factors – Risks Related to the Ownership of Interests - *Lenders will be subject to the decisions of a Majority Interest*.")

Loan Servicer

Blackburne has extensive experience in the private lending industry (see "Broker and its Affiliates"). Blackburne will receive substantial compensation in connection with the funding and servicing of each Loan some of which is payable to Blackburne without regard to performance of the Loan. (See "Compensation to Blackburne" and "Conflicts of Interest.") Blackburne may also receive certain fees or other compensation for enforcing the Loan documents and/or managing and selling the Security Property on the Investors' behalf, which fees are subject to the Loan Expense Request provisions outlined in the Loan Servicing Agreement. (See "Compensation to Blackburne" and "Loan Servicing – Loan Expenses and Investor Subordination Provisions.")

Compensation to Blackburne and Affiliates

Blackburne and its affiliates will receive compensation in connection with arranging and servicing of each Loan, portions of which are payable without regard to performance of the Loan. (See "Compensation to Blackburne and its Affiliates" and "Conflicts of Interest").

No Liquidity

The Fractional Interests are subject to substantial restrictions on transferability and no established market exists for the trading of Fractional Interests. Investors should not purchase Fractional Interests unless they intend to hold them for the full term of the Secured Note. (See "Terms of the Offering – Restrictions on Transfer" and "Risk Factors – Risks Related to the Ownership of Fractional Interests.")

FORWARD-LOOKING STATEMENTS

This Offering Circular 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 may appear in a number of places in this Offering Circular, including, without limitation, the Loan Package and the "Lending Standards and Policies" and "Prior Performance" sections, and may include statements regarding Blackburne's intent, belief or current expectation about, among other things, the performance of the Loan or prior loans made or arranged by Blackburne, trends affecting the markets in which a Loan has been made and/or the financial condition and strategies of the Borrower or any guarantors on the Loan. Although Blackburne 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 Offering Circular. If any of the events described in "Risk Factors" occur, they could have an adverse effect on the performance of the Loan and the investment returns earned by the Investors. When considering forward-looking statements, prospective investors should keep these Risk Factors in mind as well as the other cautionary statements in this Offering Circular. Prospective investors should not place undue reliance on any forward-looking statement. Blackburne is not obligated to update forward-looking statements.

TERMS OF THE OFFERING

The minimum investment is $5,000 and increases otherwise approved by Blackburne additional amounts must be invested in minimum increments of $500. Each Investor must meet certain investor suitability standards (see "Investor Suitability Standards"). The Fractional Interests sold in this Offering Circular are subject to certain restrictions on resale and transfer (see "Risks Factors").

Subscription Procedures

Prospective Investors can subscribe to purchase Fractional Interests by (i) completing and executing the Lender/Purchaser Disclosure Statement, the Loan Servicing Agreement and the Subscription Agreement attached as Exhibits A, B and C, hereto (collectively, the "**Subscription Documents**"); (ii) executing the form of Lender's Instructions to Escrow delivered to prospective Investors by Blackburne ("**Lender's Instructions**"); (iii) delivering the executed Subscription Documents to Blackburne; and (iv) delivering the executed Lender's Instructions to the independent escrow company identified in the Lender's Instructions (the "**Escrow Agent**") together with a check in the amount of the desired investment for deposit in the Trust Account established by the Escrow Agent for the closing of the Loan. The check should be made payable to the Escrow Agent. Blackburne reserves the right to reject subscriptions for any reason, including the failure of a prospective Investor to fully complete and sign any of the offering documents or any annual Questionnaire (discussed below) or if Blackburne determines that the prospective Investor does not meet the investor qualifications described in the "Investor Suitability Standards" section or is otherwise unsuitable for an investment in Fractional Interests.

The Escrow Agent will promptly deposit all subscription checks into an interest-bearing trust account established with a federally insured bank or savings and loan (the "**Trust Account**") upon its receipt of such checks. There may be some period of time between when Blackburne accepts subscriptions and when the Loan "closes," i.e., when it is actually funded to the Borrower. If a subscription is not accepted, Blackburne will cause the Escrow Agent to promptly return to the prospective Investor his or her investment.

This offering is only for, and Blackburne will only accept subscriptions up to, an amount equal to the original principal amount of the Loan. Subscriptions will be accepted in the order that they are received by Blackburne. When Blackburne has received subscriptions that collectively equal the original principal amount of the Loan, Blackburne will reject all subsequently received subscriptions and will cause the Escrow Agent to promptly return the accompanying subscription checks.

Investor Questionnaire

The California Department of Real Estate ("**DRE**") requires all licensed real estate brokers in California who solicit investors to fund real estate secured loans to make "reasonable efforts" to determine that loan investments made pursuant to a DRE license are suitable and appropriate for the applicable investor based upon information provided by the investor regarding the investor's financial situation and investment objectives. To meet this requirement, Investor's will be required to complete the form of Investor Questionnaire issued by the DRE for this purpose (DRE Form RE 870) ("**Questionnaire**") prior

making their first investment in Fractional Interests and on a periodic basis thereafter (including prior to subsequent investments if an updated Questionnaire has not been delivered to Blackburne within the twelve (12) months prior to the investment). Any assessment of investor suitability made by Blackburne is for Blackburne's benefit, only, and does not constitute investment advice from Blackburne to any Investor. Blackburne is not a licensed investment advisor and is not adequately trained or qualified to give such investment advice to potential Investors. (See "Risk Factors – Risks Related to the Manager.") Potential Investors should consult with a qualified investment professional to determine if an investment in Fractional Interests is suitable to an Investors own financial situation and investment objectives.

Pre-Loan Closing

Blackburne has entered into a commitment letter with the Borrower that contains certain conditions that must be satisfied before Blackburne is obligated to fund the Loan to the Borrower. Accordingly, there may be some period of time between when Blackburne receives and accepts subscriptions and when the Loan is actually funded to the Borrower.

All subscription checks will be deposited by the Escrow Agent into the Trust Account. Interest that accrues on funds held in the Trust Account will be disbursed by Blackburne on a monthly basis to the Investors. When all of the conditions that must be satisfied for Loan closing have been met, the Escrow Agent will oversee the Loan closing pursuant to the Lender's Instructions and to separate escrow instructions submitted to the Escrow Agent by Blackburne. See "Loan Funding." If the conditions precedent to Loan funding are not satisfied by the Borrower, then the Escrow Agent shall promptly return the Investor funds to the Investors, together with any passbook rate interest thereon.

By executing and delivering the documents described above and delivering a subscription check to the Escrow Agent, a prospective Investor unconditionally and irrevocably agrees to purchase the Fractional Interests if and when the Loan closes (see "Loan Funding"). Subscriptions are non-cancelable and irrevocable and subscription funds are non-refundable unless the Loan fails to close or except as provided for by Blackburne.

Restrictions on Transfer

As a condition to this offering, significant restrictions have been placed upon the ability of Investors to resell, dispose of, pledge or otherwise transfer Fractional Interests or any interest in the Fractional Interests purchased hereunder, including without limitation the following:

(1) No Investor may resell or otherwise transfer any Fractional Interests except to a person or entity that meets the eligibility standards described in the "Investor Suitability Standards" section.

(2) Fractional Interests may not be sold or transferred without the prior written consent of the California Commissioner of Financial Protection and Innovation ("**Commissioner**"), except as permitted in Section 260.141.11 of the Commissioner's Rules. (See "Commissioner's Rule 260.141.11.") Fractional Interests are also subject to an order of the Commissioner withholding the exemption from the provisions of section 25130 of the California Corporations Code ("**Corps. Code**") provided under Section 25104(h) of the Corps. Code.

(3) Fractional Interests have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "**Act**"), in reliance upon the exemptions provided for under (i) Section 3(a)(11) of the Act and Rule 147 or Rule 147A applicable to certain intrastate offerings; and/or (ii) Section 4(a)(2) of the Act and Regulation D applicable to certain private placements. Fractional Interests may not be sold or otherwise transferred without registration under the Act or pursuant to an

exemption therefrom. In addition, no sales or transfers may be made to non-California residents for at least six-months after the last sale by Blackburne of a Fractional Interest in that Loan. In the case of Construction Loans, that six-month period will not begin to run until the last loan disbursement under the Construction Loan Agreement has been funded.

(4) No sale or transfer shall be effective unless the buyer or transferee has executed and delivered to Blackburne a Lender/Purchaser Disclosure Statement, a Loan Servicing and Equity Interest Agreement and a Subscription Agreement in the form attached hereto as Exhibits A, B and C.

A legend will be placed upon all instruments or certificates evidencing ownership of Fractional Interests stating that the Fractional Interests have not been registered under the Act and setting forth the foregoing applicable limitations on resale.

As a result of the above referenced transfer restrictions, Investors will not be free to sell or transfer their Fractional Interests at will, and Fractional Interests will generally not be acceptable by a lender as security for borrowing by an Investor. Investors should not purchase Fractional Interests unless they are willing to hold their Fractional Interests for the entire term of the Loan and potentially longer if the Borrower should default under the Loan terms. (See "Risk Factors – Risks Related to the Ownership of Fractional Interests – *Fractional Interests are not liquid investments*.")

Lender Assessments

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 a Transfer, Blackburne will require the Lenders to pay such expenses pursuant to the assessment procedures outlined in the Loan Servicing Agreement. These procedures as well as the penalties applicable to those Lenders that fail to pay such assessments are summarized below. For the purposes of this discussion, 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, 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.

Loss of Voting Rights and Subordination of Defaulting Lenders

If any Lender fails to pay any of these assessments when demanded by Blackburne (each, a "**Defaulting Lender**"), the Defaulting Lender will *immediately and automatically* lose all voting and consent rights granted to the Lenders under the Loan Servicing Agreement ("**Voting Rights**"). Moreover, such Defaulting Lender's right to the return of his, her or its investment, or any return thereon, shall be immediately subordinated to the right of each Lender that pays the assessment (the "**Priority Lenders**") to receive the return of the assessment amount paid, plus interest thereon at a rate equal to the lesser of: (i) the Secured Note rate plus 3%, or (ii) the maximum rate allowed by law (the "**Delinquent Rate**"). The assessment amounts paid by Priority Lenders plus all interest payable thereon and the Delinquent Rate is referred to herein as the Priority Lender's, "**Priority Return**."

