



CAPITAL FINANCE

“ EXPERTISE, EXPERIENCE, INTEGRITY & CLARITY ”

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EXTERNAL MEMORANDUM

DATE: FEBRUARY 26, 2009
FROM: STEVEN I. FRIED
RE: CAPITAL FINANCE MORTGAGE INCOME FUND, LLC

Non-Binding Indication of Interest

THIS IS A SOLICITATION OF INTEREST ONLY. NO MONEY OR OTHER CONSIDERATION IS BEING SOLICITED AND NONE WILL BE ACCEPTED. NO SALES OF THE SECURITIES WILL BE MADE OR COMMITMENT TO PURCHASE ACCEPTED UNTIL THE DELIVERY OF A FINAL OFFERING CIRCULAR THAT INCLUDES COMPLETE INFORMATION ABOUT THE ISSUER AND THE OFFERING. AN INDICATION OF INTEREST MADE BY A PROSPECTIVE INVESTOR INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. NEITHER THE FEDERAL NOR THE STATE AUTHORITIES HAVE CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT OR ANY OTHER DOCUMENT PRESENTED TO YOU IN CONNECTION WITH THIS OFFER. NO SALE MAY BE MADE UNTIL THE OFFERING STATEMENT IS QUALIFIED BY THE DEPARTMENT OF CORPORATIONS AND ANY OTHER REQUIRED STATE OR FEDERAL AUTHORITIES AND IS REGISTERED OR APPROVED IN THIS STATE.

EXECUTIVE SUMMARY

Private Commercial Mortgage Fund Investment Limited Liability Company Interests Minimum Investment \$100,000

This memorandum and any documents accompanying this memorandum contain confidential information belonging to the sender which is privileged. The information is intended only for the use of the individual or entity named above. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this information is strictly prohibited. If you have received this in error, please immediately notify us by telephone to arrange for the return of the documents to us.

TARP, Bailout, nationalization; everyone has seen the headlines. Because of the current economy Capital Finance has been very active buying, selling and arranging loans and loan portfolio sales. Our experience in recent months has been both shocking and enlightening. We have dealt with banks, savings and loans, credit unions, insurance companies, hedge funds, non-depository lenders and even hard money lenders. All credit markets are completely and totally frozen. Regulated lenders are paralyzed with fear. Leveraged private investors have had credit lines reduced or canceled. Anyone able to obtain a legitimate loan quote is faced with a 35-40% loan-to-value (at already depressed valuations) at 12% interest or higher. We think this has created a very profitable opportunity.

The Opportunity

A significant investment opportunity exists, beyond the routine menu of stocks, bonds, CDs and annuities, to safely and consistently earn high returns on your investment dollars. Private mortgages, often called "hard money loans" are secured debt obligations that provide investors with regular, predictable income streams. Diversified pools of such mortgages can offer returns that exceed money market rates by up to ten percent or more, especially in markets such as today. We have decided to form Capital Finance Mortgage Income Fund, LLC ("CFMIF" or the "Fund") to offer qualified investors the opportunity to participate in a high-yield, professionally managed pool of commercial mortgage loans secured by substantial protective equity in real estate assets. The Fund's objective is to provide the most competitive risk-adjusted returns in the market, consistent performance regardless of market conditions, effective diversification and capital preservation. An investment in the Fund fits perfectly in a broader portfolio of stocks and bonds, and is an outstanding vehicle for improving the stability and returns of any portfolio, including retirement accounts. CFMIF's lending activities are focused on established traditional and special use commercial real estate in California. Residential properties are only considered on a case-by-case basis and will play a minor role in the portfolio. The Fund is not involved in subprime lending.

The Fund will originate or purchase 60% loan-to-value short-term 1st Trust Deed commercial loans yielding around 12%. Investors will get a 9.5% preferred yield (non-compounded) plus 40% of profits after the preferred yield.

The Private Mortgage Market

Private mortgage lenders meet the demand for billions of dollars of loans each year that regulated banks and insurance companies, leveraged and conduit lenders will not or cannot provide. Private lenders have always played an important role in real estate finance, but the current crisis in our global credit markets is increasing the demand for private mortgages to historic levels. To put this in perspective, from the first half of 2007 to the first half of 2008, volume in the commercial mortgage backed securities market dropped by 91% from \$137 billion to just over \$12 billion, the lowest half-year total since 1996. Over 60% of all previous commercial loans were such loans. This is an unprecedented opportunity for investors in funds such as Capital Finance Mortgage Income Fund. The private money industry is extremely fragmented and dominated by "mom & pop" lenders; frequently a wealthy person or a mortgage broker with a couple of investors buying a few loans. Even those investors are now experiencing a lack of funds to handle current requests. The Fund is positioned to capitalize on the relative competitive void by establishing itself as a professional, "institutional" grade organization to both the borrower and brokerage communities. Additionally, non-traditional properties such as senior housing facilities, self-storage, medical buildings and others are underserved, and represent a major opportunity for private lending. Capital's managers and board members have the experience, knowledge and networks necessary to successfully bring these lending programs to market.

Company Structure & Oversight

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THE OFFERING CIRCULAR, AND ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF UNITS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE MANAGER IMMEDIATELY TO CHECK ITS ACCURACY. ANY AND ALL COMMENTS CONTAINED IN THIS EXECUTIVE SUMMARY ARE QUALIFIED IN THEIR ENTIRETY BY THE OFFERING CIRCULAR, OPERATING AGREEMENT AND RELATED DOCUMENTS.

Capital Finance Mortgage Income Fund, LLC, a California limited liability company, will be engaged in a private placement with an initial target of \$5,000,000. Membership interests in the LLC carry an initial price of \$1,000 per interest with a 100-unit minimum. Initial investments will be held in a trust account, segregated from any expenses, until a loan is funded. Investors can choose to: a) receive regular monthly cash distributions, or b) compound returns by reinvesting distributions back into the Fund.

The Managing Member, Capital Finance will administer portfolio management, operations and investor services. The Manager and the Fund are subject to regulatory oversight by the California Department of Corporations. Investor reporting will include regular performance reports, annual audited financials, and annual investor K-1's. The Fund is managed by Capital Finance ("Manager"), its Managing Member. Its Principal has over thirty-five years of experience in all aspects of real estate finance, acquisition and disposition, and specialty lending. Experience includes a wide variety of special use properties. (See detailed profile in Offering Circular.)

Steven I. Fried, Principal:

Thirty-five years of experience structuring, underwriting and managing real estate and corporate debt transactions. Mr. Fried is responsible for the strategic direction and day-to-day management of the portfolio, investor relations and loan underwriting. Mr. Fried is a native of New Jersey. After graduating Rutgers University with a degree in Economics and Business Administration and attending The Bernard M. Baruch School of the City University of New York with a specialization in Finance and Investments, Mr. Fried joined the Bankers Trust Company, 16 Wall Street, New York, as a management trainee rising quickly through the ranks of commercial lenders until 1974, when he joined Union Bank, Los Angeles, in their Regional Head Office as a Vice President and Team Leader. In 1979, he entered the field of Independent Banking, specializing in rehabilitating troubled banks. He has been the President and Chief Executive Officer of three different independent banks and a senior policy-making officer of financial institutions for over twenty years. Mr. Fried has more than 40 years of experience in commercial lending; the last 30 years of which included substantial experience in mortgage and construction lending. In 1992, he was named the Financial Services Advocate of the Year by the U.S. Small Business Administration (SBA). He has spoken before numerous industry, consumer and banking groups on the subject of banking and business finance. He has testified before the Securities and Exchange Commission on enhancing capital formation for businesses and numerous times as an expert witness on matters related to all aspects of banking and commercial finance. In December, 1992 he was named President of the California Independent Bankers Association, the state association representing 260 banks across the state of California. Capital

Finance is a licensed and bonded commercial finance and financial consulting concern established in 1987, providing loan and loan portfolio brokerage, expert witness testimony, litigation support and consulting services to the banking, business, financial and legal community.

This Summary is solely for information purposes and does not constitute an offer to sell or a solicitation of offers to buy securities or membership interests. Such an offer can be made only by a confidential Offering Circular to be subsequently delivered to qualified parties. Some information in this executive summary may contain forward-looking statements. Such statements can be identified by words such as “May,” “Will,” “Expect,” “Estimate,” “Target” or other similar words. When considering such forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Summary. Although the Manager believes such expectations are based on reasonable assumptions, there are certain factors, in addition to these risks and cautionary statements, such as general economic conditions, local real estate conditions, adequacy of reserves or natural occurrences that might cause a difference between actual results and those forward-looking statements. Furthermore, the information set forth herein is only intended to provide an initial summary of the proposed investment, which may be subject to change, and is qualified in its entirety by the Offering Circular and its supplements. No representations or warranties as to the accuracy or completeness of this Summary or the information contained in, or omissions from, this Summary or any other written or oral communications transmitted to the recipient in the course of its evaluation is made. Offers will only be made to persons determined by the Manager to be accredited investors and meeting suitability standards described in the confidential Offering Circular. This presentation is privileged and confidential, and its dissemination into the public domain would be detrimental to the Fund, its Manager, and their respective business operations. All of the information herein as well as more information on Capital Finance can be found at www.IndianWellsCapital.com. For information on the fund, click on the “Mortgage Income” tab at the top of the page.

Steven Fied

From "Daily Intel" – Published 2/27/09

In the financial industry, there used to be a niche specialty called "distressed investing." Some called these folks vultures, because in the aftermath of a collapse, they would go swooping in to buy up the wreckage on the cheap. That's not much of a specialty anymore — the state of the market means we're pretty much all vultures now. But we thought we could get some perspective by getting in touch with an old friend who is on the front lines — he trades at one of the most established and respected distress funds. Last time we saw him in person, around Thanksgiving, he was talking Apocalypse with a capital A and scaring the crap out of everyone. It was a great holiday. We thought, given how many fabulous buying opportunities people keep saying are out there, his mood would probably have improved by now.

We were wrong.

NYM: How are you doing?

V: Since I saw you last, things have deteriorated more than even I could have imagined. We're invested in virtually all sectors, primarily through debt, so we have pretty good access to management. The color coming from them is mind-bogglingly awful. We need to flush all the banks and start again. I told my wife I'm putting gold bars and shotguns under our bed.

NYM: Can we take refuge with you, if it comes to that?

V: You're more than welcome. We have thick walls and a high perch from which to pick off the marauding throngs.

NYM: What's the least-bad news you've heard recently?

V: The only thing anyone on the desk can come up with is the fact that there have been a number of high-grade non-financials who have been able to raise debt in the market. That's it. GDP is going to be down 10 percent this quarter, is my guess.

NYM: Give me the bad news then.

V: I heard this yesterday: The top five U.K. banks have \$10 trillion of assets and their GDP is only \$2.13 trillion. The whole country could fall into the ocean. The top five U.S. banks represent only about 60 percent of GDP by comparison. The other thing is a survey that I just read about in the *Times*. Over [six in ten Americans](#) think that someone in their household will lose their job in the next year. That means six in ten people won't buy anything other than basics. The economy comes to a full halt even worse than now.

NYM: That means the other four out of ten better be out there buying Gucci.

You're not losing your job. Are you buying any Gucci? Taking vacations? Leasing a new Mercedes?

V: I'm still taking vacations and renting a summer house but I ain't buying anything. Credit-default swaps scare me too much. For the banks, their portfolios of second-lien loans is terrifying and nobody, including the government, wants to talk about it. The banks carry them at par and have hundreds of billions of dollars of them. We just bought some at 33 cents on the dollar in the market. If they turn out to be worth 33, every bank would collapse.

NYM: How about the Obama speech? That float anybody's boat on the desk?

V: Mixed. Couple of die-hard Republicans hated it. Most others thought it was pretty good, balancing reality with optimism.

NYM: Shouldn't you be licking your chops these days — aren't there once-in-a-lifetime bargains all over the place for brave distress investors?

V: There are and they get cheaper every day. The private equity guys are going to be done.

NYM: So you *are* buying?

V: We're slowly buying but conserving cash for the tsunami of bankruptcies that are coming.

NYM: Do you think that before the big one a few years ago, people used the word tsunami as much as they do now?

V: It's been part of my vernacular for years.

NYM: What else is in your vernacular?

V: Catastrophe, debacle, putrid, relentless, overwhelming all come to mind.

NYM: Thank you very much. Please do your best to hold up the economy.



CAPITAL FINANCE

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STEVEN I. FRIED
PRINCIPAL

Non-Binding Indication of Interest

This is a solicitation of interest only. No money or other consideration is being solicited and none will be accepted. No sales of the securities will be made or commitment to purchase accepted until the delivery of a final offering circular that includes complete information about the issuer and the offering. An indication of interest made by a prospective investor involves no obligation or commitment of any kind. Neither the federal nor the state authorities have confirmed the accuracy or determined the adequacy of this document or any other document presented to you in connection with this offer. No sale may be made until the offering statement is qualified by the Department of Corporations and any other required state or federal authorities and is registered or approved in this state.