Each Priority Lender will also be entitled to (and each Defaulting Lender will be subordinated to) the full return of each Priority Lender's invested capital, plus any previously unpaid interest thereon at the

rate payable under the Secured Note (the "**Note Rate**") and their pro rata share (based upon each Priority Lender's relative Fractional Interests) of any accrued but unpaid late charges, default interest or other fees or payments payable to the Lenders under the Loan Documents (each Lender's "**Investment Interest**"). (See, "Loan Servicing – Lender Consent Rights," and "Lender Assessments and Default Provisions.")

Sixty Day Reinstatement Right

Any Defaulting Lenders will have 60 days from the date their assessment amount was due to restore such Lender's Voting Rights and payment priorities by paying the entire delinquent assessment amount plus all Delinquent Interest accrued thereon and the failure of a Defaulting Lender 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 Lender's distribution rights to the rights of the Priority Lenders. The loss of a Lender's Voting Rights and the subordination of a Defaulting Lenders interest in distributions may severely affect the value of the Fractional Interests and the ability of such Lender to receive the return of his, her or its investment in Fractional Interests. (See "RISK FACTORS – Risks Related to the Ownership of Fractional Interests.")

Default Assessments and Super Priority

If, following expiration of the 60 day reinstatement period discussed above, any Defaulting Lender fails to pay such Lender's delinquent assessment plus all Delinquent Interest thereon, then Blackburne may notify the Priority Lenders of the Defaulting Lenders' default (an "**Assessment Default Notice**") which will set forth the amount of additional funds required to meet the obligations of the original assessment, and each of the Priority Lenders shall have the obligation to pay the remaining amount of the assessment in order to make up the amount of the assessment not paid by the Defaulting Lenders (a "**Default Assessment**"). If any Priority Lender fails to pay their pro rata share of the Default Assessment Amount, such Priority Lenders will be in default and Blackburne may notify those Lenders that pay their share of such amount of the remaining unpaid Assessment Default Amount, and those Lenders will be required to contribute their pro rata share of the additional Assessment Default Amount required (based upon their relative Fractional Interests). Each Priority Lender that pays their share of any unpaid Default Assessment (the "**Super Priority Lenders**") shall be entitled to the return of their share of the Default Assessment paid, plus interest thereon at the Delinquent Rate prior to any payments to the Priority Lenders that do not make pay their share of a Default Assessment and any payments to the Defaulting Lenders. Additionally, the Super Priority Lenders will be entitled to the return of their entire Investment Interest following the payment of the Priority Lenders' Priority Return but prior to any payment of the Investment Interests of either the Priority Lenders or the Defaulting Lenders. (See "Loan Servicing – Lender Assessment and Default Provisions.") If a Lender pays its pro rata share of any Assessment, but fails to pay its pro rata share of any Default Assessment, such Lender may nonetheless be subject to subordination to the rights of the Super Priority Lenders, and will lose its Voting Rights with respect to the subordinated Fractional Interests.

An Investor's Investment Interest is calculated solely for the purpose of determining distribution priorities payable to the Priority Lenders and the Super-Priority Lenders discussed above and does not represent a guaranteed return payable to any Investor. Fractional Interests are not guaranteed by Blackburne or any other party and Investor returns are payable solely from any Loan Proceeds or Property Proceeds collected by Blackburne and distributed to the Investors pursuant to the Loan Servicing Agreement. The subordination of an Investor's right to distributions to the interests of the other Lenders may drastically affect the ability of such Investor to receive the return of his, her or her investment and potential Investor's should maintain sufficient liquidity to meet their assessment obligations over the term of the Loan. (See "Risk Factors – *Risks Related to the Ownership of Fractional Interests.")*

INVESTOR SUITABILITY STANDARDS

To purchase a Fractional Interest, a prospective Investor must meet certain eligibility and suitability standards, some of which are set forth below, and must execute and deliver the documents described in the "Terms of the Offering - Subscription Procedures" section above. By executing the Subscription Agreement and Loan Servicing Agreement, an investor makes certain representations and warranties, upon which Blackburne will rely in accepting subscriptions. Read the Loan Servicing Agreement, the Subscription Agreement and the Loan Package carefully before investing. Each prospective Investor must be a bona fide resident of the State of California (or if the investor is a trust, corporation or other entity, that the principal office and place of business of such trust, corporation or other entity is located in California). In addition:

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

(2) *Net Worth Limitation*. The amount of each Investor's investment in a Fractional Interest offered hereby must not exceed ten percent (10%) of such Investor's net worth (exclusive of home, furnishings and automobiles).

If the Investor is an ERISA Plan (such as a pension or profit sharing plan, Individual Retirement Account, or 401(k) plan), the foregoing requirements must be met by either the ERISA Plan itself or, if the investment is being made on behalf of a plan participant who has the power to direct the investment on his or her behalf, by the plan participant for whose account the investment is being made.

If the Investor is a fiduciary account other than an ERISA Plan (such as a family trust or a custodial account for the benefit of a minor), the foregoing suitability standards may be met by any of the following: (i) by all beneficiaries of the account; (ii) by the trustee or custodian if that person is the donor of the Funds for investment; or (iii) by the donor of the Funds for investment if the only beneficiaries of the fiduciary account are the donor's ancestors, descendants or spouse.

RISK FACTORS

Any investment in a Fractional Interest involves a significant degree of risk and is suitable only for investors who have no need for liquidity in their investments. When analyzing this offering, prospective Investors should carefully consider the following risks, as well as the other matters described in this Offering Circular. These risks represent only some of the risks involved in connection with an investment in the Fractional Interests. Additional risks applicable to the Loan being offered hereby may be described in the Loan Package which should also be considered prior to investing. Moreover, changes in circumstances with respect to the Borrower, the Security Property or the general economic climate may exacerbate existing risks or create new risks following the date of this Offering Circular.

Risks Related to Private Lending

Investors will be private money lenders and are subject to the general risks associated with loan defaults and foreclosures.

An investment in a Fractional Interest represents a loan from the Investor to the Borrower, which loan is secured by real property and the improvements thereto, or by undeveloped land. Accordingly, the Investor assumes 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 Investor's 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 "*Lenders may be subject to the additional risks associated with undeveloped land*" 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) *Reliance on Appraisers & Appraisals*. 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.") Blackburne will be required to rely on information provided by appraisers with respect to such appraisals and no assurance can be given that any such appraisals will, in any or all cases, be accurate, or that the appraisers will not negligently or intentionally over value properties appraised for this purpose. 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) *Acquisition of the Security Property*. If the Borrower defaults, the Investors may be forced to purchase the Security Property at a foreclosure sale either directly or through a Transfer Entity by credit bidding some or all of the outstanding debt. The ability of the Investors to recoup their 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 Investors' 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 Lenders 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 Lenders and/or Super Priority Lenders 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 pay assessments may increase risks of loss and result in the loss of Investor's voting rights*," below).

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

(4) *Reserves*. 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 Lenders 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 Lenders and may be unable or unwilling to do so.

Loan defaults and reserves for potential Loan defaults may affect payments to Investors.

Monthly payments of interest to Investors are dependent upon the Borrower meeting its obligations under the Secured Note. If the Borrower defaults on its payment obligations, monthly payments to the Investors 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 Lenders up to three months' interest to defray the expected costs resulting from the expected default and to enforce the Lenders' rights to payment under the Loan documents. In either circumstance, Lenders 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.

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

Blackburne may offer Fractional Interests in loans to borrowers that are less creditworthy than those who can satisfy institutional lenders' credit requirements or who cannot satisfy institutional lenders' income documentation requirements, which are often reasons Blackburne can charge higher interest rates on its loans. (See "Lending Standards and Policies.")

Privately funded loans often involve higher risks than conventional loans, including: (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 Lenders which may lead to lower returns or losses for Investors.

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

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 will not occur during the Loan term. 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, any tightening of credit standards or general unavailability of credit in the market may significantly affect the ability of the Borrower to refinance the Loan and the ability of potential purchasers to finance the purchase of the Security Property. 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.

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

The recovery of sums advanced by the Investors in making the Loans and protecting their 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 Investors 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 Investors' ability to recoup some or all of their 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

Lenders 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, and the Borrower itself to provide the information upon which Blackburne will base its decision to make a loan and offer Fractional Interests 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.

Lenders may be subject to the risks related to the ownership of the Security Property.

If the Borrower defaults on the Loan and the Investors foreclose or otherwise take title to the Security Property following a Transfer, the Investors 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.

The Investors can lessen their potential liability for environmental clean-up costs, uninsured casualties and other liabilities relating to the ownership of the real property by taking back title to the real property through a Transfer Entity of which the Investors would be the limited partners or members. (See "Loan Servicing – Security Property Ownership.")

The real estate securing Fund loans may be used for illegal purposes and subject to forfeiture or other actions resulting in loan losses.

The Fund will not knowingly make loans secured by properties utilized for any illegal purpose. As a lender, however, the Fund is subject to the risk that Borrowers on Fund loans, or their tenants, will utilize security properties for criminal purposes without the Fund's knowledge. Illegal uses of security properties may include, for example, the illegal growth of marijuana (i.e., use of the property as a "grow house") or the production and manufacture of other illegal substances on the property. In such circumstances, the Fund may be subject to an increased risk of loss due to damage to the property resulting from the illegal use as well at potential seizure of the security property in state or federal forfeiture actions. Unless otherwise required by law or directed by authorities, the Manager will immediately file a notice of default on any loan secured by a property known to be used illegally; however, the rights of the Fund may be significantly affected in cases where criminal acts or civil forfeiture proceedings are involved. Legal fees and costs incurred protecting the Fund's rights with respect to illegally used security properties may also affect the ability of the Fund to earn profits on such loans and may result in loan losses.

Lenders 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.

Lenders 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, the occurrence of a fire affecting the Security Property will require insurance claims to be made with respect to the policy which may be challenged or otherwise delay or limit payments to the Lenders. Moreover, certain types of losses (generally those of a catastrophic nature, such as losses due to pandemics, 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; however, large fires affecting the Security Property and/or the region may affect the overall value of the Security Property. 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 Lenders.

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 antideficiency and "one form of action" laws available to the Borrower.

Lenders 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 thoroughly inspect and investigate the property before making or investing in a loan. 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 will generally not engage an environmental inspection firm to conduct a 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.