*Capital Finance
45605 Navajo Road
Indian Wells, California 92210-8872*

Gentlemen:

We are interested in purchasing shares in Capital Finance Mortgage Income Fund, LLC, a California limited liability company as follows:

Name of Interested Party:

Proposed Investment Amount

(Min. \$100,000):

\$ _____

Address:

Telephone:

() ___ - ___

Facsimile:

() ___ - ___

Email:

_____ @ _____.

Is this Investor subject to ERISA?

___ Yes ___ No

Very truly yours,

*"Expertise, Experience Integrity & Clarity"
Licensed and Bonded*

CAPITAL FINANCE MORTGAGE INCOME FUND, LLC

5,000 Membership Interests (“Shares”)

\$1,000 per Share Minimum Investment: \$100,000

Capital Finance Mortgage Income Fund, LLC (the “Fund”) is a California limited liability company whose sole manager is Capital Finance (the “Manager”). The Fund has been organized for the purpose of making or investing in loans secured by first priority deeds of trust encumbering commercial income producing real estate located primarily in California. Fund loans will be arranged and serviced by either the Manager or its affiliates. (See “The Manager and Its Affiliates.”). All Fund loans will be made or arranged pursuant to an existing California Finance Lender’s license held by the Manager or its affiliate mortgage companies or pursuant to the California Finance Lender’s license. (See “The Manager and Its Affiliates”).

Investors will become non-managing members in the Fund (“Members”). An investment in the Fund is illiquid and subject to substantial restrictions on withdrawal. (See “Summary of Operating Agreement --Withdrawal from Fund.”) This offering also involves certain ERISA risks that should be considered by tax-exempt employee benefit plans. (See “Federal Income Tax Consequences” and “ERISA Considerations.”) Fund profits will be allocated to the Investors until the Investors have received a cumulative, non-compounded [9.5%] per annum preferred return on their investment and, thereafter, profits will be allocated 40% to the Investors and 60% to the Manager. (See “Summary of Operating Agreement --Profits and Losses” and “Compensation to the Manager and its Affiliates.”) Investors have the option, exercisable upon subscription for Shares, to receive monthly distributions of income from Fund operations, or to allow their proportionate share of Fund income to compound and be reinvested by the Fund for their accounts. (See “Terms of the Offering.”) All Fund income will be taxed to Members (other than tax-exempt entities) as ordinary income, regardless of whether it is distributed in cash or reinvested. (See “Federal Income Tax Consequences.”)

THIS OFFERING INVOLVES SIGNIFICANT RISKS, DESCRIBED IN DETAIL HEREIN. SUBSTANTIAL FEES WILL BE PAID TO THE MANAGER, WHO IS SUBJECT TO CERTAIN CONFLICTS OF INTEREST. (SEE “RISKS AND OTHER IMPORTANT FACTORS,” “COMPENSATION TO MANAGER AND ITS AFFILIATES” AND “CONFLICTS OF INTEREST.”) PROSPECTIVE PURCHASERS OF SHARES SHOULD READ THIS OFFERING CIRCULAR IN ITS ENTIRETY.

Price to Investors[1]		Selling Commissions[2]	Net Proceeds to Fund[3]
Per Share Minimum	\$1,000	\$0	\$1,000
Total Minimum	\$1,000,000	\$0	\$1,000,000
Total Maximum	\$5,000,000	\$0	\$5,000,000

(Footnotes on next page.)

Capital Finance

45605 Navajo Road
Indian Wells, California 92210

The date of this Offering Circular is [March __, 2009]

Footnotes from cover page:

[1] The minimum purchase is \$100,000 (100 Shares at \$1,000 per Share). The maximum of the offering may be increased by the Manager at any time.

[2] Shares will be offered and sold directly by the Manager and employees of the Manager who will not receive selling commissions or other compensation from the Fund in connection with the sale of Shares. Shares may be offered and sold by independent broker-dealers. Any such brokers will receive a commission payable by the Manager or its affiliates. There is no firm commitment to purchase or sell any of the Shares.

[3] Net Proceeds to the Fund are calculated before deducting organizational and offering expenses, including without limitation legal and accounting expenses, reproduction costs, selling expenses and filing fees paid to the California Department of Corporations. (See "Use of Proceeds.")

THESE SECURITIES ARE BEING OFFERED AND SOLD ONLY TO RESIDENTS OF THE STATE OF CALIFORNIA PURSUANT TO A PERMIT GRANTED BY THE CALIFORNIA COMMISSIONER OF CORPORATIONS. THE COMMISSIONER OF CORPORATIONS 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 SALE OF UNITS COVERED BY THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS PROVIDED FOR UNDER SECTION 3(a)(11) OF THE ACT AND RULE 147 THEREUNDER RELATING TO INTRASTATE OFFERINGS.

ACCORDINGLY, THESE UNITS ARE BEING OFFERED SOLELY TO CERTAIN SELECTED RESIDENTS OF CALIFORNIA AND NON-U.S. CITIZENS WHO ARE RESIDENTS OF A FOREIGN NATION, WHO MEET THE SUITABILITY STANDARDS DESCRIBED HEREIN, AND THIS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY WITH RESPECT TO ANY OTHER PERSON. FURTHERMORE, FOR A PERIOD OF NINE MONTHS FROM THE TERMINATION OF THIS OFFERING, NO UNITS MAY BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO RESIDENTS OF THE STATE OF CALIFORNIA.

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 EITHER A BONA FIDE CALIFORNIA RESIDENT OR A NON-U.S. CITIZEN WHO IS A RESIDENT OF A FOREIGN NATION, 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 UNITS, AND NONE IS EXPECTED TO DEVELOP IN

THE FUTURE. SUMS INVESTED IN THE FUND ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER, AND THE UNITS OFFERED HEREBY SHOULD BE PURCHASED ONLY 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 UNITS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE MANAGER IMMEDIATELY TO CHECK ITS ACCURACY. 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 THE FUND SINCE THE DATE HEREOF.

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

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EXHIBITS

- Exhibit A – Operating Agreement
- Exhibit B – Subscription Agreement and Power of Attorney

SUMMARY OF THE OFFERING

The following information is only a brief summary of the offering, and is qualified in its entirety by the information appearing elsewhere in this Offering Circular. A thorough examination of the entire Offering Circular is recommended.

- Fund Objectives** - Capital Finance Mortgage Income Fund, LLC (the "Fund") is a California limited liability company formed for the purpose of making or investing in loans secured by deeds of trust on owner-occupied, non-owner occupied and second home residential properties as well as commercial properties, multi-family properties, mixed-use and unimproved land. Security properties will be located primarily in California. The Shares offered hereby represent membership interests in the Fund.
- Capitalization** - Minimum of \$1,000,000 and a maximum of \$5,000,000 (subject to increase by the Manager).
- Term of the Fund** - Indefinite. (See "Summary of Operating Agreement -- Term of the Fund.")
- Manager** - Capital Finance, 45605 Navajo Road, Indian Wells, California 92210
- Prior Experience** - The Manager has substantial prior experience in the mortgage industry. (See "The Manager, Servicer and Its Affiliates.")
- Preferred Return** - Cumulative non-compounded [9.5%] per annum.
- Affiliates** - 60% of Fund profits subordinated to [9.5%] preferred return. The Manager will receive substantial fees. (See "Compensation to Manager and Its Affiliates.")
- Suitability Standards**- Shares are offered exclusively to investors who are California residents (or non-U.S. citizens who reside in a foreign nation) and who meet certain minimum standards of income and/or net worth, with a minimum investment of \$100,000. Qualified investors admitted to the Fund will become Members. (See "Investor Suitability Standards.")
- Mortgage Loan Portfolio**- Fund loans will be secured by commercial properties or other income producing property primarily located in California but not limited to California, including non-owner occupied residential properties, multi-family and mixed use properties. Loans will be made while this offering is continuing. (See "Lending Standards and Policies.")
- Cash Distributions** - Choice of (1) regular monthly cash distributions of Fund income, or (2) income credited to capital account and reinvested by the Fund. An investor may elect to switch from one of these options to the other only upon 90 days' notice to the Manager; provided, however, that investors may elect to switch from distributions to compounding only if there is then in effect a permit issued by the California Department of Corporations for this offering. The Manager, in its sole and absolute discretion, reserves the right to commence making cash distributions at any time to previously compounding ERISA investors in order for the Fund to remain exempt from the ERISA

plan asset regulations. (See “ERISA Considerations” and “Summary of Operating Agreement.”)

Withdrawal

- No withdrawal for 12 months; thereafter, investors have a limited right to withdraw from the Fund. (See “Summary of Operating Agreement -- Withdrawal from Fund.”)

Restrictions on Transfers-

There are substantial restrictions on transferability of Shares under federal and state securities laws and under the Operating Agreement. (See “Terms of Offering -Restrictions on Transfer” and “Risks and Other Important Factors -- No Market for Shares.”)

Liquidity

- There is no public market for Shares and none is expected to develop in the foreseeable future. The transferability of Shares is also restricted by federal and state securities laws, and by the Operating Agreement. (See “Risks and Other Important Factors - No Market for Shares.”)

Reports to Investors

- Annual reports, including audited financial statements.

Risks

- An investment in Shares is subject to certain risks which should be carefully evaluated before an investment in Shares is made. (See “Risks and Other Important Factors.”)

California Residents Only-

Shares will be offered and sold only to residents of the State of California or to non- U.S. citizens who reside in a foreign nation. (See “Investor Suitability Standards.”)

INVESTOR SUITABILITY STANDARDS

To purchase a Share, an investor must meet certain eligibility and suitability standards, some of which are set forth below, and must execute a Subscription Agreement in the form attached hereto as Exhibit B. By executing the Subscription Agreement, an investor makes certain representations and warranties, upon which the Manager will rely in accepting subscriptions. Read the Subscription Agreement carefully. Each investor must represent in writing that such investor is a bona fide resident of the State of California or a non-U.S. citizen who resides in a foreign nation (or if the investor is a trust, corporation or other entity, that the principal office of such trust, corporation or other entity is located in California). In addition:

1. 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.
2. The amount of each Investor’s investment in Shares offered hereby must not exceed 10% of such Investor’s net worth (exclusive of home, furnishings and automobiles).
3. 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.
4. 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.

TERMS OF THE OFFERING

This offering is made to a limited number of qualified investors to purchase Shares in the Fund. The Share subscription price to each investor is \$1,000 per Share with an initial minimum subscription from each investor of \$100,000, or 100 Shares. Each Share of investment represents a membership interest in the Fund.

Formation of the Fund; Maximum Offering

The Fund has a minimum capitalization of \$1,000,000 (1,000 Shares) and a maximum capitalization of \$5,000,000 (5,000 Shares); however, the maximum may be increased by the Manager at any time.

The Fund was formed on _____, 2009 upon the filing of the Articles of Organization with the Office of the California Secretary of State; however, the Fund will not begin doing business (i.e., making or investing in mortgage loans) until interests representing the minimum capitalization of \$1,000,000 are sold. This offering may also be terminated at the option of the Manager at any time, but in no event later than one year from the date of this Offering Circular, unless a renewal offering permit is thereafter issued by the California Commissioner of Corporations.

Subscription Agreements; Admission to the Fund

Shares will be issued at the purchase price of \$1,000 per Share. Subscription Agreements from prospective investors will be accepted or rejected by the Manager promptly after receipt. The Manager reserves the right to reject any subscription submitted for any reason. If accepted, an investor purchasing Shares for cash will become a Member and the investor's entire investment shall be deposited into the Fund only when all, or any portion, of such investor's subscription funds are required by the Fund to invest in a mortgage loan, to create appropriate reserves or to pay organizational expenses. At that time, all or a portion of the investor's subscription funds are transferred to the Fund. (See "Use of Proceeds.") Until then, an investor's subscription is irrevocable, and subscription funds received by the Manager shall be held by it for the account of each such investor in a non-interest bearing subscription account. Investors' funds will be transferred from the subscription account into the Fund on the first day of the month, only, on a first-in, first-out basis, at which time the investor will be admitted to the Fund and Shares will be issued to such investor at the rate of \$1,000 per Share.

Subscription Agreements are non-cancelable and irrevocable and subscription funds are non-refundable for any reason, except with the consent of the Manager. Notwithstanding the preceding sentence, after the minimum is reached and the escrow closes, subscription funds remaining in the subscription account after the expiration of 60 days from the date the subscription funds were first received from the investor shall be returned to the investor. After having subscribed for at least one hundred Shares, an investor may at any time, and from time to time, subscribe to purchase additional Shares so long as the offering is open.

Election to Receive Monthly Cash Distributions

Upon subscription for Shares, an investor must elect whether to receive monthly cash distributions

from the Fund or to allow his or her earnings to compound for the term of the Fund. An investor may elect to switch from compounding to monthly distributions upon 90 days' prior notice to the Manager. In addition, if there is in effect a permit issued by the California Commissioner of Corporations qualifying this offering, an investor may switch from receiving monthly distributions to compounding and reinvesting earnings upon 90 days' prior notice to the Manager. Notwithstanding the foregoing, the Manager reserves the right, at any time, to immediately commence making monthly cash distributions to ERISA plan investors who previously compounded earnings in order to ensure that the Fund remains exempt from the Plan Asset Regulations pursuant to the "significant participation" exemption. (See "ERISA Considerations.")

Income allocable to investors who elect to compound their earnings will be retained by the Fund for investing in further mortgage loans or other proper Fund purposes. The income from these further loans will be allocated among all investors; however, investors who compound will be credited with a larger proportionate share of such earnings than investors who receive monthly distributions since the capital accounts of investors who compound will increase over time.

Restrictions on Transfer

As a condition to this offering of Shares, restrictions have been placed upon the ability of investors to resell or otherwise dispose of any Shares purchased hereunder, including without limitation the following:

(1) No Member may resell or otherwise transfer any Shares without the prior written consent of the Manager, which may be withheld in its sole and absolute discretion. (See "Summary of Operating Agreement -- Limitations on Transferability.")

(2) Shares may not be sold or transferred without the prior written consent of the California Commissioner of Corporations, except as permitted by the Commissioner's Rules. (See "Commissioner's Rule 260.141.11.")

(3) During the period that Shares are being offered and sold and for a period of nine months from the date of the last sale of Shares, no Shares may be sold or otherwise transferred to any person who is not a bona fide resident of the State of California.

Legends substantially in the forms set forth below will be placed upon all instruments or certificates (if any) evidencing ownership of Shares in the Fund stating that the Shares have not been registered under the Securities Act of 1933, as amended, and setting forth the foregoing limitations on resale, and notations regarding these limitations shall be made in the appropriate records of the Fund with respect to all Shares offered hereby. The foregoing steps will also be taken in connection with the issuance of any new instruments or certificates for any Shares which are presented to the Manager for transfer during the nine-month period described in subparagraph (3) above.

Certificates shall bear the following legends:

THE UNITS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). SUCH INTERESTS MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH UNITS UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OF THE FUND TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED. IN ADDITION, IN NO EVENT MAY UNITS BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR

HYPOTHECATED TO ANY PERSON WHO IS NOT A RESIDENT OF CALIFORNIA FOR A PERIOD OF NINE MONTHS FROM THE DATE OF THE LAST SALE THEREOF BY THE FUND.

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 CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED BY THE COMMISSIONER'S RULES.

LENDING STANDARDS AND POLICIES

General Standards for Mortgage Loans

The Fund will engage in the business of making loans secured by deeds of trust that encumber real estate located primarily in California or, in some cases, investing in notes secured by such properties. Fund loans will be secured by commercial and other income producing properties, including multi-unit residential property, office buildings, industrial and warehouse facilities, retail stores and shopping centers. The Fund may also make loans to individuals and entities collateralized by loans that are secured by deeds of trust. The Fund's loans will not be insured or guaranteed by any governmental agency or private entity. The Fund will select loans for investment pursuant to a strict set of guidelines set forth below, which guidelines are designed to set standards for the quality of the real property security given for the loans.

1. Priority of Mortgages. Loans will be secured by a first deed of trust on real property which will be senior to all other recorded monetary liens other than liens for taxes or the assessments of special assessment districts to fund streets, utilities or other public improvements. The construction loan agreement governing construction loans may require loan funds to be deposited in a construction disbursement account. If so, the Fund will also take a security interest in such account.

2. Geographic Area of Lending Activity. Most Fund loans will be secured by deeds of trust on properties located in California, however the Fund may also invest in loans secured by real property in other states if such loans otherwise satisfy the underwriting criteria described herein. No more than 20% of the proceeds of this offering will be used to invest in loans secured by properties outside California.

3. Loan-to-Value Ratios. The Fund shall obtain a valuation for each security property on which it will make or invest in a mortgage loan based upon an appraisal and/or market value analysis performed by an independent certified appraiser, a non-certified appraiser, a principal of the Manager, independent commercial or real estate brokers, or some combination thereof (a "Market Value Analysis"). The amount of the Fund's loan combined with the outstanding debt secured by any senior deed of trust on the security property generally will not exceed the following percentage, based on the value of the security property as determined by the Market Value Analysis at the time the loan is made:

Type of Property/Loan

Loan to Value Ratio

Residential	70%
Commercial Property (including multi-unit residential property, office buildings, industrial and warehouse facilities, retail properties) Construction Loans	60% 70%
Land in Various Stages of Entitlement	65%
Unimproved Land	50%

The foregoing loan-to-value ratios may be increased if, in the discretion of the Manager, a higher loan amount is warranted by the circumstances of a given loan. Valuations and loan-to-value ratios may be determined on an as-completed basis with respect to home improvement or construction loans or as-entitled for entitlement loans, however, loan funds may be withheld to be paid out upon inspection as improvements are made. Finally, the foregoing loan-to-value ratio will not apply to purchase-money financing offered by the Fund to sell any real estate owned (acquired through foreclosure) or to refinance an existing loan that is in default at the time of maturity. In such cases, the Manager shall be free to accept any reasonable financing terms that it deems to be in the best interests of the Fund, in its sole discretion.

4. **Terms of Loans.** The term of Fund loans will vary at the discretion of the Manager. Fund loans will generally have a term of between one to five years and may or may not be fully amortizing (i.e., the original principal amount of the loan will be repaid in equal monthly installments of principal and interest over the term). Other Fund loans may have a longer amortization schedule or provide for monthly payments of interest only with a “balloon payment” at the end of the term.

5. **Escrow Conditions.** Fund loans will be funded through an escrow account handled by the Manager or a qualified title insurance or escrow company. The escrow agent will be instructed not to disburse any funds until the following conditions are met:

(a) Satisfactory title insurance coverage will be obtained for all loans, with the title insurance policy naming the Fund as the insured 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 Fund’s deed of trust, and does not insure the Fund against loss by reason of other causes, such as diminution in the value of the security property, over-appraisals, borrower’s defaults, etc.

(b) Satisfactory fire and casualty insurance has been obtained for all loans, which insurance shall name the Fund as loss payee in an amount equal to the principal amount of the Fund’s loan. (See “Risk Factors -- Uninsured Losses.”)

(c) The Manager generally does not intend to arrange for mortgage insurance, which would afford some protection against loss if the Fund foreclosed on a loan and there were insufficient equity in the security property to repay all sums owed.

(d) All loan documents (notes, deeds of trust, etc.) and insurance policies will name the Fund as payee and beneficiary or additional loss insured, as applicable. In the event the Fund purchases loans, the Fund shall receive assignments of all beneficial interest in any documents related to each Loan so purchased. Fund investments in Loans will not be held in the name of the Manager or any other nominee.

6. **No Loans to Manager.** No loans will be made by the Fund to the Manager or to any of its affiliates, except for any financing extended as part of a sale of real estate owned as a result of

foreclosure. (See “Conflicts of Interest -- Sale of Real Estate Owned to Affiliates.”)

7. **Purchase of Loans from Affiliates.** The Manager and its affiliates are mortgage loan brokers and mortgage bankers. Existing loans funded by or acquired by the Manager or its affiliates may be purchased by the Fund. The Fund may also purchase loans from third parties. All loans purchased by the Fund shall not be in default at the time of purchase and must otherwise satisfy the foregoing lending guidelines. Generally, the purchase price to the Fund for any such loan will not exceed the par value of the note or its fair market value, whichever is lower, but the Manager may purchase loans for a premium if the Manager believes the total purchase price is fair and reasonable and in the best interest of the Fund.

8. **Loan Diversification.** No Fund loan (or Fund interest in a loan) will exceed the greater of (a) \$2,000,000 or (b) 25% of total Fund capital at the time of the loan.

9. **Reserve Fund.** A contingency reserve fund may be retained for the purpose of covering unexpected cash needs of the Fund, if the Manager believes it to be in the best interests of the Fund. The amount of this reserve fund, if any, would be established by the Manager. This reserve fund may be held in bank accounts, certificates of deposit, money market accounts, short-term bankers’ acceptances, or other liquid assets.

Credit Evaluations

The Manager may consider the income level and general creditworthiness of a borrower, and any guarantor, to determine a borrower’s ability to repay the Fund loan according to its terms, but such considerations are subordinate to a determination that a borrower has sufficient equity in the security property to satisfy the loan-to-value ratios described above. Therefore, the Fund may make loans to borrowers with impaired credit (e.g., to consolidate their debts) or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations.

Loan Servicing

It is anticipated that all Fund loans will be “serviced” (i.e., loan payments will be collected and other administrative services performed) by the Manager; however, the Manager may obtain a third party loan servicer, including an affiliate of the Manager. (See “The Manager and Its Affiliates.”) The Manager and its affiliates will be compensated for such loan servicing activities. (See “Compensation to Manager and Its Affiliates.”)

Borrowers will generally make loan payments in arrears (i.e., with respect to the preceding month) and will be instructed to mail their checks either to the Fund directly or to the duly licensed servicer for deposit in the servicer’s trust account on behalf of the Fund, which will be maintained at a financial institution selected by the Manager. (See “Certain Legal Aspects of Fund Loans.”)

Sale of Loans

The Fund will invest in mortgage loans for investment and does not expect to engage in real estate operations in the ordinary course of business (except as may be required if the Fund forecloses on a property on which it has invested in a mortgage loan and takes over ownership and management of the property). The Fund may in the ordinary course of business invest in mortgage loans for the purpose of reselling such loans (or fractional interests therein) when the Manager determines that it appears to be advantageous for the Fund to do so, based upon then current interest rates, the length of time that the loan has been held by the Fund, and the overall investment objectives of the Fund.

THE MANAGER AND ITS AFFILIATES

The Manager will manage and direct the affairs of the Fund. All loans made or invested in by the Fund will be arranged and serviced by the Manager, the Manager's affiliates or a licensed unaffiliated real estate broker or servicer selected by the Manager. The following individuals will be primarily responsible for the operation and management of the Fund:

Steven I. Fried is the Sole Owner of Capital Finance. Mr. Fried is a native of New Jersey. After graduating Rutgers University with a degree in Economics and Business Administration and attending The Bernard M. Baruch School of the City University of New York with a specialization in Finance and Investments, Mr. Fried joined the Bankers Trust Company, 16 Wall Street, New York, as a management trainee rising quickly through the ranks of commercial lenders until 1974, when he joined Union Bank, Los Angeles, in their Regional Head Office as a Vice President and Team Leader. In 1979, he entered the field of Independent Banking, specializing in rehabilitating troubled banks. He has been the President and Chief Executive Officer of three different independent banks and a senior policy-making officer of financial institutions for over twenty years. Mr. Fried has more than 40 years of experience in commercial lending; the last 30 years of which included substantial experience in mortgage and construction lending. In 1992, he was named the Financial Services Advocate of the Year by the U.S. Small Business Administration (SBA). He has spoken before numerous industry, consumer and banking groups on the subject of banking and business finance. He has testified before the Securities and Exchange Commission on enhancing capital formation for businesses and numerous times as an expert witness on matters related to all aspects of banking and commercial finance. In December, 1992 he was named President of the California Independent Bankers Association, the state association representing 260 banks across the state of California. Capital Finance is a licensed and bonded commercial finance and financial consulting concern established in 1987, providing loan and loan portfolio brokerage, expert witness testimony, litigation support and consulting services to the banking, business, financial and legal community.

COMPENSATION TO MANAGER AND ITS AFFILIATES

The following discussion summarizes the forms of compensation to be received by the Manager and its affiliates. All of the amounts described below will be received regardless of the success or profitability of the Fund. None of the following compensation was determined by arm's-length negotiations. The Manager retains the right to terminate all or any portion of its business relationship with the Fund at any time, in which event the Fund would seek to retain one or more other firms to perform the various services to be rendered by the Manager as described below.

<u>Form of Compensation</u>	<u>Estimated Amount or Method of Compensation</u>
Loan Brokerage Commissions, Renewal and Forbearance Fees to the Manager or its Affiliate Mortgage Companies	Anticipated to average between 1% and 6% of the principal amount of each loan and generally not less than \$2,000 per loan, and may be higher or lower depending upon market conditions.
Loan Processing and Documentation	Prevailing industry rates of approximately \$250 per loan for documentation fees, \$150 per loan for funding fees, \$500 per loan for loan processing fees and \$175 for inspection fees (if applicable). These fees may vary depending on market

conditions.