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 Lenders 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 will recommend the Lenders take title to the Security Property through a Transfer Entity rather than directly in order to limit the 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 Lenders 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 Lenders under the Security Instrument) from foreclosing on its senior lien. Thus, the Lenders could be delayed from enforcing its rights under the Security Instrument due to the bankruptcy of a junior lienholder.

Wildfire risks may adversely affect the Security Property.

Many states like California, Colorado, Washington and Arizona are facing an escalated threat from wildfires, driven by prolonged droughts, increased temperatures and expanded development in fire-prone areas. If the Security Property is located in a region subject to increased wildfire risks, wildfires may damage or destroy the Security Property, depress property values in the affected region, increase insurance costs, or result in the unavailability of insurance coverage, any of which could adversely affect the Borrower's ability to repay the Loan or the Investors' ability to recoup their investment in the event of a default.

Risks Related to Blackburne

Lenders must rely on Blackburne to service the Loan and, if applicable, manage the Security Property and the Transfer Entity.

Unless and until a Lender Majority (as defined in the Loan Servicing Agreement) removes Blackburne, Lenders must rely on Blackburne to service the Loan and, if the Investors 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 Loan Servicing 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 Loan Servicing Agreement.

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

The Loan Servicing Agreement may be terminated by either Blackburne or by a Lender Majority upon 30 days prior written notice. (See "Loan Servicing – Replacement of Loan Servicer.") Upon termination by Blackburne or a Lender Majority, Lenders may have difficulty identifying and retaining a replacement servicer to act for the Lenders 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 Lenders on the Loan. Moreover, if a Lender Majority has failed to notify Blackburne of the appointment of a replacement servicer by the effective date of the termination, then Blackburne is required to: (i) distribute all undisbursed funds held by Blackburne to the Lenders in accordance with their Fractional Interests or as otherwise outlined in the Loan Servicing Agreement; and (ii) deliver all Loan files in Blackburne's possession to the Lender holding the greatest Fractional Interest in the Loan or such other Lender identified by a Lender Majority. In such event, the identified Lender will be required to maintain the Loan documents on behalf of the Lenders until a replacement servicer is retained.

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 Loan Servicing 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. (See "Loan Broker & Servicer.")

Blackburne is subject to conflicts of interest.

There are several areas in which the interests of Blackburne will conflict with those of the Lenders, 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 Fractional Interests for any particular investor.

As a real estate broker licensed by the California 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. Blackburne will obtain such information from potential Lenders by requiring each potential Lender to submit an Investor Questionnaire on a form issued by the DRE for this purpose (DRE Form RE 870). (See "Terms of the Offering – Subscription Procedures.") Any determination of suitability made by Blackburne in connection with a Lender's purchase of Fractional Interests is made for statutory purposes, only, and should not be relied upon by a potential Lender in determining if an investment in Fractional Interests is suitable or advisable for such Lender's own personal financial situation. Blackburne is not a licensed investment advisor and is not otherwise qualified to make such a determination on Lender's behalf. Investors should consult with a knowledgeable investment professional prior to investing in Fractional Interests to determine such an investment is suitable given their financial situation and investment objectives.

Risks Related to the Ownership of Fractional Interests

Lenders may be liable for the payment of Assessments in addition to their initial investment.

Blackburne has the right to assess the Investors for any amounts required to service the Loan or protect the Investors' interest in the Security Property to the extent Loan Proceeds and Security Property Proceeds are insufficient to cover such costs. (See "Loan Servicing – Lender Assessment and Default Provisions.") 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 Assessment in addition to the amount paid to purchase their Fractional Interests. Failure to pay an Assessment as required under the Loan Servicing Agreement is a breach of the terms of the Loan Servicing Agreement and to the extent Blackburne or any of the other Investors are damaged by such breach, an Investor may be subject to legal action to compel their performance under the Loan Servicing Agreement and for additional monetary damages suffered by the Servicer and/or the other Lenders. Investors that cannot afford (or cannot maintain adequate liquidity) to pay potential Assessments that may be required upon Borrower default, should not invest in Fractional Interests.

The failure of an Investor to pay any Assessment will increase such Investor's the risk of loss.

The failure of any Investor to pay their pro rata share of any Assessment when due will result in the immediate subordination of such Lender's right to distributions of any Loan Proceeds or Security Property Proceeds to the rights of the Priority Lenders and any Super Priority Lenders and, unless such Investor reinstates their payment priority by making the required reinstatement payments within 60 days as required by the Loan Servicing Agreement, such subordinations shall become permanent and irrevocable. (See "Terms of the Offering – Lender Assessments," and "Loan Servicing – Lender Assessment and Default Provisions.") The sole source for repayment of a Lender'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 Lender's right to distributions is subordinated to the right of each of the Priority Lenders and the Super-Priority Lenders to the full return of the priority returns *and* the full return of such Lenders' Investment Interests, it is less likely that the Loan Proceeds or Security Property Proceeds collected by Blackburne and distributed to the Investors will be sufficient to repay a Defaulting Lender's full Investment Interest and more likely that such the Defaulting Lenders will suffer a loss of some or all of their investment.

Lenders will be subject to the decisions of a Majority Interest.

Lenders will hold their Fractional Interests as tenant-in-common with the other Lenders. By executing the Loan Servicing Agreement each Lender is appointing Blackburne to service and enforce the Loan on Lenders' behalf and is expressly waiving and relinquishing any individual right to enforce the Loan Documents separately from the other Lenders and any rights to partition following the transfer of the Security Property.

Pursuant to that agreement, Blackburne is authorized to take certain actions in connection with the Loan Documents and the enforcement thereof without Lender consent. Any action that Blackburne is not expressly authorized to take unilaterally, however, must be approved by Lenders holding more that 50% of the total outstanding Fractional Interests entitled to vote on such action (a "**Lender Majority**"), which Lender Majority may in certain circumstances include the approvals of Blackburne or its affiliates to the extent they have purchased Fractional Interests and have not resold such interests to new Lenders. (See "Loan Funding" and "Loan Servicing – Lender Voting Rights.") Consequently, decisions regarding the enforcement of Investors' rights under the Loan Documents and actions to be taken following foreclosure and a transfer of the Security Property to the Lenders will be subject to the control of a Lender Majority. 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 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, an Investor will not have the right to enforce his, her or its individual rights as a secured party upon a Borrower default and may be subject to enforcement decisions that are not in the Investor's best interests if the enforcement action conflicts with the decisions of the Lender Majority.

A breach of the Loan Servicing Agreement by other Lenders may cause Investor losses.

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. 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 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 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 Lenders' investment. While the Lenders 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 Assessment may result in the loss of such Investor's right to participate in decisions affecting their investment in Fraction al Interests.

In addition to the subordination of rights resulting from any Defaulting Lender's failure to pay their pro rata share of an Assessment, such a failure also results in the immediate loss of a Defaulting Lender's Voting Rights under the Loan Servicing Agreement. Moreover, unless a Defaulting Investor reinstates their Voting Rights by making the required reinstatement payments within 60 days as required by the Loan Servicing Agreement, the loss of Voting Rights becomes permanent. (See "Terms of the Offering – Lender Assessments" and "Loan Servicing – Lender Assessment and Default Provisions." Consequently, to the extent an Investor defaults on his, her or its obligations to make an Assessment, he, she or it will not be included in the calculation of the Lender 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 Investor's Fractional Interest therein. As a result, any Defaulting Lender losing his, her or its Voting Rights will be subject to actions taken by other Lenders that may have different and conflicting interests with respect to the Loan.

Fractional Interests are not liquid investments.

There is no public market for the Fractional Interests and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Fractional Interests will be restricted by the provisions of the Securities Act of 1933, as amended, and the intrastate exemption, Regulation D, Rule 147, and Rule 506 thereunder, and by the provisions of the Loan Servicing and Tenancy in Common Agreement. Unless an exemption is available, Fractional Interests 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 Financial Protection and Innovation. Investors must be capable of bearing the economic risks of this investment with the understanding that Fractional Interests may not be liquidated by resale or redemption. Investors should expect to hold Fractional Interests through the scheduled maturity date of the Secured Note.

Increasing interest rates may raise opportunity costs.

Mortgage interest rates are subject to abrupt and substantial fluctuations. If prevailing interest rates rise above the net interest rate payable to Lenders on the Loan, investors may wish to liquidate their investment in the Loan in order to take advantage of higher returns available from other investments but may be unable to do so.

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

Fractional Interests 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 Fractional Interests 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 invested in a passbook account with a federally insured bank or savings and loan association, which will not yield a return as high as the return to be earned by the Investor from the Loan. 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 persons who become Investors in a loan secured by a single Security Instrument. 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, the funds 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.

Fractional Interests 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 Fractional Interests 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 Fractional Interests. If Blackburne accepts an investment, you should not assume that the Fractional Interests are a suitable and appropriate investment for you.

DESCRIPTION OF FRACTIONAL INTERESTS

Fractional Interests represent an undivided fractional interest in the Secured Note and an undivided fractional interest in the Security Instrument encumbering the Security Property, or other promissory notes that are themselves secured by deeds of trust that encumber Security Property ("**Hypothecated Notes**").

Fractional Interests may represent an investment in a new loan that is originated by the Investors to the underlying borrower and secured by a Security Instrument, or a purchase of an existing note that is secured by a Security Instrument or by 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, including the Security Property that secures the Security Instrument and the borrowers and Security Property or Hypothecated Notes). For the purchase of an existing loan, Fractional Interests will be created when the Secured Note is assigned to the Investors, an assignment of Security Instrument is recorded, naming each of the Investors as the assignees of the mortgagee's or beneficiary's interest under the Security Instrument, and an endorsement has been secured for the title insurance policy recognizing the assignment of the Security Instrument.

For loans that are secured by Hypothecated Notes, Fractional Interests will be created when: (i) the Secured Note is signed and delivered (with respect to a new loan) or assigned to the Investors (with respect to the purchase of an existing loan); (ii) the Hypothecated Notes are assigned by the Borrower to the Investors pursuant to a security agreement given by the Borrower to the Investors (the "**Security Agreement**"); (iii) a UCC-1 financing statement or equivalent is filed in the required jurisdiction; (iv) the Borrower has signed and delivered notices of assignment that, on Loan default will be delivered to the borrowers under the Hypothecated Notes directing them to make loan payments directly to Blackburne, as agent for the Investors; and (v) the Borrower has signed and delivered recordable assignments of the Deeds of Trust that secure the Hypothecated Notes, which Blackburne shall be entitled to record if the Investors take title to the Hypothecated Notes following a Loan default.

If the Loan is a Construction Loan based upon the "as completed" value of the Security Property with a construction holdback of less than $100,000, Loan proceeds may be transferred from escrow to a construction disbursement account controlled by Blackburne ("**Disbursement Account**") and thereafter disbursed to the Borrower, or on the Borrower's behalf, for the purposes and on the terms described in the Construction Loan Agreement. If the Loan is a Construction Loan with a construction holdback of more than $100,000, Loan proceeds will be transferred from escrow to a fund control account ("**Control Account**") controlled by a third party control agent selected by Blackburne ("**Control Agent**") and thereafter disbursed by the Control Agent to Borrower, or on the Borrower's behalf, for the purposes and on the terms described in the Construction Loan Agreement. If the Loan is a Construction Loan, potential Investors should review the Loan Package attached as Exhibit A, hereto, which sets forth a further description of the risks and considerations relating to Construction Loans.

Blackburne and the Investors purchasing Fractional Interests prior to Loan closing will appear as the initial payees on the Secured Note, and as the initial beneficiaries under the Security Instrument or as the secured party and assignee under the Hypothecation Security Agreement. In the case of sales of Fractional Interests in an existing Loan after the Loan has closed, Blackburne will assign in writing a proportionate part of the unfunded interests in the Secured Note, Security Instrument, any Hypothecated Notes and any Construction Loan Agreement to Investors upon the purchase of Fractional Interests in a Loan, and such Investors will thereupon become Lenders on that Loan. Those assignments will be delivered to Lenders, except that assignments of the Security Instrument will be sent directly to the County Recorder for recordation in the county in which the underlying Security Property is located within 10 business days after the Lender's funds are delivered to Blackburne. The written assignments will evidence the Fractional

Interest of each Lender and the Lenders will become direct, legal owners as tenants-in-common in the Secured Note and related Loan documents. Blackburne will continue to act as loan servicing agent for all Lenders. (See "Loan Servicing.")

All Lenders, including Blackburne to the extent that it acquires an interest in a Secured Note, will be tenants in common and their rights as tenants in common will be governed by the Loan Servicing Agreement. (See "Loan Servicing.")

Under the Loan Servicing Agreement, each Lender that has acquired a Fractional Interest will be entitled to receive his or her pro rata share of interest and principal payments, after deduction of loan servicing fees and any costs incurred as a result of any default, such as the costs to enforce the Loan, to foreclose on the Security Property, or to sue under any guarantee. By executing the Loan Servicing Agreement, each Lender is authorizing Blackburne, as servicer, to act at the direction of a Lender Majority. If the Loan is subject to a Call Option, the stated term of the Loan will be longer than the term of the investment in the Loan as set forth in an addendum to the Loan Servicing Agreement. In such case, prior to the expiration of such investment term, Blackburne will either arrange for the purchase of the Fractional Interests of all Lenders seeking to terminate their investment at such time or exercise the Call Option to accelerate the amounts due under the Loan on or near the expiration of the investment term. (See "Lending Standards and Policies – Call Option Provisions.")

LOAN FUNDING

Blackburne has entered into a commitment letter (the "**Commitment Letter**") with the Borrower that contains certain conditions that must be satisfied before Blackburne is obligated to fund the Loan. Blackburne 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 Commitment Letter have been satisfied or waived or will be satisfied at the closing, the Escrow Agent will close the Loan pursuant to the Lender's Instructions and escrow instructions submitted by Blackburne. The escrow instructions submitted by Blackburne will contain numerous conditions to Loan closing, which may include without limitation, execution and delivery of the following: a signed Secured Note or the assignment thereof, a signed Security Instrument or an assignment thereof, a signed Security Agreement, signed assignments of the Hypothecated Notes, signed notices of assignment and assignments of Deeds of Trust (with respect to Hypothecated Loans), a title insurance company being prepared to issue, with respect to a new loan secured by a Security Instrument, a lender's policy of title insurance that names Blackburne and any other Initial Investors as the insured thereunder and that insures the first lien priority of the Security Instrument, subject only to exceptions approved by Blackburne, a title insurance company being prepared to issue, with respect to the purchase of an existing loan, an endorsement to the original title insurance policy recognizing the assignment of the mortgagee's or beneficiary's interest under the Security Instrument, and the Escrow Agent being prepared to record the Security Instrument or assignment of Security Instrument in the county recorder's office of the county where the Security Property is located and deliver the other executed Loan Documents to Blackburne on behalf of itself and any other Initial Investors. If the conditions precedent to Loan funding are not satisfied by the Borrower, then the Escrow Agent shall promptly return the Investor funds to the Investors, together with any passbook rate interest thereon.

If the Loan is a Construction Loan underwritten on the "as completed" value of the Security Property, all Fractional Interests in the Loan will be sold and the entire loan balance will be funded into escrow prior to closing. Upon closing, Loan funds will be transferred either to a Disbursement Account established by Blackburne for distributing the Loan proceeds in compliance with the Construction Loan

Agreement or to a third party Control Account for distribution by a Control Agent. (See "Description of Fractional Interests.") In either case, upon closing, each Lender will receive a Fractional Interest in the Secured Note and Deed of Trust and Construction Loan Agreement and such funds shall be deemed loaned to the Borrower and shall bear interest as provided in the Secured Note. Draws by the Borrower from a Disbursement Account will be controlled by Blackburne acting for the Lenders who will verify the progress of the construction and the Borrower's compliance with the Construction Loan Agreement. Draws by the Borrower on Loans subject to a Control Account will be controlled by the Control Agent and verified by a qualified non-affiliated third party Inspector. In the case of Loans subject to disbursement by a Control Agent, Blackburne will select, and oversee the actions of, both the Control Agent and the Inspector on behalf of Lenders. 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.

LENDING STANDARDS AND POLICIES

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 offered hereby, and in the event of any conflict or inconsistency between this Offering Circular and the Loan Package, the Loan Package shall be controlling.

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. Blackburne may arrange loans secured by more than one property in a single real estate portfolio held by the Borrower or by properties held in several portfolios held by a single sponsor or manager. Consequently, Blackburne may have arranged other loans to the Borrower or its affiliates prior to the Loan offered hereby or may arrange one or more additional loans to the Borrower or its affiliates following the date hereof. (See "Conflicts of Interest – Competition for Loans.")

Principal, Interest and Term of Loan

The total principal amount of the Loan, the interest rate payable by the Borrower 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 Lenders. Any Loan extension in excess of six months from the original maturity date or other Loan modification must be approved by a Lender Majority. (See "Loan Servicing – Lender Approval Rights.")

The Secured Note may also grant the Lenders the right to call (i.e., accelerate) the amounts due under the Loan prior to the expiration of the stated Loan term (a "**Call Option**"). In such event, there will be a minimum term prior to which the Call Option may not be exercised (the "**Minimum Loan Term**") which will generally coincide with the minimum term of each Lender's investment in the Loan. (See "Loan Servicing – Call Options and Lender Replacement Procedures.") Provided the Loan is not in default, prior to the expiration of the Minimum Loan Term, Blackburne will determine if one or more Lenders desires to extend their investment in the Loan beyond the Minimum Loan Term. If one or more Lenders does not desire to extend their investment beyond the Minimum Loan Term, Blackburne may arrange for the purchase of the Fractional Interests held by lenders seeking the return of their investment by those seeking to extend their investment. Provided the purchase price received by the non-extending Lenders is equal to the amount of their investment plus their pro rata share of all accrued and unpaid interest due as of the date of purchase, the non-extending lenders will be required to sell their interests and the Call Option will not be exercised. If, however, Blackburne is unwilling or unable to arrange such a purchase for all Lenders

seeking the return of their investment, Blackburne will exercise the Call Option on behalf of all Lenders on the Loan and the Loan will be terminated as of the Minimum Loan Term (plus the expiration of any notice period required under the terms of the Call Option). (See "Risk Factors" and "Loan Servicing – Call Options and Lender Replacement Procedures.")

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. If the loan-to-value ratio for the Loan is based upon a third-party appraisal or broker's opinion of value, there may be a greater risk that the accuracy of the information provided in the appraisal or valuation (as applicable) is not accurate. (See "Risk Factors – Risks Related to Private Lending.") Prospective Investors may request and will be given an opportunity to review the valuation information obtained by Blackburne with respect to the Security Property and should do so if such information is material to their decision to purchase Fractional Interests. 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 involves 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.

In many cases, loan-to-value ratio will be less than those stated above in order to address the uncertainty posed by the current economic conditions discussed throughout this Offering Circular. Blackburne's current loan-to-value ratios range, on average, between 50-60% of the value of a security property. Nonetheless, 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. Additionally, Blackburne will conduct a cursory investigation to determine the existence of any toxic or hazardous substances in, on or about the Security Property. However, due to the costs involved Blackburne will not engage the services of an engineer or environmental consultant to conduct a third party environmental site assessment of the Security Property. (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 70% 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"). 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 Lenders as loss payees 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 Lenders as loss payees 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 Investors.

(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 certified financial statements from, and conduct an independent credit check of, the Borrower; however, financial information received from the Borrower will not be subject to third-party audit and may (whether intentionally or unintentionally by the Borrower) prove to be inaccurate or incomplete. 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 – *Guaranties may be unenforceable by Lenders.*")

Loan Documents

If the Fractional Interests represent an investment in a new loan, each of the Initial Investors, as tenants in common in proportion to their respective investments, will appear as the payee on the Secured Note and the beneficiary or mortgagee under the Security Instrument. The Security Instrument will be recorded with the county recorder's office of the county in which the Security Property is located (see "Loan Funding"). Blackburne will retain the original Secured Note as the agent of the Investors, although Blackburne will deliver the original Secured Note to another party if directed in writing by a Lender Majority. Blackburne will appear as the lender on any Construction Loan Agreement as agent for the Lenders. In addition to the Secured Note and the Security Instrument (and Construction Loan Agreement, if applicable), the Borrower will execute and deliver an Environmental Warranty and Indemnification Agreement and such other documents as Blackburne shall require as a condition to the closing of the Loan.

If the Fractional Interests represent a purchase of an existing loan, each of the Investors, as tenants in common in proportion to their respective investments, will appear as the assignee of the note, the assignee's of the mortgagee or beneficiary interest under the deed of trust and shall be named in the endorsement to the title policy that recognizes the assignment of the mortgagee's or beneficiary's interest under the Security Instrument.