Loan Servicing Fee

1% of the outstanding principal amount of each Fund loan on an annual basis, payable monthly (i.e., 1/12th of 1% per month), but only as interest is received by the Fund. [1]

Profits Interest

60% of profits earned by the Fund after the Members have received a cumulative non-compounded [9.5%] annual return on their investment in the Fund.

Late Charges; Prepayment Penalties; Forbearance Fees and Default Interest Retained by the Manager

All late charges, prepayment penalties and forbearance fees paid by borrowers on defaulted loans will be retained by the Manager. Additionally, all “default interest” (i.e., the difference between the differential between the loan interest note and the default rate) paid by borrowers will be retained by the Manager.

Reimbursement of Expenses to Manager

Reimbursement for all out-of-pocket organization, syndication, operating and administrative expenses of the Fund.

[1] Loan servicing fees are determined by the Manager on a case by case basis, provided that they are not expected to exceed the amounts generally charged for comparable services to comparable debtors in the geographical area where the security property for the loan is located.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

Under California law, the fiduciary duties of a manager to the limited liability company and to its members are those of a partner to a partnership and to the partners of a partnership. Accordingly, a manager is accountable to a limited liability company as a fiduciary, which means that a manager is required to exercise good faith and integrity with respect to company affairs. This fiduciary duty is in addition to those other duties and obligations of, and limitations on, the Manager which are set forth in the Operating Agreement. The Fund’s business operations and affairs will be managed entirely by the Manager, which is subject to certain conflicts of interest. (See “Conflicts of Interest.”)

The Fund has not been separately represented by independent legal counsel in its formation or in its dealings with the Manager, and Members must rely on the good faith and integrity of the Manager to act in accordance with the terms and conditions of this offering.

The Manager must, on demand, give to any Member or his legal representative true and complete information concerning all Fund affairs. Each Member or his legal representative has the right to inspect and copy the Fund books and records upon reasonable request.

The Operating Agreement provides that the Manager shall have no liability to the Fund for losses resulting from errors in judgment or other acts or omissions, unless the Manager is guilty of fraud,

bad faith or willful misconduct. The Operating Agreement also provides that the Fund shall indemnify the Manager against liability and related expenses (including reasonable attorneys' fees and costs) incurred in dealing with the Fund, Members or third parties, so long as no fraud, bad faith or willful misconduct on the part of the Manager is involved. Therefore, Members may have a more limited right of action than they would have absent these provisions in the Operating Agreement. A successful indemnification of the Manager or any litigation that may arise in connection with the Manager's indemnification could deplete the assets of the Fund. Members who believe that a breach of the Manager's fiduciary duty has occurred should consult with their own counsel.

CONFLICTS OF INTEREST

The following is a list of the important areas in which the interests of the Manager will conflict with those of the Fund. The Members must rely on the general fiduciary standards which apply to a general partner of a limited partnership to prevent unfairness by the Manager or an affiliate of the Manager in a transaction with the Fund. The Fund has not been represented by separate legal counsel in connection with its formation or its dealings with the Manager. (See "Fiduciary Responsibility of the Manager.") Except as may arise in the normal course of the relationship, there are no transactions presently contemplated between the Fund and its Manager (or its affiliates) other than those listed below.

Loan Brokerage Commissions; Renewal and Forbearance Fees

None of the compensation set forth under "Compensation to Manager and Its Affiliates" was determined by arms'-length negotiations. It is anticipated that the loan brokerage commissions, renewal and forbearance fees charged to borrowers by the Manager or their affiliates (if any) will average between 1-6% of the principal amount of each loan, but may be higher or lower depending upon market conditions. Any increase in such charges will have a direct, adverse effect upon the interest rates that borrowers will be willing to pay the Fund, thus reducing the overall rate of return to Members. Conversely, if the Manager reduced the loan brokerage commissions, renewal and forbearance fees charged by them or their affiliates, a higher rate of return might be obtained for the Fund and the Members. This conflict of interest will exist in connection with every Fund loan transaction, and Members must rely upon the fiduciary duties of the Manager to protect their interests. The Fund will generally charge borrowers interest at the rate generally prevailing in the geographical areas where the security property is located for loans to comparable borrowers of similar size, duration and security.

The Manager has the right to retain the services of other firms, in addition to or in lieu of the Manager, to perform brokerage services, loan servicing and other activities in connection with the Fund's loan portfolio that are described in this Offering Circular.

Other Funds or Businesses

The compensation structure applicable to the Manager in connection with loans that are arranged or originated for investors unrelated to the Fund may be different, and depending on the circumstances at a given point in time, may be more lucrative to the Manager than the compensation payable to the Manager in connection with the Fund. As a result, there may exist a financial incentive for the Manager to arrange or originate loans for investors outside the Fund and the Members must rely on the fiduciary duties of the Manager to protect their interests under such circumstances. In the future, the Manager may also sponsor other funds formed to conduct business similar to that of the Fund. If these other funds (if formed) have funds to invest at the same time as the Fund, there will then exist conflicts of interest on the part of the Manager as to whether to offer a particular loan opportunity to the Fund or to these other funds. The Manager will decide which loans are appropriate for funding

by the Fund or by such other funds after consideration of all relevant factors, including the size of the loan, portfolio diversification, and amount of uninvested funds.

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

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

Lack of Independent Legal Representation

The Fund has not been represented by independent legal counsel to date. The use by the Manager and the Fund of the same counsel in the preparation of this Offering Circular and the organization of the Fund may result in the lack of independent review. Prospective investors must rely on their own legal counsel for legal advice in connection with this investment.

Sale of Defaulted Loans or Real Estate Owned to Affiliates

In the event a Fund loan goes into default or the Fund becomes the owner of any real property by reason of foreclosure on a Fund loan, the Manager's first priority will be to arrange the sale of the loan or property for a price that will permit the Fund to recover the full amount of its invested capital plus accrued but unpaid interest and other charges, or so much thereof as can reasonably be obtained in light of current market conditions. In order to facilitate such a sale, the Manager may arrange a sale to persons or entities controlled by or affiliated with the Manager (e.g., to another entity formed by the Manager or its affiliates), for the express purpose of acquiring defaulted loans or foreclosure properties from lenders such as the Fund. The Manager will be subject to conflicts of interest in arranging such sales since it will represent both parties to the transaction. For example, the Fund and the potential buyer will have conflicting interests in determining the purchase price and other terms and conditions of sale. The Manager's decision will not be subject to review by any outside parties.

The Manager shall undertake to resolve these conflicts by setting a purchase price for each defaulted loan or property which is not less than any of the following: (i) the independently appraised value of such loan or property, if any, at the time of sale; (ii) the amount of any third party offer already received, if any; or (iii) the total amount of the Fund's investment in the property. The Fund's investment is deemed to include without limitation the following: the unpaid principal amount of the loan upon which the Fund foreclosed, all unpaid interest accrued to the date of foreclosure, expenditures made to protect the Fund's interest in the property such as payments to senior lienholders and for insurance and taxes, all costs of foreclosure (including attorneys fees actually incurred to prosecute the foreclosure or to obtain relief from stays in bankruptcy), and any advances made by or on behalf of the Fund for any of the foregoing. A portion of the purchase price may be paid by the affiliate executing a promissory note in favor of the Fund, secured by a deed of trust on the property being sold. The total loan-to-value ratio for the property (including the Fund's note and any senior liens) will not exceed 90% of the purchase price of the property, and the note will otherwise contain terms and conditions comparable to those that would be contained in notes executed by third parties.

RISKS AND OTHER IMPORTANT FACTORS

Any investment in the Shares offered hereby 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 and other factors, in addition to those discussed herein under the captions “Compensation to Manager and Its Affiliates,” “Conflicts of Interest,” and “Federal Income Tax Consequences.”

Sub-Prime Lending Market

While the Fund does not arrange and does not service traditional “sub-prime” loans, recent media attention regarding the increased foreclosures of such loans and the resulting failure of many institutional lenders in the sub-prime lending industry has and will continue to increase some of the potential risks associated with an investment in Shares.

The term “sub-prime lending” generally refers to loans secured by owner-occupied residential properties made or arranged on behalf of lenders who are generally in the market of making such loans and selling such loans on the secondary market (“Sub-Prime Lenders”). Sub-prime loans differ from traditional institutional loans, which are often referred to as “prime loans” or “A-paper” loans (“Traditional Loans”), for two main reasons: (i) the credit score or “FICO score” required of the borrower to qualify for a loan is less than that required for Traditional Loans; and (ii) the amount of the loan compared to the value of the property securing the loan (i.e., the loan-to-value ratio) is, in most cases, significantly higher than Traditional Loans. While the creditworthiness of borrowers on sub-prime loans can be less than Traditional Loans, the underwriting of such loans nonetheless are credit based loans that rely very little on the equity held in the security property. With the steady rise of real estate values over the last 10 years it became very common to see Sub-Prime Lenders offering loans with loan-to-value ratios of 100% (i.e., a loan equal to the value of the property securing the loan). Therefore, unless there is considerable appreciation in the value of the security property, sub-prime loans have a higher risk of loss upon default and foreclosure.

Loans made and arranged by the Fund are underwritten on an asset basis rather than a credit basis. While the Fund may take certain steps determine a borrower’s ability to repay the loan according to its terms, such considerations are subordinate to a determination that a borrower has sufficient equity in the security property to satisfy the maximum loan-to-value ratios described in the “Lending Standards and Policies” section of this Offering Circular. Consequently, the diminution of the value of the security property upon foreclosure will result in a loss to the lenders on a loan only to the extent that such diminution exceeds the Borrower’s equity in such property.

Nonetheless, asset based loans involve the various risks set forth herein. Additionally, the failure of the “sub-prime” market can affect the overall housing market and can increase many of these risks. These increased risks include: (i) an increased risk of the non-availability of credit for the Borrower to develop the Property or refinance the Secured Note at maturity; (ii) an increased risk of foreclosures in the area surrounding the security property negatively affecting the value of the Property securing the Loan; (iii) increased constraints on consumer credit affecting the ability of borrower’s to sell completed residential projects; (iv) increased risk of foreclosures by the Borrower on other unrelated loans and/or the diminution of the value of the completed project causing an abandonment of the project by the Borrower.

No Market for Shares

There is no public market for the Shares and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Shares is also restricted by the provisions of the Securities Act of 1933, as amended, and Rule 147 thereunder, the California Corporate Securities Law of 1968, as amended, the regulations thereunder and by the provisions of the Operating Agreement. Any sale or transfer of Shares also requires the prior written consent of the Manager, which may be withheld in their sole discretion and may require the prior written consent of the California Commissioner of Corporations. (See “Commissioner’s Reg. 260.141.11.”) Furthermore, Members will have only limited rights to redeem Shares or withdraw from the Fund or to otherwise obtain the return of their invested capital. Therefore, all purchasers of Shares must be capable of bearing the economic risks of this investment with the understanding that their interest in the Fund may not be liquidated by resale, and should expect to hold their Shares for an undetermined period of time.

Taxation of Fund as a “Partnership”

The Fund will elect to be treated as a partnership for federal income tax purposes. Any favorable federal tax treatment presently available with respect to the Fund could be affected by any changes in tax laws that may result through future Congressional action, tax court or other judicial decisions, or interpretations of the Internal Revenue Service. IN VIEW OF THE FOREGOING, PROSPECTIVE MEMBERS ARE URGED TO REVIEW THE “FEDERAL INCOME TAX CONSEQUENCES” SECTION CAREFULLY AND TO CONSULT THEIR OWN TAX COUNSEL.

Loan Defaults and Foreclosures

The Fund is in the business of lending money and, as such, takes the risk of defaults by borrowers and other risks faced by lenders. Some Fund loans will provide for monthly payments of interest only or will have long amortization schedules, but be entirely due and payable in five to 20 years or less. Thus, the borrower may have to make a large “balloon” payment of principal due at the end of the term. Many borrowers are unable to repay such loans out of their own funds and are compelled to refinance. Fluctuations in interest rates and the unavailability of mortgage funds could adversely affect the ability of borrowers to refinance their loans at maturity.

The Fund will frequently be an “asset” rather than a “credit” lender although all borrowers will need to demonstrate adequate ability to meet its financial obligations under the terms of any loan which the Fund may invest in. This means that the Fund may rely primarily on the value of the real property securing loans to protect its investment, with repayment ability always being taken into consideration. There are a number of factors which could adversely affect the value of any such real property securing loans, including, among other things, the following:

1. The Fund will rely on a Market Value Analysis to determine the fair market value of real property used to secure loans made by the Fund. No assurance can be given that the Market Value Analysis will in any or all cases, be accurate. Moreover, since a Market Value Analysis fixes 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 nationwide, statewide or local economic, demographic, property or other trends, or may include specific local events such as freeway construction or adverse weather conditions. Neither an appraiser, a broker nor the Manager will be able to predict with any certainty whether these events will occur after a loan is made.
2. If the borrower defaults, the Fund may be forced to purchase the property at a foreclosure sale. If the Fund cannot quickly sell such property, and the property does not produce any significant income, the Fund’s profitability will be adversely affected.

3. To the extent that loans are secured by improved real property, the improvements will constitute a significant portion of the value of the real property security for such loans. In the event that such improvements are destroyed or damaged, the value of the real property security will be correspondingly diminished to the extent not covered by insurance. (See “Uninsured Losses.”)

4. Due to certain provisions of California law applicable to all real estate loans, if the real property security proves insufficient to repay amounts owing to the Fund, the Fund may not have a right to recover any deficiency from the borrower. (See “Certain Legal Aspects Of Fund Loans.”)

5. A number of the Fund’s loans will be secured by second or other junior deeds of trust. In the event of foreclosure on a Fund loan that is so secured, the debt secured by the senior deeds of trust must be satisfied before any proceeds from the sale of the property can be applied toward the debt owed to the Fund. Furthermore, to protect its junior security interest, the Fund may be required to make substantial cash outlays for such items as loan payments to senior lienholders to prevent their foreclosure, property taxes, insurance, property maintenance or repair, etc. The Fund may not have adequate cash reserves on hand at all times to protect its security, in which event the Fund could suffer a loss of its invested capital in such loan. Therefore, investments in loans secured by junior deeds of trust are subject to greater risk in the event of a decline in property values than are loans secured by first deeds of trust. (See “Certain Legal Aspects of Fund Loans.”)

6. The recovery of sums advanced by the Fund in making or investing in loans and protecting its security may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the loan was made. Any borrower has the ability to delay a foreclosure sale by the Fund for a period ranging from several months to several years simply by filing a petition in bankruptcy, which automatically stays any actions to enforce the terms of the loan. The length of this delay and the costs associated therewith may have an adverse impact on the Fund’s profitability.

7. The property securing Fund loans could be adversely affected by earthquakes, floods, mud slides, similar events and acts of God that may not be insured against. (See “Uninsured Losses,” below.)

Due-On-Encumbrance Clauses

A “due-on-encumbrance” clause contained in a senior deed of trust, which permits the holder of the deed of trust to accelerate the loan if the borrower executes an additional deed of trust on the security property in favor of a junior lienholder, is enforceable in all cases except when the security property consists of residential property consisting of four or fewer units. The Manager intends to follow customary and prudent lending practices when potential security property for a loan (except residences with four or fewer units) is already encumbered by a senior deed of trust which contains a “due-on-encumbrance” clause and, if deemed necessary, the Manager, before making the loan, shall obtain the written consent of the senior lienholder agreeing not to enforce the “due-on-encumbrance” clause by reason of the Fund’s loan.

Unspecified Loans; Reliance on the Manager

The loans in which the proceeds of this offering will be invested have not yet been determined, and Members will have no opportunity to review potential Fund loans. The Manager will participate in all decisions with respect to the management of the Fund, including the determination as to what loans to make or purchase, and the Fund is dependent to a substantial degree on their continued services. In the event of the death, retirement or other incapacity of the Manager, the business and operations of the Fund may be adversely affected.

Management and Competition

The Manager has substantial prior experience in the mortgage lending business. Due to the nature of the Fund's business, its profitability will depend to a large degree upon the future availability of secured loans. The Fund will compete with the Manager and investors unrelated to the Fund, institutional lenders and others engaged in the mortgage lending business, some of whom have greater financial resources and experience than the Fund. The Members will not have a voice in the management decisions of the Fund and can exercise only a limited amount of control over the Manager.

Fluctuations in Interest Rates

Mortgage interest rates are subject to abrupt and substantial fluctuations, but the purchase of Shares is a relatively illiquid investment. (See "No Market for Shares.") If prevailing interest rates rise above the average interest rate being earned by the Fund's loan portfolio, investors may wish to liquidate their investment in order to take advantage of higher returns available from other investments but may be unable to do so.

Manager Not Required to Devote Full Time to the Business of the Fund

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

Investors Not Independently Represented

The investors in the Fund have not been represented by independent counsel in its organization, and the attorneys who have performed services for the Fund have also represented the Manager. Thus, conflicts of interest between the Fund and the Manager may not have been addressed as vigorously as in an arms-length transaction. (See "Conflicts of Interest.")

Investment Delays

There will be a delay between the time initial subscriptions are submitted by prospective investors and the time the minimum capitalization of the Fund is reached, at which time the Fund can commence making or investing in loans. Even after minimum funding has been received, there will be a delay between the time Shares are sold and the time the proceeds of this offering are invested in loans by the Fund. During these periods, the proceeds of this offering will be invested in short-term certificates of deposit, money-market funds or other liquid assets which will not yield a return as high as the anticipated return to be earned on Fund loans. The length of these delays may adversely affect the overall investment return to Members.

Uninsured Losses

The Manager will arrange for title, fire and casualty insurance on the properties securing the Fund's loans. The Manager may also, but is not required to, arrange for earthquake insurance. However, there are certain types of losses (generally of a catastrophic nature) which are either uninsurable or not economically insurable, such as losses due to war, floods, mudslides or other acts of God. Should any such disaster occur, or if casualty insurance is allowed to lapse through oversight, the Fund could suffer a loss of principal and interest on the loan secured by the uninsured property. Furthermore, other losses could occur which may result in the denial of insurance coverage or inadequate inaccurate coverage or other unforeseen circumstances and may also lead to loss of principal and interest or damages on a loan investment.

Lack of Regulation

The management and investment practices of the Fund are not supervised or regulated by any federal or state authority, except to the extent that the lending and brokerage activities of the Fund and the Manager is subject to supervision or regulation by the California Department of Real Estate or Department of Corporations.

Risks of Government Action

While the Manager will use their best efforts to comply with all local, state and federal lending regulations, 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. While the Manager has never been accused of any such violations in the past, there is risk of potential governmental enforcement action which may lead to losses for the Fund.

Conflicts of Interest

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

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.

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

Even if the Fund does not foreclose on a contaminated site, the mere existence of hazardous

substances on the property may depress the market value of the property such that the loan is no longer adequately secured.

A lender's best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan; however, environmental inspections and investigations are very expensive, and often are not financially feasible in connection with loans of the size and type to be made by the Fund, particularly in the case of residential mortgage loans. As a result, toxic contamination reports or other environmental site assessments will generally not be obtained by the Fund in connection with its loans. The Manager will, however, take certain precautions to avoid environmental problems, such as not making or investing in loans secured by properties known or suspected to have (or to be likely to have) environmental problems.

Risks of Ownership of Real Property

When the Fund acquires any equity or leasehold interest in real property by direct investment, foreclosure or otherwise, the Fund is exposed to the risks of liability incident to real property ownership or tenancy. Owners of real property may be subject to liability for injury to persons and property occurring on the real property or in connection with the activity conducted thereon, and liability for non-compliance with governmental regulations.

Risks of Litigation

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

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974 ("ERISA") contains strict fiduciary responsibility rules governing the actions of "fiduciaries" of employee benefit plans. It is anticipated that some Members will be corporate pension or profit-sharing plans and Individual Retirement Accounts, or other employee benefit plans that are subject to ERISA. In any such case, the person making the investment decision concerning the purchase of Shares will be a "fiduciary" of such plan and will be required to conform to ERISA's fiduciary responsibility rules. Persons making investment decisions for employee benefit plans (i.e., "fiduciaries") must discharge their duties with the care, skill and prudence which a prudent man familiar with such matters would exercise in like circumstances. In evaluating whether the purchase of Shares is a "prudent" investment under this rule, fiduciaries should consider all of the risk factors set forth above. Fiduciaries should also carefully consider the possibility and consequences of unrelated business taxable income (see "Federal Income Tax Consequences"), as well as the percentage of plan assets which will be invested in the Fund insofar as the diversification requirements of ERISA are concerned. An investment in the Fund is relatively illiquid, and fiduciaries must not rely on an ability to convert an investment in the Fund into cash in order to meet liabilities to plan participants who may be entitled to distributions. DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE THE

APPLICATION OF ERISA TO HIS OR HER PROSPECTIVE INVESTMENT.

The Fund will limit subscriptions for Shares from ERISA plan investors such that, immediately after each sale of Shares, ERISA plan investors will hold less than 25% of the total outstanding membership interests in the Fund.

Fiduciaries of plans subject to ERISA are required to determine annually the fair market value of the assets of such plans as of the close of any such plan's fiscal year. Although the Manager will provide annually upon the written request of a Member an estimate of the value of the Shares based upon, among other things, outstanding mortgage investments, it may not be possible to value the Shares adequately from year to year, because there will be no market for them.

USE OF PROCEEDS

The proceeds from the sale of Shares offered hereby will be used approximately as set forth below. The figures set forth below are only estimates, and actual use of proceeds will vary.

	Minimum Offering	Percentage	Maximum Offering	Percentage
Organizational and Syndicated Expenses	\$35,000	3.5%	\$50,000	1.0%
Mortgage Loans[1]	\$945,000	94.5%	\$4,850,000	97.0%
Reserves[2]	\$20,000	2.0%	\$100,000	2.0%
TOTAL	\$1,000,000	100.0%	\$5,000,000	100%

Footnotes:

1] All loan brokerage commissions paid to the Manager will be paid by borrowers out of the proceeds of loans made by the Fund. Thus, a portion of the proceeds from the sale of Shares, which will be used by the Fund to fund its loans, will indirectly be paid to the Manager in the form of loan brokerage commissions, but will ultimately be repaid to the Fund by the borrowers. (See "Compensation to Manager and Its Affiliates.")

[2] Reserves may be set aside by the Fund, in such amounts as the Manager shall deem appropriate, to meet unexpected cash needs of the Fund, including such cash needs that may arise if a Fund loan goes into default.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain relevant federal income tax considerations resulting from an investment in the Fund, but does not purport to cover all of the potential tax considerations applicable to any specific purchaser. Prospective investors are urged to consult with and rely upon their own tax advisors for advice on these and other tax matters with specific reference to their own tax situation and potential changes in applicable law. The Fund will not seek, and therefore will not obtain, an opinion of counsel as to any tax consequences intended to result from an investment in the Fund.

Taxation of Undistributed Fund Income (Individual Investors)

Under the laws pertaining to federal income taxation of limited liability companies that are treated as partnerships, no federal income tax is paid by the Fund as an entity. Each individual member reports on his federal income tax return his distributive share of Fund income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Each individual member partner may deduct his distributive share of Fund losses, if any, to the extent of the tax basis of his Shares at the end of the Fund year in which the losses occurred. The characterization of an item of profit or loss will usually be the same for the member as it was for the Fund. Since individual members will be required to include Fund income in their personal income without regard to whether there are distributions of Fund income, such investors will become liable for federal and state income taxes on Fund income even though they have received no cash distributions from the Fund with which to pay such taxes.

Distributions of Income

To the extent cash distributions exceed the current and accumulated earnings and profits of the Fund, they will constitute a return of capital, and each Member will be required to reduce the tax basis of his Shares by the amount of such distributions and to use such adjusted basis in computing gain or loss, if any, realized upon the sale of Shares. Such distributions will not be taxable to Members as ordinary income or capital gain until there is no remaining tax basis, and, thereafter, will be taxable as gain from the sale or exchange of the Shares.

Property Held Primarily for Sale; Potential Dealer Status

The Fund has been organized to invest in loans primarily secured by deeds of trust on real property. However, if the Fund were at any time deemed for federal tax purposes to be holding one or more Fund loans primarily for sale to customers in the ordinary course of business (a “dealer”), any gain or loss realized upon the disposition of such loans would be taxable as ordinary gain or loss rather than as capital gain or loss. The federal income tax rates for ordinary income are higher than those for capital gains. In addition, income from sales of loans to customers in the ordinary course of business would also constitute unrelated business taxable income to any investors which are tax-exempt entities. Under existing law, whether or not real property is held primarily for sale to customers in the ordinary course of business must be determined from all the relevant facts and circumstances. The Fund intends to invest in Loans and hold the Fund loans for investment purposes only, and to dispose of Fund loans, by sale or otherwise, at the discretion of the Manager and as consistent with the Fund’s investment objectives. It is possible that, in so doing, the Fund will be treated as a “dealer” in mortgage loans, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt investors in the Fund.