If the Fractional Interests are secured by Hypothecated Notes, each of the Investors, in proportion to their respective investments, will be named as the assignees of the Hypothecated Notes, the secured parties under the Security Agreement and, if needed, the UCC-1 financing statement or equivalent, and the assignees under the recordable assignments of the Deeds of Trust that secure the Hypothecated Notes.

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 Investors, 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 Lenders to collect greater amounts from the Borrower over the entire term of the Loan or is otherwise in the interest of the Lenders. 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 Blackburne 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 Lenders. Blackburne may, in its sole discretion and without notice to the Investors, 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 Lenders to collect greater amounts from the Borrower over the entire term of the Loan or it is otherwise in the interest of the Lenders.

LOAN BROKER AND SERVICER

Loans will be arranged and serviced by Blackburne. Information regarding Blackburne and its principals and affiliate mortgage funds is set forth below.

Blackburne & Sons Realty Capital Corporation

Blackburne was formed in 1980 under its prior name of "Blackburne & Brown Mortgage Company, Inc.," which name was changed to Blackburne & Sons Realty Capital Corporation in December of 2009. Blackburne obtained its corporate real estate broker's license from the California DRE in 1981 and a Mortgage Loan Originator License Endorsement ("**MLO Endorsement**") in 2011. Blackburne is also licensed as a California Finance Lender with the California Department of Financial Protection and Innovation, f/k/a the California Department of Business Oversight ("**DFPI**") and holds lending and loan servicing licenses in Arizona and Florida. Blackburne was formed for the purpose of originating loans that are secured by first and second deeds of trust on income-producing real property located in California. Loans originated by Blackburne are sold to individual investors, employee benefit plans and Blackburne's affiliate mortgage funds (see below) and are fully serviced by Blackburne. Blackburne also brokers larger loan requests to selected financial institutions, specifically banks and savings and loans.

George Blackburne, III is the sole shareholder of Blackburne which currently has 11 employees. The following principals and officers of Blackburne will be responsible for underwriting the loans and offering the Fractional Interests in the loans offered hereby.

George Blackburne, III. George Blackburne, a licensed attorney and a licensed real estate broker, is the founder and President of Blackburne. 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 accepted to the California State Bar in November of 1991. As President of Blackburne, he is responsible for all phases of operations.

In June of 2007, the DRE initiated an administrative action (the "**Accusation**") against Blackburne & Brown Mortgage Co., Inc. 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 the trust accounts for usual property expenses prior to transferring the money into the trust account to cover the checks. The Accusation also alleged improper signature authority on the trust accounts was granted to an unlicensed employee without the proper bonding. The DRE Accusation in no way alleged any conversion or misappropriation of investor funds and the trust account checks were immediately covered and the trust account situation had been rectified prior to the DRE audit and the filing of the Accusation.

The Accusation resulted in a Stipulation and Agreement between the Blackburne Parties and the DRE ("**Stipulation**"), whereby the Blackburne Parties 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 were met on a timely basis. Pursuant to the Stipulation, the thirty day suspension was vacated on July 10, 2010.

Further information regarding the status of the Accusation may be obtained by contacting Blackburne at 555 University Avenue, Suite 150 Sacramento, California 95825, telephone no. (916) 338-3232, or by contacting the DRE directly at the following address: California Bureau of Real Estate, Mortgage Loan Activities Unit, P.O. Box 137000, Sacramento, CA 95813-7000, telephone no. (916) 263-8941, website: www.dre.ca.gov.

Justine Smith. Justine Smith serves as Blackburne's Vice President and Controller. Ms. Smith graduated from Sacramento State University in 2010 with a B.S. in Business Administration and a minor in Economics. Ms. Smith joined Blackburne in 2010, became licensed as a Salesperson by the California DRE in July 2012 and obtained her MLO endorsement in 2013.

Alicia R. Gandy. Alicia R. Gandy is a Senior Loan Representative at Blackburne. Ms. Gandy joined Blackburne in 1998, became licensed as a Salesperson by the California DRE in May, 2007 and obtained her MLO Endorsement in 2011.

George Blackburne IV. George Blackburne IV is a Loan Representative at Blackburne. He is a graduate of Ohio State University, where he received a degree in business in 2008. He joined Blackburne in 2008, became licensed as a Salesperson by the California DRE in October 2009 and obtained his MLO Endorsement in 2011.

Affiliate Mortgage Funds

Blackburne is also the sole general partner of Blackburne & Brown Mortgage Fund II, LP ("**Fund II**"), a fund formed for the purpose of making or investing in mortgage loans. Information on the prior performance of the loans made or otherwise invested in Fund II is included in the information provided in the "Prior Performance" section, below.

The Commissioner of Financial Protection and Innovation does not recommend or endorse the purchase of interests in Fractional Interests or any other offering of interests made pursuant to a DFPI permit.

Blackburne Litigation

Blackburne is not currently involved in any active litigation maters. Nonetheless, as an active mortgage lender and broker, Blackburne has been the subject of litigation in the past and remains subject

to the risk of various forms of litigation by borrowers or investors with respect to allegations (warranted or otherwise) regarding the terms of the loans or the actions taken by Blackburne or the Fund in making, servicing or enforcing its loans. (See "Risk Factors – Risks Related to Private Lending.")

PRIOR PERFORMANCE

The following performance information is for illustrative purposes only. Past performance does not ensure future results. Additionally, investors will only own fractional interests in the loan described in the loan package attached hereto as Exhibit A. Consequently, the performance of loans previously made and arranged by Blackburne is not an accurate prediction of future results of the loan being offered hereby. Moreover, the information provided below is accurate as of the dates specified, only. The inclusion of such information shall not imply that there has been no change in such information since the dates specified. ***If the performance of the loans made or arranged by Blackburne since the date hereof is material to your decision to invest, you should contact Blackburne and obtain updated performance information before investing.***

General

Since inception, Blackburne has originated approximately 750 mortgage loans with an aggregate principal amount in excess of $386 million. Over the course of the five year period ending as of August 31, 2025, Blackburne had made and arranged 164 loans in the aggregate principal amount of approximately $60,261,941 (the "**Five Year Loans**") and as of August 31, 2025, Blackburne was servicing a loan portfolio of 130 outstanding loans in the aggregate amount of approximately $45,043,759 (the "**Outstanding Portfolio**"). Of the Five Year Loans, 153 loans with an aggregate principle balance of $58,222,780 were offered and sold in this offering. Of the Five Year Loans, all loans in the Outstanding Portfolio are secured by First Priority Deeds of Trust. Information regarding the prior performance of the Five Year Loans and Outstanding Portfolio (as applicable) is set forth below. The following information is limited to the loans made or arranged by Blackburne for private investors, including Blackburne's affiliated mortgage funds, and does not include loans arranged for, or sold to, institutional lenders or other lending companies or institutions.

Collateral Type (Five Year Loans)

Collateral Type	Number of Loans	Aggregate Principal Amount
Improved 1-4 Residential (non-owner occupied)	28	$5,549,691
Improved Multi-Family Residential (non-owner occupied)	0	N/A
Improved Commercial/Industrial	112	$47,474,414
Construction Loans	0	N/A
Land – Unimproved	13	$5,198,675

Loan Default Rates (Outstanding Portfolio)

As of August 31, 2025: (i) of the 130 loans in the Outstanding Portfolio, two (2) loans (i.e., 1.5% of the total number of loans serviced) in the aggregate principal amount of $41,647 (i.e., 10.7% of the aggregate principal of the Outstanding Portfolio) are in default and are in the foreclosure process (i.e., Blackburne has filed a notice of default and the loan is in some stage of the pre-foreclosure sale process); and (ii) two (2) loans (i.e., 1.5% of the total number of loans serviced) in the aggregate principal amount of $39,155 (i.e., 3.8% of the aggregate principal of the Outstanding Portfolio) are in default but are not subject to an NOD). (See "Loan Servicing – Loan Servicing Following Borrower Default.")

Foreclosure Rates & Information (Five Year Loans)

As of August 31, 2025, none of the 164 loans arranged over the Five Year Loan period were the subject of defaults that resulted in foreclosure or acquisition of the security properties by the Lenders and no Lenders or any of the Five Year Loans had acquired security properties.

LOAN SERVICING

Blackburne will be responsible for servicing the Loan on behalf of all of the Lenders in accordance with the terms and conditions set forth in the Loan Servicing Agreement, which agreement shall also govern the rights and obligations of the Lenders to the other Lenders in connection with actions taken with respect to the Loan. By executing the Loan Servicing Agreement, each Lender is appointing Blackburne as his, her or its agent to collect all payments made by the Borrower under the Secured Note and to disburse such payments to the Lenders, less the monthly servicing fee payable to Blackburne. In the event the Borrower defaults under the terms of the Loan Documents, Blackburne will also act as each Lender's agent in connection with enforcement of the Loan Documents and protecting the Lenders' interest in the Loan and the Security Property, including taking all post-default actions required to foreclose upon the Security Property, to effect the transfer of the Security Property to the Lenders or a Transfer Entity (see below) and thereafter managing, selling or refinancing the Security Property on the Lenders' behalf.

The following is a summary of the terms and conditions of the Loan Servicing Agreement and is qualified in its entirety by the provisions set forth therein. Potential Investors should read the Loan Servicing Agreement in its entirety prior to investing in Fractional Interests.

Secured Note 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 Loan Documents, and depositing such funds in an interest bearing trust account established with a federally insured bank or savings and loan. Servicing a Construction Loan (if applicable) will also include acting for 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 re-borrowing of sales proceeds deposited in the Disbursement account. Blackburne will receive a monthly Servicing Fee for these services not to exceed one-twelfth (1/12) of three and nine-tenths percent (3.9%) 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 Loan Servicing 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 (based on each Investor's Fractional Interest) pursuant to the assessment procedures set forth in the Loan Servicing Agreement, which are further described below in the subsection entitled, "Lender Assessments and Default Provisions." 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 "Summary of the Offering – Lender Assessments," for the definition of "Loan Proceeds" and "Security Property Proceeds.")