Tax Returns

Annually, the Fund will provide the Members sufficient information from the Fund’s informational tax return for such persons to prepare their individual federal, state and local tax returns. The Fund’s informational tax returns will be prepared by certified public accountants selected by the Manager.

Character of Income

The Fund will most likely report its income as being derived from the trade or business of mortgage lending, not as portfolio income, unless the Manager is advised by the Fund’s accountants or attorneys to the contrary. The Manager believes this is the proper characterization, but there can be no assurance that it will not be challenged by the Internal Revenue Service. If the Fund is deemed to be engaged in the trade or business of lending money, its income allocable to that business will generally be characterized as nonpassive income, against which passive losses from other sources

may not be offset. This is true even though its net losses allocable to that activity (or that portion of Members' loss on the sale of a unit that is allocable to the Fund's mortgage lending business) will be treated as passive activity losses. If the Fund is not considered engaged in a trade or business of lending money, then income and loss from its mortgage lending activities will be considered portfolio income and loss. In either case, Members will not be permitted to offset passive losses from other activities against Members' share of that portion of income. Under Section 469 of the Code, the Fund's income will not be passive income against which passive losses from other sources may be offset.

Moreover, if the Company's income is considered portfolio income, then the loan servicing fees and asset management fees payable by the Company to the Manager will not serve to reduce the Company's own net taxable income, but will instead be separately passed through to Members for inclusion on their individual tax returns as an investment expense. This means that such expenses may not be tax deductible by Members who do not itemize deductions on their income tax returns, or who do not exceed certain thresholds applicable to the deductibility of such expenses, or who are subject to the alternative minimum tax.

Unrelated Business Taxable Income

Shares may be offered and sold to certain tax exempt entities (such as qualified pension or profit sharing plans) that otherwise meet the investor suitability standards described elsewhere in this Offering Circular. (See "Investor Suitability Standards.") Such tax exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business which generates "unrelated business taxable income," as that term is defined by Section 513 of the Code. Under the Code, tax exempt purchasers of Shares may be deemed to be engaged in an unrelated trade or business by reason of interest income earned by the Fund. Although interest income (which will constitute the primary source of Fund income) ordinarily does not constitute an item of unrelated business taxable income, this exclusion does not apply to the extent interest income is derived from "debt-financed property." If the Manager were to borrow funds in order to invest in mortgage loans or increase Fund liquidity, such "leveraging" of the Fund's loan portfolio would constitute an investment in "debt-financed property" and the interest income earned on loans funded with borrowed funds will be unrelated business income taxable to ERISA plans; however, the Manager does not intend to engage in leveraging at this time. The Fund may also realize unrelated business taxable income by reason of profits earned from the resale or lease of properties acquired through foreclosure that are encumbered by senior mortgage loans. However, unrelated business income is taxable only to the extent such income from all sources exceeds \$1,000 per year. The remainder of a tax exempt investor's income will continue to be exempt from federal income taxes to the extent it complies with other applicable provisions of law, and the mere receipt of unrelated business income will not otherwise affect the qualification of an IRA or ERISA plan under the Code. The Manager does not anticipate that the Fund will ever earn so much unrelated business taxable income as to exceed this \$1,000 threshold for any tax exempt investor.

Rents from real property and gains from the sale or exchange of property are also excluded from unrelated business taxable income, unless the property is held primarily for sale to customers or is acquired or leased in certain manners described in Section 514(c)(9) of the Code. Therefore, unrelated business taxable income may also be generated if the Fund operates or sells at a profit any property that has been acquired through foreclosure on a Fund loan, but only if such property (1) is deemed to be held primarily for sale to customers, or (2) is acquired from or leased to a person who is related to a tax-exempt investor in the Fund.

The trustee of any trust that purchases Shares in the Fund should consult with his tax advisors regarding the requirements for exemption from federal income taxation and the consequences of

failing to meet such requirements, in addition to carefully considering his fiduciary responsibilities with respect to such matters as investment diversification and the prudence of particular investments.

CERTAIN LEGAL ASPECTS OF FUND LOANS

Each of the Fund's loans will be secured directly or indirectly by a deed of trust, the most commonly used real property security device in California. The deed of trust (also commonly referred to as a mortgage) formally has three parties: a debtor-trustor, a third-party grantee called the "trustee," and the 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 deed of trust and the directions of the beneficiary. The Fund will be the beneficiary under all deeds of trust securing Fund loans.

Foreclosure

Foreclosure of a deed of trust is accomplished in most cases by a nonjudicial trustee's sale under the power-of-sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and send a copy to the trustor, to any person who has recorded a request for a copy of a notice of default and notice of sale, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust. If the default is not cured within 90 days after the filing of the notice of default, then at least 20 days before the trustee's sale, notice of sale must be posted in a public place and published once a week over such period. A copy of the notice of sale must be posted on the property, and sent to the trustor, to each person who has requested a copy, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust, at least 20 days before the sale. The trustor or any person having a junior lien or encumbrance of record may, until five business days prior to the date of a scheduled foreclosure date, cure the default by paying the entire amount of the debt then due, exclusive of principal due only because of acceleration upon default, plus costs and expenses actually incurred in enforcing the obligation and statutorily limited attorney's and trustee's fees. Following the sale, neither the debtor-trustor nor a junior lienor has any right of redemption, and the beneficiary may not obtain a deficiency judgment against the trustor.

A judicial foreclosure (in which the beneficiary's purpose is usually to obtain a deficiency judgment where otherwise unavailable) is subject to most of the delays and expenses of other lawsuits, sometimes requiring up to several years to complete. Following a judicial foreclosure sale, the trustor or his successors in interest will have certain rights to redeem the property, unless the creditor waives any right to a deficiency. The Fund generally will not pursue a judicial foreclosure to obtain a deficiency judgment, except where, in the sole discretion of the Manager, such a remedy is warranted in light of the time and expense involved.

Anti-Deficiency Legislation

California has four principal statutory prohibitions which limit the remedies of a beneficiary under a deed of trust. Two statutes limit the beneficiary's right to obtain a deficiency judgment against the trustor following foreclosure of a deed of trust, one based on the method of foreclosure and the other on the type of debt secured. Under one statute, a deficiency judgment is barred where the foreclosure was accomplished by means of a nonjudicial trustee's sale. It is anticipated that all of the Fund's loans will be enforced by means of a nonjudicial trustee's sale, if foreclosure becomes necessary. Under the other statute, a deficiency judgment is barred in any event where the foreclosed deed of trust secured a "purchase money" obligation, i.e., a promissory note evidencing a loan used to pay all or a part of the purchase price of a residential property occupied, at least in part, by the purchaser. This restriction usually will not apply to Fund loans.

Another statute, commonly known as the “one form of action” rule, requires the beneficiary to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the trustor on the promissory note. The fourth statutory provision limits any deficiency judgment obtained by the beneficiary following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of sale, thereby preventing a beneficiary from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale. 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.

Special Considerations in Connection with Junior Encumbrances

In addition to the general considerations concerning trust deeds discussed above, there are certain additional considerations applicable to second, third or fourth deeds of trust (“junior encumbrances”). By its very nature, a junior encumbrance is less secure than more senior ones.

Only the holder of a first trust deed is permitted to bid in the amount of his credit at his foreclosure sale; junior lienholders must bid cash. If a senior lienholder forecloses on its loan, unless the amount of the bid exceeds the senior encumbrances, the junior lienholders will receive nothing. Because of the limited notice and attention given to foreclosure sales, it is possible for junior lienholders to be sold out, receiving nothing from the foreclosure sale. However, in such event the junior lienholder may have a personal action against the borrower to enforce the debt.

Accordingly, a junior lienholder (such as the Fund) may find that the only method of protecting its security interest in the property is to take over all obligations of the trustor with respect to senior encumbrances while the junior lienholder commences his foreclosure, making adequate arrangements either to (i) find a purchaser of the property at a price which will recoup the junior lienholder’s interest or (ii) to pay off the senior encumbrances so that his encumbrance achieves first priority. Either alternative will require the Fund to make substantial cash expenditures to protect its interest. (See “Risk Factors -- Defaults in Loan Payments; Foreclosures.”)

The Fund will record a Request for Notice of Default at the time its trust deed is recorded. This procedure entitles the Fund to notice when any senior lienholder files a Notice of Default and will provide more time to make alternate arrangements to protect its security interest.

In the event the borrower defaults solely upon his debt to the Fund while continuing to perform with regard to the senior lienor, the Fund (as junior lienor) will foreclose upon its security interest in the manner discussed above in connection with deeds of trust generally. Upon foreclosure by a junior lienor, the property remains subject to all liens senior to the foreclosed lien. Thus, were the Fund to purchase the security property at its own foreclosure sale, it would acquire the property subject to all senior encumbrances.

The standard form of deed of trust used by most institutional lenders, like the one that will be used by the Fund, confers on the beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards made in connection with any condemnation proceedings, and to apply such proceeds and awards to any indebtedness secured by the deed of trust, in such order as the beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the beneficiary under the underlying first deed of trust will have the prior right to collect any insurance proceeds payable under a hazard insurance policy and any award of damages in connection with the condemnation, and to apply the same to the indebtedness secured by the first deed of trust before any such proceeds are applied to repay the Fund’s loan. Applicable case law, however, imposes upon the

lender the good faith obligation to apply the proceeds toward reconstruction where the lender's security would not be impaired.

“Due-on-Sale” Clauses

The Fund's forms of promissory notes and deeds of trust, like those of most lenders, contain “due-on-sale” clauses permitting the Fund to accelerate the maturity of a loan if the borrower sells the property, but do not usually contain “due-on-encumbrance” clauses which would permit the same action if the borrower further encumbers the property (i.e., executes further deeds of trust). The enforceability of these types of clauses is discussed below:

Due-on-Sale. Due-on-sale clauses contained in mortgage loan documents executed by the Fund after October 15, 1982 are enforceable in accordance with their terms. However, acquisition of a property by the Fund by foreclosure on one of its loans would also constitute a “sale” of the property, and would entitle a senior lienholder to accelerate its loan against the Fund. This would be likely to occur if then-prevailing interest rates were substantially higher than the rate provided for under the accelerated loan. In that event, the Fund may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

Due-on-Encumbrance. With respect to mortgage loans on residential property containing four or less units, federal and California law prohibits acceleration of the loan merely by reason of the further encumbering of the property (e.g., execution of a junior deed of trust). This prohibition does not apply to mortgage loans on other types of property. Although most of the Fund's second mortgages will not be on properties that qualify for the protection afforded by federal law as they will be secured by apartment buildings or other commercial properties. Second mortgage loans made by the Fund may trigger acceleration of senior liens on such properties if the senior loans contain due-on-encumbrance clauses, although both the number of such instances and the actual likelihood of acceleration is anticipated to be minor. Failure of a borrower to pay off the accelerated senior loan would be an event of default and subject the Fund (as junior lienholder) to the attendant risks. (See “Special Considerations in Connection with Junior Encumbrances.”)

SUMMARY OF OPERATING AGREEMENT

The following is a summary of the Operating Agreement for the Fund dated as of _____, 2009, and is qualified in its entirety by the terms of the Operating Agreement itself. Potential investors are urged to read the entire Operating Agreement which is set forth as Exhibit A to this Offering Circular.

Rights and Liabilities of Members

The rights, duties and powers of Members are governed by the Operating Agreement and Chapter 3, Title 2.5 of the California Corporations Code (the “Act”) and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to such Agreement and Act.

Investors who become Members in the Fund in the manner set forth herein will not be responsible for the obligations of the Fund and will be liable only to the extent of their agreed upon capital contributions. Members may be liable for any return of capital plus interest if necessary to discharge liabilities existing at the time of such return. Any cash distributed to Members may constitute, wholly or in part, return of capital.

Members will have no control over the management of the Fund except that, with the consent of the Manager, Members representing a majority of the outstanding Fund Membership interests may approve or disapprove any of the following matters: (a) dissolution and termination of the Fund; (b)

merger or consolidation of the Fund with one or more other entities; (c) amendment of the Operating Agreement; and (d) removal of the Manager and election of a successor manager. In addition, upon the cessation of the Manager for any reason (such as the withdrawal or resignation of the Manager), a majority in interest of the Members may elect a replacement manager to continue the business of the Fund. Members representing 10% of the Membership interests may call a meeting of the Fund.

Capital Contributions

Interests in the Fund will be sold for \$1,000 per Share and no person may initially acquire less than \$100,000 (100 Shares). For purposes of meeting this minimum investment requirement, a person may cumulate Shares he or she purchases individually with Shares purchased by his or her spouse. To purchase Shares an investor must deliver to the Fund a Subscription Agreement in the form attached to this Offering Circular as Exhibit B, together with his or her cash contribution. The Manager and its affiliates may, but are not obligated to, contribute sums to the Fund to meet the minimum subscription of \$1,000,000 for this offering or for other reasons.