Call Options and Lender Replacement Procedures

If the Secured Note is subject to a Call Option, the stated term of the Loan set forth in the Secured Note (the "**Stated Term**") will be longer than the period that purchasers of Fractional Interests are required to participate in the Loan (the "**Investment Term**") and Lenders will have a right to call the Loan due after a stated period (the "**Minimum Loan Term**") designed to correspond to the Investment Term. (See Lending Standards and Polices – Principal, Interest and Term of the Loan.") In such event, the Loan Servicing Agreement attached hereto as Exhibit B includes a Lender Replacement Addendum (the "**Lender Replacement Addendum**") setting forth the terms and conditions upon which Blackburne may seek to replace any Lenders that do not wish to extend their investment beyond the expiration of the Investment Term ("**Terminating Lenders**") by arranging for the sale of their Fractional Interests to the other Lenders on the Loan ("**Continuing Lenders**"). The procedures for replacing Terminating Lenders set forth in the Lender Replacement Addendum (the "**Lender Replacement Procedures**") require Blackburne to either arrange for the acquisition of each Terminating Lender's Fractional Interests at their Par Value (as defined below) or to exercise the Call Option on behalf of all Lenders on the Loan. Consequently, no Terminating Lender will be required to hold his, her or its Fractional Interests in the Loan beyond the Investment Term (plus any Call Notice Period required before the Loan would be due under the Call Option). The Lender Replacement Procedures, however, are not effective in the event of a material default by Borrower within the Investment Term. In the event of such a default, Lender may be required to hold his, her or its Fractional Interests for an indefinite period (see "Risk Factors").

The Lender Replacement Addendum includes all relevant information relating to the Call Option including: (i) the Stated Term of Loan; (ii) the date upon which the Lenders (or Blackburne on the Lenders' behalf) may exercise the Call Option (the "**Option Exercise Date**"); (iii) the number of months prior to the date the Loan becomes due under the Call Option that written notice must be given to the Borrower (the "**Call Notice Period**"); (iv) the Minimum Loan Term; and (v) the Investment Term during which Lenders are required to hold their Fractional Interests.

Provided the Loan is not in default, prior to the expiration of the Investment Term, Blackburne will determine if one or more Lenders desires to extend their investment in the Loan beyond the initial Investment Term and through the Stated Term. If one or more Lenders does not desire to extend their investment beyond the Investment Term (i.e. Terminating Lenders), Blackburne may, but shall not be obligated to, arrange for the purchase of the Fractional Interests held by the Terminating Lenders for their Par Value. For this purpose, the "**Par Value**" of a Lender's Fractional Interests means the aggregate amount paid by a Lender for its Fractional Interests in the Loan, plus all accrued and unpaid interest due to the Lender under the Loan Servicing Agreement as of the date of purchase. Provided Blackburn arranges for each Terminating Lender to receive an amount equal to the Par Value of their Fractional Interests, such Lenders will be required to sell their interests and the Call Option will not be exercised. If, however, Blackburne is unwilling or unable to arrange such a purchase for all Lenders seeking the return of their investment, Blackburne is required to exercise the Call Option on behalf of all Lenders on the Loan and the Loan will be terminated upon the expiration of the Call Notice Period.

Loan Servicing Following Borrower Default

Any event of default by Borrower under the Loan Documents (an "**Event of Default**") shall constitute an event of default under all Fractional Interests held by all Lenders. Upon the discovery by Blackburne of the occurrence of a monetary Event of Default under the Loan Documents or an Event of Default which materially impairs or threatens the value of the Lenders' security or the ability of Borrower or any other party to perform its obligations under the Loan Documents, Blackburne shall promptly notify the Lenders of such Event of Default 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 Lenders, 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 Lenders 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 Lenders, (ii) the term of such forbearance agreement or extension does not extend more than 90 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 90 days as provided herein and Borrower has not paid all amounts owing under the Loan Documents on or before the end of such 90-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 Lender Majority;

(c) accept a deed in lieu of foreclosure from Borrower if doing so would cause the Lenders 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 Lenders' security interest in the Security Property.

(e) 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 Lenders, to exercise those additional remedies in the Construction Loan Agreement which are supplemental to those available to the Lenders under the Secured Note and Security Document. 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.

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 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 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 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.

At least 15 days prior to the date of the Foreclosure Sale, Blackburne shall give the Lenders written notice of the date and time the Foreclosure Sale shall be held ("**Foreclosure Sale Notice**"), which will advise the Lenders of the total accrued and unpaid amounts due from the Borrower which may be credited towards the Lenders' purchase of the Security Property at the Foreclosure Sale (the "**Full Credit Bid**"). The Foreclosure Sale Notice shall also include either a notice to the Lenders of Blackburne's intention to conduct the Foreclosure Sale in accordance with the Default Bid Instructions outlined in the Loan Servicing Agreement or a written proposal from Blackburne outlining alternative bidding instructions for approval by a Lender Majority.

Each Lender shall then have five business days from the date of the Foreclosure Sale Notice (the "**Lender Bid Deadline**") to deliver to Blackburne a written proposal for alternative bidding instructions (a "**Lender Bid Proposal**"). Within two business days following the Lender Bid Deadline, Blackburne shall deliver to each Lender a written statement outlining the material terms of each properly submitted Lender Bid Proposal together with a request that each Lender affirmatively approve either the original bid instructions set forth in the Foreclosure Sale Notice or one of the alternative Lender Bid Proposals forwarded by Blackburne to the Lenders pursuant to the terms hereof (collectively, the "**Bid Proposals**"). Upon the approval of one of the Bid Proposals by Lenders representing a Lender Majority (the "**Majority Instructions**"), Blackburne shall be authorized to instruct the Foreclosure Agent to accept bids for the Security Property at the Foreclosure Sale in accordance therewith. Blackburne shall notify the Lenders of the adoption of the Majority Instructions promptly following Blackburne's receipt of the requisite approvals from the Lender Majority; however, the failure of Blackburne to notify any Lender of the adoption of a Bid Proposal or the terms of the approved Majority Instructions prior to the Foreclosure Date, shall not affect the right of Blackburne to take those actions required to implement the Majority Instructions at the time of the Foreclosure Sale.

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 Lenders' behalf which exceeds 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 at the Foreclosure Sale, Blackburne may postpone the Foreclosure Sale until clear directions from the Lender Majority are received.

Security Property Ownership

If Blackburne determines that the Security Property is going to be acquired by the Lenders following a Transfer (i.e., following judicial or non-judicial foreclosure or by a deed in lieu of foreclosure), Blackburne, with the affirmative consent of a Lender Majority, my arrange for deed at the closing of the Transfer to be held by either: (i) the Lenders, as tenants in common, according to their Fractional Interests, or (ii) a limited liability company, a limited partnership or another type of business entity formed by Blackburne for the purpose of holding title pending sale of the Security Property (a "**Transfer Entity**"). In

rare circumstances, title may be held by Blackburne, in trust and as trustee for the Lenders or by Blackburne, as nominee or agent for the Lenders; however, in such cases, Blackburne shall have only those duties and obligations expressly provided for in the Loan Servicing Agreement.

To the extent Blackburne determines that, due to liability, tax or other considerations, it would be advantageous to the Lenders to hold title to the Security Property following a Transfer in a Transfer Entity, Blackburne shall distribute to the Lenders a copy of a proposed operating agreement, limited partnership agreement or other form of document governing the terms and conditions applicable to the Transfer Entity (the "**Transfer Entity Agreement**") for approval by a Lender Majority. The Transfer Entity Agreement shall provide for the capitalization of the Transfer Entity through each Lender's contribution of his, her or its Fractional Interest in the Loan (or if formed following a Transfer, the Security Property) which the Lenders will assign to the Transfer Entity in exchange for an equity interest in the Transfer Entity equal to each Lender's then current Fractional Interest.

The terms contained in the Transfer Entity Agreement shall be structured such that, following the Transfer to the Transfer Entity, the Lenders and Blackburne shall retain, as nearly as possible, all material rights and obligations existing under Loan Servicing Agreement as of the date of the Transfer including, but not limited to (i) the retention of each Lender's relative rights to distributions payable under the Loan Servicing Agreement, as such date, including the retention of all priorities and subordinations related to any Assessments made as of such date; (ii) the retention of all rights to the payment of all fees and other compensation payable to Blackburne or to any Lender as of the Transfer and provision for the payment of future fees or other compensation in amounts no greater than as set forth in the Loan Servicing Agreement; (iii) ongoing additional capital contribution requirements materially similar to the Assessment provisions set forth in Section 6 of the Loan Servicing Agreement; and (iv) any other rights and obligations of the Lenders and Blackburne reasonably material to a Lender's decision to purchase his, her or its Fractional Interest at the time such investment decision was made.

So long as the Transfer Entity Agreement is approved by a Lender Majority and meets the requirements set forth, above, each Lender, including those Lenders that did not consent to the action approved by a Lender Majority (either due to their active right to vote against such provisions or due to the loss of such right following the failure to make a properly demanded Assessment) shall be required to execute and deliver assignments of their Fractional Interests to the Transfer Entity and any other documents reasonably necessary in Blackburne's good faith judgment to effectuate the Transfer. If any Lender fails to execute and deliver any document so required, Blackburne shall have the right to execute such documents as Lender's attorney-in-fact pursuant to the Power of Attorney granted in the Loan Servicing Agreement. Additionally, the failure of any Lender to execute any such document shall be a breach of the terms of the Loan Servicing Agreement by such Lender and Blackburne and/or the other Lenders shall be entitled to pursue any legal, equitable or other rights against such Lender for any damages caused by reason of such breach.

Security Property Management or Loan Servicing

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 and outlined "Lender Assessments and Default Provisions" below. 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 "Terms of the Offering – Lender Assessments," for the definition of "Loan Proceeds" and "Security Property Proceeds.")

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 Lenders (if any); (ii) all Super-Priority Returns to the Super-Priority Lenders (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.

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 to the Lenders for any principal or interest owing under the Loan Documents. Blackburne may, however, in its sole discretion and without being so obligated to the Lenders, advance its own funds on behalf of the Lenders 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 and subject to the Assessment procedures and default provisions discussed below.

Lender Voting Rights

Lenders will have only those Voting Rights expressly set forth in the Loan Servicing Agreement. Such Voting Rights expressed in the Loan Servicing Agreement include: (i) the right to approve any forbearance or loan extension with the Borrower exceeding 90 days; (ii) the right to approve any forgiveness of principal or regular (non-default) interest due from the Borrower under the Loan; (iii) the right to approve any Loan modification other than a forbearance of less than 90 days; (iv) the sale of the Security Property to Blackburne or an affiliate or for an amount that is insufficient to repay all of the Lenders their investment plus all regular interest thereon; (v) the termination of Blackburne as the Loan servicer; and (vi) the approval of the terms of any Transfer Entity Agreement that will govern the Lenders.

Blackburne is authorized under the Loan Servicing Agreement to take any action subject to the Voting Rights if any such action is approved by a Lender Majority (i.e., Lenders representing more than 50% of the Fractional Interests entitled to vote on any such action). The Fractional Interests of any Defaulting Lenders that, as of any date, have lost their Lender Consent Rights for failure to make an Assessment as required by Blackburne (see below), will not be considered for the purposes of calculating the Lender Majority as of such date. Consequently, Blackburne will be authorized to take any action approved by a Lender Majority notwithstanding the objections of any Lender or group of Lenders holding less than 50% of the Fractional Interests and notwithstanding the fact that the Lender Majority may represent less than 50% of all of the outstanding Fractional Interests held by all Lenders. (See "Risk Factors – *Investors are subject to the will of the Lender Majority*.")

Lender Assessments and Default Provisions

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

If any Lender fails to pay any of these assessments (each, a "**Defaulting Lender**"), the Defaulting Lender will *immediately and automatically* lose his, her or its Voting Rights under the Loan Servicing Agreement and shall immediately and automatically have such Defaulting Lender'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 Lenders to the full amount of the their Priority Return AND the full return of each Priority Lender's Invested Interest. (See "Terms of the Offering – Investor Assessments.")

Moreover, the failure of a Defaulting Lender 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 assessment, will automatically result in each such Defaulting Lender: (i) permanently losing all Voting Rights granted to such Lender under the Loan Servicing Agreement: (ii) permanently losing any right to pay their pro rata share of the assessment , which delinquent share may be paid by the Priority Lenders 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 Security Property Proceeds subordinated to the rights of the Priority Lenders to full payment of their Priority Return and their Investment Interest; *AND* (iv) permanently and irrevocably having his, her or its right to distributions of any Loan Proceeds or Security Property Proceeds

further subordinated to the rights of any Super-Priority Lenders to full payment of their Super-Priority Return and all of their Investment Interests. (See "Risk Factors - *The failure an Investor to pay any assessments will increase such Investor's the risk of loss."*)

If any Defaulting Lender 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 Lenders, Blackburne may notify the Priority Lenders of the Defaulting Lenders' default (a "**Default Assessment**"). The Priority Lenders shall be obligated to pay their pro rata share of any Default Assessment based upon the relative Fractional Interests of the Priority Lenders (without reference to the Fractional Interest held by the Defaulting Lenders). If any Priority Lender fails to pay their pro rata share of the Default Assessment Amount, such Priority Lender will be in default and Blackburne may notify those Lenders that pay their share of such amount of the remaining unpaid Assessment Default Amount, and such Lenders will be required to contribute their pro rata share of the additional Assessment Default Amount required (based upon their relative Fractional Interests). Each Priority Lender that pays his, her or its share of any unpaid Default Assessment (the "**Super-Priority Lenders**") shall be entitled to the return of their share of the Default Assessment paid, plus interest thereon at the Delinquent Rate (each Super-Priority Lender's, "**Super-Priority Return")** prior to any distributions of Loan Proceeds or Security Property Proceeds to the Defaulting Lenders and any Priority Lenders' that fail to pay their Default Assessment share. Additionally, the Super-Priority Lenders will be entitled to receive distributions equal to their entire Investment Interest following distributions of the Priority Amounts of the Priority Lenders but prior to the Priority Lender's right to receive their applicable Investment Interests and the Investment Interests of the Defaulting Lenders. (See "Distributions of Proceeds Following Default," below.) If a Lender pays its pro rata share of any Assessment, but fails to pay its pro rata share of any Default Assessment, such Lender may nonetheless be subject to subordination to the rights of the Super Priority Lenders, and will lose its Voting Rights with respect to the subordinated Fractional Interests.

An Investor's Investment Interest is calculated solely for the purpose of determining distribution priorities payable to the Priority Lenders and the Super-Priority Lenders discussed above and does not represent a set return payable to any Investor. Fractional Interests 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 Loan Servicing Agreement. The subordination of an Investor's right to distributions to the interests of the other Lenders 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 Fractional Interests.")

Distribution of Proceeds Following Default

Pursuant to the terms of the Loan Servicing Agreement any Loan Proceeds or Security Property Proceeds collected by Blackburne following an Event of Default shall be distributed 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, until each Priority Lender has received their entire unpaid Investment Interest;

(f) sixth, to the Defaulting Lenders, in proportion to their relative Fractional Interests 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 Fractional Interests.

Replacement of Loan Servicer

The Lenders may remove Blackburne as the loan servicer and terminate of the Loan Servicing Agreement only upon thirty (30) days' prior written notice executed by a Lender Majority. Blackburne may also terminate the Loan Servicing Agreement and retire as the loan servicer, thereunder, upon thirty (30) days' prior written notice to the Lenders. Upon either such termination, Blackburne will be entitled to an amount equal to: (i) any monthly Servicing Fees accrued but unpaid as of the termination date; plus (ii) any Management Fees accrued but unpaid as of the termination date; plus (iii) any Protective Advances and any other sums advanced by Blackburne on behalf of the Lenders plus interest thereon at the Priority Rate.

Following a termination of the Loan Servicing Agreement, Blackburne will make good faith efforts to facilitate the transfer the Loan servicing responsibilities to another party; however, it shall be the sole responsibility of the Lenders to identify and retain a substitute loan servicer or other agent to act for the Lenders in connection with the Loan (a "**Replacement Agent**"). Blackburne will not take any actions in connection with such transfer unless directed, in writing, by a Lender Majority. If a Lender Majority fails to notify Blackburne of the appointment of a Replacement Agent by the effective date of the termination of the Loan Servicing Agreement, then Blackburne will: (i) distribute all undisbursed funds held for the benefit of the Lenders (if any) to the Lenders in accordance with their Fractional Interests or as otherwise outlined in the Loan Servicing Agreement; and (ii) deliver all Loan files in Blackburne's possession to the Lender holding the greatest Fractional Interest in the Loan or any other party identified by a Lender Majority. (See "Risk Factors – Risks Related to Blackburne.")

Blackburne may also assign its obligations under the Loan Servicing Agreement to an affiliated loan servicing company, provided that the affiliate is duly licensed to service the Loan and is directly or indirectly controlled by, or under common control with Blackburne or another legal entity owned and controlled by George Blackburne III, his sons, George Blackburne IV, Thomas Blackburne, his daughter Jordan Blackburne and/or any combination thereof .

Power of Attorney

The Loan Servicing Agreement includes an irrevocable special power of attorney pursuant to which each Lender appoints Blackburne as his, her or its attorney-in-fact to perform all acts Blackburn is authorized to perform for the Lenders under the Loan Servicing Agreement (the "**Power of Attorney**").

Blackburne may also require each Lender to deliver a separately executed and notarized copy of the Power of Attorney for recording in the county where the Security Property is located.

COMPENSATION TO BLACKBURNE AND ITS AFFILIATES

The following is a summary of the forms of compensation that Blackburne and Blackburne Law Firm will receive in connection with the Loan and this offering. None of the following compensation was determined by arm's length negotiation.

Loan Origination Fees

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

As compensation for servicing the Loan (i.e., collecting and disbursing to the Investors monthly payments by the Borrower of principal and interest, monitoring the Borrower's compliance with the terms of the Loan Documents and, if necessary, enforcing the rights of the Investors under the Loan Documents), Blackburne will receive a monthly loan servicing fee not to exceed one-twelfth (1/12) of three and nine-tenths percent (3.9%) 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 Servicing Fee will be deducted from the monthly payments made by the Borrower thereunder. 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 for any accrued but unpaid Servicing Fees pursuant to the Assessment provisions set forth in the Loan Servicing Agreement. (See "Terms of the Offering – Investor Assessments" and "Loan Servicing – Investor Assessments and Default Provisions.")

If the Investors take title to the Hypothecated Notes and Blackburne services the Hypothecated Notes on behalf of the Investors, then Blackburne shall be entitled to a commercially reasonable monthly loan servicing fee.

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 on the Loan. (See "Lending Standards and Policies – Prepayment Penalties; Exit Fees and Default Interest.")

Shared Equity Payments and Shared Income Payments

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). If the Loan is a Shared Income Loan, Blackburne will be entitled to retain up to 50% of all Shared Income Payments collected from the Borrower (if any). (See "Lending Standards and Policies – Shared Appreciation Loans and Shared Income Loans.")

Management Fee

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 monthly payments from the Borrower are not sufficient to pay the minimum Management Fee described in roman numeral (i), 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 for any accrued but unpaid Management Fees pursuant to the Assessment provisions set forth in the Loan Servicing Agreement. (See "Term of the Offering – Investor Assessments" and "Loan Servicing – Investor Assessments and Default Provisions.")

If the Investors take title to Security Property that formerly secured a Hypothecated Note and Blackburne manages the Security Property on behalf of the Investors, then Blackburne shall be entitled to a commercially reasonable monthly property management fee.

Incentive Fees

Following an event of default, Blackburne will be responsible for enforcing the Loan documents and collecting all post-default Loan Proceeds or Security Property Proceeds ("**Post-Default Proceeds**") on behalf of the Lenders. (See "Loan Servicing – Loan Servicing Following Borrower Default.") In order to incentivize Blackburne to maximize the Post-Default Proceeds distributed to the Lenders, Blackburne shall be 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 and the Lenders under Loan Servicing Agreement, only. (See Section 8.2 of the Loan Servicing Agreement attached hereto as Exhibit B.)

(b) The Incentive Fee shall only be payable after the Lenders 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 (i.e., distributions payable under Section 8.2(b) through (f) of the 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 Lenders in accordance with their Fractional Interests. (See "Loan Servicing – Distributions of Proceeds Following Default.")

Possible Additional Compensation

If following any Assessment, a Defaulting Lender pays his, her or its delinquent Assessment amount, plus interest at the Delinquent Rate, in order to reinstate such Lender's voting rights and distribution priorities, then Blackburne shall apply the Assessment amount received to the payment of the 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, Lenders take title to property that is still under construction, Blackburne may recommend that the Lenders 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 summary of the principal areas in which the interests of Blackburne may conflict with the interests of the Investors.