Rights, Powers and Duties of Manager

Subject to the right of the Members to vote on specified matters, the Manager will have complete charge of the business of the Fund. The Manager is not required to devote full time to Fund affairs but only such time as is required for the conduct of Fund business. The Manager acting alone has the power and authority to act for and bind the Fund.

The Manager is granted the special power of attorney of each Member for the purpose of executing the documents which the Members have expressly agreed to execute and deliver or which are required to be executed, delivered and/or filed under applicable law.

Profits and Losses

Profits of the Fund accrued during any accounting period will be allocated as of the last day of such accounting period (i) first, to the Members to be allocated among the Members in proportion to the number of Shares held by each Member until the Members have received allocations equal to a non-cumulative, non-compounded return on their capital contributions at the rate of **[9.5%]** per annum; and (ii) thereafter, 40% to the Members to be allocated among the Members in proportion to the number of Shares held by each Member, and 60% to the Manager.

Losses of the Fund accrued during any accounting period will be allocated to the Members in proportion to the number of Shares held by each Member at the end of such accounting period.

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

Cash Distributions

Upon subscription for Shares, an investor must elect whether to receive monthly cash distributions from the Fund or to allow his or her earnings to compound for the term of the Fund. Investors who elect to change this election must give the Manager 90 days' prior written notice. Investors who elect to receive distributions may change this election in order to begin compounding earnings only if there is in effect a permit issued by the California Department of Corporations. Earnings allocable to investors who elect to compound their earnings will be retained by the Fund for making or investing in further mortgage loans or other proper Fund purposes. The earnings from these further loans will be allocated among all investors; however, investors who compound will be credited with an

increasingly larger proportionate share of such earnings than investors who receive monthly distributions, since their capital accounts will increase over time. Cash available for distribution will be determined by computing the net income during the calendar month on the accrual basis and in accordance with generally accepted accounting principles.

Promptly after the end of each calendar month, the Fund will distribute to Members receiving monthly distributions an amount of cash equal to their proportionate share of the Fund's accrued net income during such month. Accrued net income means the excess of accrued income from operations and investment of, or the sale or refinancing or other disposition of, Fund assets during such calendar month over the accrued operating expenses of the Fund during such month, including any adjustments for bad debt reserves or deductions as the Manager may deem appropriate, all determined in accordance with generally accepted accounting principles. Cash available for distribution shall be distributed only to those Members who elect to receive such distributions in an amount equal to their respective allocable shares of Fund profits during such month, and the balance of Fund income will be credited to the capital accounts of Members who elected to compound earnings.

Meetings

The Manager, or Members representing 33% of the outstanding membership interests, may call a meeting of the Fund. Unless the notice otherwise specifies, all meetings will be held at the office of the Fund. Members may vote in person or by proxy at the Fund meeting. A majority of the membership interests will constitute a quorum at Fund meetings.

Accounting and Reports

The Manager will cause to be prepared and furnished to the Members an annual report of the Fund's operation, which will include financial statements by an independent accounting firm. Within six months of the close of the year covered by the report, a copy or condensed version will be furnished to the Members. The Members will also be furnished such detailed information as is reasonably necessary to enable them to complete their own tax returns within 90 days after the end of the year. Any Member may inspect the books and records of the Fund at all reasonable times and upon reasonable prior notice to the Manager.

Amendment of the Agreement

The Operating Agreement may be amended by the Manager alone (with respect to certain matters), or upon the vote of Members holding a majority of the outstanding membership interests.

Withdrawal from Fund

A Member has no right to withdraw from the Fund or to obtain the return of all or any portion of sums paid for the purchase of Shares (or reinvested earnings with respect thereto) for at least 12 months after the date such Shares are purchased. After 12 months, Members may withdraw all or part of their capital accounts from the Fund by giving at least 90 days' prior written notice to the Manager. Members may withdraw all or part of their capital accounts from the Fund in four quarterly installments beginning on the last day of the calendar quarter in which the 90-day notice of withdrawal is given subject to the restrictions discussed below.

The amount that a withdrawing Member will receive from the Fund is based on the withdrawing Member's capital account. A capital account is a sum calculated for tax and accounting purposes, and may be greater than or less than the fair market value of such investor's membership Interest in the

Fund. The fair market value of a Member's interest in the Fund will generally be irrelevant in determining amounts to be paid upon withdrawal, except to the extent that the current fair market value of the Fund's loan portfolio is realized by sales of existing loans (which sales are not required to be made).

The Fund will not establish a reserve from which to fund withdrawals and, accordingly, the Fund's capacity to return a Member's capital account is restricted to the availability of Fund cash flow. For this purpose, cash flow is considered to be available only after all current Fund expenses have been paid (including compensation to the Manager and its affiliates), adequate reserves have been established for anticipated Fund expenses, and adequate provision has been made for the payment of all monthly cash distributions on a pro rata basis which must be paid to Members who elected to receive such distributions upon subscription for Shares.

If current cash flow of the Fund is inadequate to return a Member's capital account within the time periods stated above, the Fund is not required to liquidate any Fund loans prior to maturity for the purpose of liquidating the capital account of a withdrawing Member and is merely required to continue paying whatever cash flow is available to withdrawing Members until their liquidation schedules are being adhered to once again.

Notwithstanding anything to the contrary stated above, distributions of capital accounts to any withdrawing Member in any calendar quarter shall be limited to \$25,000 per such calendar quarter for such Member. The Manager shall not be required to liquidate (and Members shall not be entitled to withdraw), within any single calendar year, more than 20% of the total Fund capital accounts outstanding at the beginning of such calendar year. If the Manager receives withdrawal requests totaling 30% or more of the total Fund capital accounts outstanding as of the first day of any calendar year, the Manager, in its sole discretion, may, upon written notice to the Investors, declare an event causing dissolution and commence to dissolve and wind up the Fund pursuant to the dissolution and winding up provisions of the Operating Agreement.

Upon dissolution and termination of the Fund, a five-year winding-up period is provided for liquidating the Fund's loan portfolio and distributing cash to Members. Due to high prevailing interest rates or other factors, the Fund could suffer reduced earnings (or losses) if a substantial portion of its loan portfolio remains and must be liquidated quickly at the end of such winding-up period. Members who complete a withdrawal from the Fund prior to any such liquidation will not be exposed to this risk. Conversely, if prevailing interest rates have declined at a time when the loan portfolio must be liquidated, unanticipated profits could be realized by those Members who remain in the Fund until its termination.

Limitations on Transferability

The Operating Agreement places substantial limitations upon transferability of membership interests. Any transferee (including a donee) must be a person or entity which would have been qualified to purchase a Share in this offering and a transferee may not become a substituted Member without the consent of the Manager. A transferee who does not become a substituted Member will own an economic interest which entitles him or her only to the share of income or return of capital to which the transferor would be entitled. Economic interest holders will have no voting or inspection rights.

In addition to the restrictions imposed by the Operating Agreement, the California Commissioner of Corporations has imposed additional restrictions on transferability as set forth in Commissioners Rule 260.141.11 which is set forth below.

Term of Fund

The Fund will continue indefinitely until dissolved and terminated by vote of Members holding a majority of the outstanding membership interests with the concurrence of the Manager.

Winding Up

Upon dissolution of the Fund, the Manager will wind up the Fund's affairs as follows:

(1) no new loans will be made or purchased; and (2) the Manager or its successor will liquidate the Fund's remaining assets as promptly as is consistent with obtaining the fair current value thereof, either by sale to third parties or by collecting loan payments under the terms of the loan. All funds received by the Fund shall be applied and promptly distributed in accordance with the Act and the Operating Agreement.

In the event the Fund dissolves at a time when there are outstanding unfulfilled withdrawal requests, such withdrawal requests will be of no further force or effect and all Members will thereafter be entitled to receive their pro rata portion of all remaining liquidating distributions of the Fund in accordance with their respective outstanding capital account balances.

Merger with Other Business Entities

The Manager, upon the prior written consent of a majority interest of the Members, will have the right to merge the Fund with one or more other business entities (of which the Manager may be a sponsor or cosponsor).

PLAN OF DISTRIBUTION

The Shares will be offered and sold by the Fund, with respect to which no commissions or fees will be paid to the Manager or its employees. The Manager may also retain the services of independent securities dealers or finders to locate prospective investors, who may receive selling commissions or finders' fees on the gross proceeds of their sales in amounts negotiated on a case-by-case basis, but any such commissions will be paid by the Manager or its affiliates and will not be borne by the Fund. There is no firm commitment to purchase any Shares, and there is no assurance that the maximum amount of this offering will be received.

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LEGAL MATTERS

The Manager has retained _____ & _____ LLP of _____, California to advise the Fund in connection with the preparation of this Offering Circular and the Operating Agreement, as well as the offer and sale of the Shares offered hereby. _____ & _____ LLP has not been retained to provide legal services in connection with the drafting of any of the loan documents, the negotiation or closing of any loans or the servicing or enforcement of any loans, nor has it represented the interests of the Members in connection with the Shares offered hereby. Investors purchasing Shares that wish to obtain the benefit of review by legal counsel on their behalf must

retain their own attorneys to do so.

ADDITIONAL INFORMATION AND UNDERTAKINGS

The Manager undertakes to make available to each offeree every opportunity to obtain any additional information from the Fund or the Manager necessary to verify the accuracy of the information contained in this Offering Circular, to the extent that they possess such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, all the organizational documents of the Fund, and all other documents or instruments relating to the operation and business of the Fund and 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 Shares imposed by the Operating Agreement and state and federal securities laws generally, no Share may be sold or transferred or any consideration received therefor without the prior written consent of the California Commissioner of Corporations, except as provided in the Commissioner's Rules. Commissioner's Rule 260.141.11 is set forth below in its entirety.

§260.141.11. Restriction on Transfer

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Sections 260.102.6, 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 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 Corporations 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 Corporations 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 Corporations Code in a principal transaction, or as an

underwriter or member of an underwriting syndicate or selling 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 Corporations 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 Corporations 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 Corporations 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 CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER’S RULES.”

EXHIBIT A

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, AS AMENDED. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME WITHOUT SUCH REGISTRATION AND QUALIFICATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OF THE COMPANY TO THE EFFECT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED. THERE ARE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFER, AS SET FORTH IN THE OPERATING AGREEMENT.

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 CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED BY THE COMMISSIONER'S RULES.

OPERATING AGREEMENT OF CAPITAL FINANCE MORTGAGE INCOME FUND, LLC

THIS OPERATING AGREEMENT ("Agreement") is made and entered into effective as of March __, 2009 by and among Capital Finance, ("Manager"), and such persons as may be admitted as members pursuant to the terms hereof ("Members").

ARTICLE I: DEFINITIONS

Unless stated otherwise, the terms set forth in this Article I shall, for all purposes of this Agreement, have the meanings as defined herein:

1.1 "Affiliate" shall mean, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling 10% or more of the outstanding voting securities of such Person, (iii) any officer, director, manager or general partner of such Person, or (iv) any Person who is an officer, director, manager, general partner, trustee, or holder of 10% or more of the voting securities of, any Person described in clauses (i) through (iii) of this sentence.

1.2 "Agreement" shall mean this Operating Agreement, as the same may hereafter be amended from time to time.

1.3 "Articles" shall mean the Articles of Organization for the Company originally filed with the California Secretary of State and as amended from time to time.

1.4 "Bankruptcy" shall mean: (a) the filing of an application by a Member for, or his or her consent to, the appointment of a trustee, receiver, or custodian of his or her other assets; (b) the entry of an order for relief with respect to a Member in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by a Member of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of a Member unless the proceedings and the person appointed are dismissed within 90 days; or (e) the failure by a Member generally to pay his or her debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of his or her inability to pay his or her debts as they become due.

1.5 "Capital Account" shall mean, with respect to any Member, the capital account maintained for such Member in accordance with the following provisions:

(a) To each Member's Capital Account there shall be credited such Member's capital contributions, such Member's distributive share of Profits, and any items in the nature of income or gain (from unexpected adjustments, allocations or distributions) that are specially allocated to a Member and the amount of any Company liabilities that are assumed by such Member or that are secured by any Company property distributed to such Member.

(b) To each Member's Capital Account there shall be debited the amount of cash, such Member's distributive share of Losses, and any items in the nature of expenses or losses that are specially allocated to a Member and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company.

In the event any interest in the Company is transferred according to the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

In the event the Gross Asset Values of the Company assets are adjusted pursuant to Section 1.14, the Capital Accounts of all Members shall be adjusted simultaneously to reflect the aggregate net adjustment as if the Company recognized gain or loss equal to the amount of such aggregate net adjustment.