Compensation to Blackburne

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 Lender 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 Lenders. Fees paid to Blackburne may also diminish Borrower's ability to pay Lenders. Blackburne believes, however, that its fees to the Lenders 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 will 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 Investors' funds that are risky or otherwise not in the best interests of the Investors, 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.

Purchase of Property

Blackburne or its affiliates will not purchase any property securing a Secured Note in foreclosure at a trustee's sale, or purchase a property after a default and transfer of a property to the Lenders, without the consent of a Lender Majority.

Refinancing of the Loan

Blackburne may loan monies to the Borrower to permit the Borrower to pay all of the interest and principal owing under the Secured Note or it may act as broker and servicing agent for others who refinance the Loan made to Borrower by Lenders. Lenders may have no right to participate in such a refinancing of the loan. It is possible, though not likely, that a refinancing on behalf of the Borrower which permits Borrower to pay off the loan owed to Lenders and avoid foreclosure would not be in the best interests of Lenders in that it might otherwise obtain title to the property and profit from its later sale.

Competition for Loans

Blackburne may arrange and service other loans for other investors (including its affiliates) at the same time that Fractional Interests in this Loan are being offered to Lenders pursuant to the terms of this Offering Circular. Investors may not be able to participate in other loans that may be more secure or more profitable than the loans funded pursuant to this offering. In addition, Blackburne may also arrange multiple loans for a single borrower or for a single portfolio lender, sponsor or manager. If the Borrower defaults on the Loan and Blackburne has arranged and services more than one loan to the Borrower or such affiliates, enforcement actions taken with respect to the Loan may conflict with the interests of the lenders on the other loans arranged and serviced by Blackburne.

Purchase of Fractional Interests

Blackburne may purchase or fund Fractional Interests to fund disbursements that are due to the Borrower where insufficient Fractional Interests have been sold to fund a disbursement due. Blackburne will hold all such Fractional Interests purchased to fund the Loan in parity with the other Lenders and will have the same rights, including all voting rights, under the Loan Servicing Agreement as any other Lender. As such, Blackburne may have interests in the Loan as both the servicer of the Loan as well as a Lender.

Other Business Ventures

Blackburne may engage in other business activities that involve real property that are in the same geographic location as, or that compete for tenants, business or occupants with, the Security Property. Additionally, these other business activities will require Blackburne's time and attention. Blackburne will devote as much time to the fulfillment of its duties under the Loan Servicing Agreement as it determines is reasonably required. Blackburne believes that it has sufficient personnel and resources to be fully capable of fulfilling its obligations under the Loan Servicing Agreement and its other obligations arising out of its other business activities.

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, each Investor would be named a mortgagee, as a tenant in common with the other Investors, 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 each Investor will be a beneficiary, as a tenant in common with the other Investors, of an undivided fractional beneficial interest 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 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 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 Investors would enforce their 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.

ERISA CONSIDERATIONS

Tax Consequences to Qualified Employee Benefit Plans and IRAs

Interest income from Fractional Interests held by IRAs and qualified pension and profit sharing plans is anticipated to be exempt from federal income taxation under the Internal Revenue Code, but no tax

opinion has been obtained with respect to this issue. Such interest is not expected to constitute income from a trade or business. Qualified plans and IRAs, consequently, should not have unrelated business taxable income ("**UBTI**") as a result of receiving interest from a Secured Note. If the Lenders were to take title to the Security Property as a result of a default by the Borrower, however, Lenders could receive income from a sale of the Security Property assuming the Security Property sold for an amount in excess of the amount loaned plus interest and capitalized costs of foreclosure and of holding the Security Property for sale. If the Lenders were considered to have acquired the Security Property for resale and therefore to have the status of dealers in real estate, such gain could be considered UBTI. The Lenders might also conceivably rent the Security Property pending its sale. Rent is generally not classified as UBTI. However, if the Lenders were also to incur debt to acquire the Security Property (for example, in order to pay off a senior lien) or to improve the Security Property, rent received would not be excluded from UBTI to the extent of average monthly acquisition indebtedness divided by average adjusted basis of the Security Property for the relevant tax period. Unrelated business taxable income in excess of $1000 during any tax year is subject to tax. Qualified plans which receive UBTI, even if less than $1000, must file reports with the IRS.

ERISA

In considering an investment in a Fractional Interest, a fiduciary of a tax exempt employee benefit plan, such as a qualified pension or profit sharing plan, 401(k) plan or IRA, should consider (a) whether the investment satisfies the diversification requirement of Section 404(a)(1)(c) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"); (b) whether the investment is prudent given the risks involved; (c) whether the investment is made solely in the interests of the plan participants; (d) whether the investment complies with the plan's need for liquidity; (e) whether the compensation to persons providing services to the plan, such as Blackburne, is reasonable; and (f) whether the investment would otherwise constitute a transaction prohibited under Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended. ERISA also requires that assets of a plan be valued at their fair market value as of the close of the plan's fiscal year, and it may not be possible to satisfactorily value the Fractional Interests from year to year since there will be no market for the Fractional Interests.

Under ERISA and the regulations adopted by the Department of Labor, Blackburne may be considered a fiduciary if it exercises discretionary authority or control of the management or administration of a plan or its assets or renders investment advice to the plan. Since the investment decision to purchase a Fractional Interest will be made solely by each plan without any advice or recommendation from Blackburne, and since the actions that Blackburne may take under the Loan Servicing and Equity Interest Agreement without the consent of a majority-in-interest of the Lenders are limited, Blackburne does not believe Blackburne would be deemed a "fiduciary" of plan investors. However, if Blackburne were deemed to be a fiduciary, transactions with Blackburne would be subject to scrutiny to determine whether they involved any prohibited transactions such as the charging of unreasonable fees or the use of plan assets for the benefit of the fiduciary. Other plan fiduciaries who were found to have participated in such transactions could be required to (a) restore to the plan any profit realized by the fiduciary on the transaction and (b) make good to the qualified plan any loss suffered by the plan as a result of its investment. The fiduciary and participating parties in interest could also be liable for an excise tax of 15% of the amount involved, and if the transaction were not corrected within a specified period, they could be liable for an additional excise tax of 100% of the amount involved. With respect to IRAs, the tax exempt status of the account could be lost but the other described penalties would not apply.

As a provider of services to Lenders who are employee benefit plans or IRAs, Blackburne will be considered a "party in interest" or "disqualified person" as those terms are defined in the Labor Code and the Internal Revenue Code. Under both Codes, a loan or an extension of credit to a plan by a party in interest or disqualified person is a prohibited transaction. The Loan Servicing and Equity Interest Agreement provides that Blackburne may advance costs to complete construction or of collection to

Lenders if Lenders do not elect to pay their pro rata share of such costs. Even though these advances, plus interest, are only payable out of the sale of the Security Property or other proceeds from the collection efforts of Blackburne and are non-recourse to the plan, the advances may be deemed a loan of the type intended to constitute a prohibited transaction. Therefore, if Blackburne is advised by counsel that an advance of costs on behalf of plan Lenders would be treated by the Department of Labor or the Internal Revenue Service as a prohibited transaction, Blackburne will either notify the plans and require them to pay their pro rata share of the costs or avoid making the advance by deferring payment of the costs to be incurred.

Persons investing in Fractional Interests in a Loan on behalf of qualified ERISA Plans should consult their own tax advisors, accountants and attorneys to determine whether an investment in a Fractional Interest is permitted under the trust instrument and other documents establishing the plan as well as under ERISA and the regulations adopted thereunder.

LEGAL MATTERS

Blackburne has retained counsel to advise it in connection with the preparation of this Offering Circular and the Loan Servicing Agreement, as well as the offer and sale of the Fractional Interests offered hereby. Such counsel has not been retained to provide, and will not provide, legal services in connection with the preparation or review of any of the Loan Documents, the negotiation or closing of the Loan or the servicing or enforcement of the Loan, nor has it represented the interests of the Lenders in connection with this offering or the Loan. Lenders purchasing Fractional Interests in the Loan that wish to obtain the benefit of review by legal counsel on their behalf must retain their own attorneys to do so.

PLAN OF DISTRIBUTION

Fractional Interests will be offered and sold by Blackburne or by its duly authorized officers and employees. Blackburne may also arrange for Fractional Interests to be sold through registered securities broker-dealers; however, no broker-dealers have been utilized in connection with this offering to date. Any selling commissions paid to broker-dealers (if any) will be paid by Blackburne and shall not be paid from the proceeds of this offering. There is no firm commitment from any third party to purchase any Fractional Interest, and there is no assurance that the amount necessary to fund the Loan will be received (see "Loan Funding").

ADDITIONAL INFORMATION AND UNDERTAKINGS

Blackburne undertakes to make available to each prospective Investor every opportunity to obtain any additional information from Blackburne necessary to verify the accuracy of the information contained in this Offering Circular or to assess the merits of the Loan, the Borrower, any guarantors, the Security Property, the Hypothecated Notes and any borrowers under and Security Property securing the Hypothecated Notes to the extent that it possesses such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, financial and other information concerning the Borrower or any guarantors, appraisals and other information concerning the real property security, information regarding past mortgage lending experience of Blackburne, and all other documents or instruments that are material to this offering and the transactions contemplated and described in this Offering Circular.

COMMISSIONER'S RULE 260.141.11

In addition to the various restrictions on the transfer of Fractional Interests imposed by state and federal securities laws generally, no Fractional Interest may be sold or transferred or any consideration

received therefor without the prior written consent of the California Commissioner of Financial Protection and Innovation, except as provided in the Commissioner's Rules. A copy of Commissioner's Rule 260.141.11 is as follows:

260.141.11 Restriction on Transfer

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Sections 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time that the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

(1) to the issuer;

(2) pursuant to the order or process of any court;

(3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;

(4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;

(5) to holders of securities of the same class of the same issuer;

(6) by way of gift or donation *inter vivos* or on death;

(7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;

(8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or group;

(9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;

(10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;

(11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112, or 25113 of the Code, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;

(15) by the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities; or

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

> "IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

EXHIBIT A

Loan Package – Description of Specific Loan

EXHIBIT B

Loan Servicing and Equity Interest Agreement

EXHIBIT C

Subscription Agreement