The provisions of this Section 1.5 and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulation Section 1.704-1 (b), and shall be interpreted and applied in a manner consistent with such regulations. In the event it is necessary to modify the manner in which the Capital Accounts are computed in order to comply with such regulations, the Manager shall make such modifications. The Manager shall adjust the amounts debited or credited to the Capital Accounts with respect to (i) any property contributed to the Company or distributed to any Member and (ii) any liabilities that are secured by such contributed or distributed property or that are assumed by the Company in the event the

Manager shall determine that such adjustments are necessary or appropriate pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv). The Manager shall also make appropriate modifications if unanticipated events cause this Agreement not to comply with Treasury Regulations Section 1.704-1 (b).

1.6 "Capital Contribution" shall mean for each Member the total capital contributions made to the Company in accordance with Section 4.1.

1.7 "Cash Available for Distribution" shall mean an amount of cash equal to the excess of accrued income from operations and investment of, or the sale or refinancing or other disposition of, Company assets during any calendar month over the accrued operating expenses, depreciation of the Company during such month, including any adjustments for bad debt reserves or deductions (including reasonable reserves) as the Manager may deem appropriate, all determined in accordance with generally accepted accounting principles.

1.8 "Code" shall mean the Internal Revenue Code of 1986, as amended, and corresponding portions of any subsequent federal revenue laws.

1.9 "Company" shall mean Capital Finance Mortgage Income Fund, LLC, a California limited Liability company.

1.10 "Economic Interest" shall mean the right to receive distributions of the Company's assets and allocations of income, gain, loss, deduction, credit and similar items from the Company in respect of Shares of the Company pursuant to this Agreement and the Act, but shall not include any other rights of a Member, including, without limitation, the right to vote or participate in the management of the Company, or except as provided in Section 17106 of the Corporations Code, any right to information concerning the business and affairs of the Company.

1.11 "Economic Interest Owner" shall mean the owner of an Economic Interest who is not a Member.

1.12 "ERISA Plan Investor" shall mean any Member that is a pension or profit-sharing plan, Keogh Plan, 401(k) plan, Individual Retirement Account or other employee benefit plan qualified under the Employee Retirement Income Security Act of 1974, as amended.

1.13 "Fiscal Year" shall mean a calendar year ending December 31.

1.14 "Gross Asset Value" shall mean, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the contributing Member and the Company;

(b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (i) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimus capital contribution; (ii) the distribution by the Company to a Member of more than a de minimus amount of Company property other than money, unless all Members receive simultaneous distributions of undivided interests in the distributed property in proportion to their interests in the Company; and (iii) the termination of the Company for federal income tax purposes pursuant to Code Section 708(b)(1)(B); and

(c) If the Gross Asset Value of an asset has been determined or adjusted pursuant to subsections (a) or (b) above, such Gross Asset Value shall thereafter be adjusted by the depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

1.15 "Loan Portfolio" shall mean the aggregate unpaid principal balance of all mortgage loans or portions thereof held by the Company, including the Company's basis in any real property acquired by foreclosure or deed in lieu of foreclosure.

1.16 "Majority Interest of the Members" shall mean Members holding more than 50% of the aggregate outstanding Shares of the Company, or of Shares held by a specified group of Members, on the first day of the current calendar month.

1.17 "Manager" shall mean Steven I. Fried, dba Capital Finance or any person or entity substituted in place thereof as Manager pursuant to this Agreement.

1.18 "Members" shall mean the purchasers of Shares admitted to the Company as Members, and "Member" shall mean any one of the Members.

1.19 "Net Assets Under Management" means the total Company's capital, including cash, notes (at book value), real estate owned (at book value), accounts receivable, advances made to protect loan security, unamortized organizational expenses and any other Company assets valued at fair market value, less Company liabilities.

1.20 "Percentage Interest" shall mean the respective percentage interest of a Member determined as of any day by dividing the number of Shares held by a Member by the total outstanding number of Shares held by all Members.

1.21 "Person" shall mean both natural and legal persons, including any unincorporated association or entity, as the context may require.

1.22 "Preferred Return" shall mean an amount equal to a cumulative, non-compounded return on the each Member's Capital Contribution to the Company at the rate of 9.5% per annum, inclusive of all payments made to each Member pursuant to Section 5.2(b) of this Agreement.

1.23 "Profits" and "Losses" shall mean, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such Fiscal Year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(I) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this Section shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1 (b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this Section, shall be subtracted from such taxable income or loss; and

(c) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value.

(d) Notwithstanding any other provision of this Section, any items in the nature of income or gain or expenses or losses, which are specially allocated, shall not be taken into account in computing Profits or Losses.

1.24 "Shares" shall mean units of ownership representing a Member's membership interest in the Company and all rights, benefits and privileges pertaining thereto.

ARTICLE II: ORGANIZATION OF THE COMPANY

2.1 Formation. The parties hereto hereby agree to form a limited liability company, pursuant to the provisions of the Beverly-Killea Limited Liability Company Act, codified in the California Corporations Code, Section 17000 et seq., as the same may be amended from time to time (the "Act").

2.2 Name. The name of the Company shall be "Capital Finance Mortgage Income Fund, LLC," unless and until changed by the Manager, who shall promptly notify the Members of any such change.

2.3 Place of Business. The principal place of business of this Company shall be located at 45605 Navajo Road, Indian Wells, California 92210-8872, until changed by designation of the Manager.

2.4 Purpose. The primary purpose of this Company shall be to make and invest in loans to members of the general public secured by deeds of trust on real property located primarily in the State of California and to do any and all things relating or incidental thereto.

2.5 Term. The Company shall be deemed to be formed and its term shall commence as of the day the Articles are filed with the California Secretary of State, and shall continue indefinitely until dissolved and terminated pursuant to the provisions of this Agreement or by operation of law.

2.6 Power of Attorney. Each of the Members irrevocably constitutes and appoints the Manager, acting by and through any of its executive officers, as his true and lawful attorney in-fact, with full power and authority for him, and in his name, place and stead, to execute, acknowledge, publish and file:

(a) This Agreement, the Articles, and any amendments or cancellation thereof required under the laws of the State of California;

(b) Any certificates, instruments and documents, including, without limitation, fictitious business name statements, as may be required by, or may be appropriate under, the laws of any state or other jurisdiction in which the Company is doing or intends to be doing business; and

(c) Any documents which may be required to effect the continuation of the Company, the admission of an additional or substituted Member, the amendment of this Agreement, or the dissolution and termination of the Company.

2.7 Nature of Power of Attorney. The foregoing grant of authority is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death of the undersigned or the delivery of an assignment by the undersigned of a Shares, provided that where the assignee thereof has been approved by the Manager for admission to the Company as a substituted Member, the Power of Attorney shall survive the delivery of such assignment for the sole purpose of enabling the Manager to execute, acknowledge and file any instrument necessary to effect such substitution.

ARTICLE III: THE MANAGER

3.1 Management by the Manager, Generally. Subject to any provisions of the Articles and this Agreement relating to actions required to be approved by the Members, if any, the business, property and affairs of the Company shall be managed and all powers of the Company shall be exercised by or under the direction of the Manager. In addition to the general management authority provided under this Section and without in any way limiting the generality of the foregoing, the Manager shall have all necessary powers to manage and carry out the purposes, business and affairs of the Company, including, without limitation, the power to exercise and to authorize and direct the Company's or the Manager's officers (if any) to exercise, on behalf and in the name of the Company, all of the powers described in California Corporations Code Section 17003, including, without limitation, the following powers and authority:

- (a) To expend Company funds in furtherance of the business of the Company and to acquire and deal with assets upon such terms as it deems advisable, from Affiliates and other persons;
- (b) To offer additional Shares for sale from time to time to determine the terms of the offering of Shares, including the price thereof and the amount of discounts allowable or commissions to be paid and the manner of complying with applicable law;
- (c) To employ, at the expense of the Company, such agents, employees, independent contractors, attorneys and accountants as the Manager deems reasonable and necessary for any Company purpose;
- (d) To effect necessary insurance for the proper protection of the Company, the Manager or Members;
- (e) To prosecute, defend, pay, collect, compromise, arbitrate, or otherwise adjust any and all claims or demands of or against the Company or its Manager;
- (f) To bind the Company in all transactions involving the Company's property or business affairs, including the preparation and execution of all loan documents, the funding of loans, and the purchase and sale of notes;
- (g) To amend this Agreement with respect to the matters described in subsections 12.5(a) through (g) below;
- (h) To determine the accounting method or methods to be used by the Company, which methods may be changed at any time by written notice to all Members;
- (i) To open accounts in the name of the Company in one or more banks, savings and loan associations or other financial institutions or money market funds, and to deposit Company funds therein, subject to withdrawal upon the signature of the Manager or any person authorized by the Manager;
- (j) To sell from time to time all or any portion of the Company's assets, or any undivided or beneficial interests therein, including without limitation the securitization, offer and sale of senior participating interests in the Company's mortgage loan portfolio, all upon such terms and conditions as the Manager shall deem appropriate in its sole business judgment; and
- (k) To retain such advisors and professionals, execute all instruments and documents and do all other things necessary or appropriate in the judgment of the Manager to effectuate any of the foregoing.

3.2 Fiduciary Duty. The Manager shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, and the Manager shall not employ such funds or assets in any manner except for the exclusive benefit of the Company.

3.3 Allocation of Time to Company Business. The Manager shall not be required to devote full time to the affairs of the Company but shall devote whatever time, effort and skill the Manager may deem to be reasonably necessary for the conduct of the Company's business. The Manager may engage in any other businesses including businesses related to or competitive with the Company.

3.4 Exculpation and Indemnification. Neither the Manager, nor its shareholders, officers, directors, employees or agents, shall have any liability whatsoever to the Company or to any Member for any loss suffered by the Company or any Member which arises out of any action or inaction of the Manager or any of its shareholders, officers, directors, employees or agents, so long as the Manager or such other Person, in good faith, determined that such course of conduct was in the best interests of the Company and did not constitute fraud, bad faith or willful misconduct. The Manager and its shareholders, officers, directors, employees and agents and the employees and agents of the Company shall be entitled to be indemnified and held harmless by the Company, at the expense of the Company, against any loss, expense, claim or liability (including reasonable attorneys' fees, which shall be paid as incurred) resulting from the assertion of any claim or legal proceeding relating to the performance or nonperformance of any act concerning the activities of the Company, including claims or legal proceedings brought by a third party or by Members, on their own behalf or as a Company derivative suit, so long as the party to be indemnified determined in good faith that such course was in the best interests of the Company and did not constitute fraud, bad faith or willful misconduct; provided, that any such indemnity shall be paid solely from the assets of the Company. Nothing herein shall prohibit the Company from paying in whole or in part the premiums or other charge for any type of indemnity insurance in which the Manager or other agents or employees of the Manager or the Company are indemnified or insured against liability or loss arising out of their actual or asserted misfeasance or nonfeasance in the performance of their duties or out of any actual or asserted wrongful act against, or by, the Company including, but not limited to, judgments, fines, settlements and expenses incurred in the defense of actions, proceedings and appeals therefrom.

3.5 Removal of the Manager; Election of Successor Manager. The Manager may be removed upon the following terms and conditions:

- (a) The Manager may be removed by the written consent of a Majority Interest of the Members. Members may exercise such right by presenting to the Manager a written notice, which shall be executed by the Members and their signatures acknowledged, to the effect that the Manager is removed effective on the date set forth in such notice.
- (b) Concurrently with delivery of such notice or within 90 days thereafter by written notice similarly given, a Majority Interest of the Members may also designate a successor Manager.
- (c) Substitution of a new Manager, if any, shall be effective upon written acceptance of the duties and responsibilities of a Manager by the new Manager. Upon effective substitution of a new Manager, this Agreement shall remain in full force and effect

except for the change in the Manager and the business of the Company shall be continued by the new Manager.

3.6 Retirement by Manager. The Manager may withdraw ("retire") from the Company upon not less than 6 months written notice of same to the Members. In the event that the Manager retires, the Members shall elect a successor manager by a Minority Interest of the Members.

3.7 Officers. The Manager may appoint officers at any time. The officers of the Company, if deemed necessary by the Manager, may include a president, vice president, secretary, and chief financial officer. The officers shall serve at the pleasure of the Manager, subject to all rights, if any, of an officer under any contract of employment. Any individual may hold any number of offices. No officer need be a resident of the State of California or citizen of the United States. The officers shall exercise such powers and perform such duties as shall be determined from time to time by the Manager. Subject to the rights, if any, of an officer under a contract of employment, any officer may be removed, either with or without cause, by the Manager at any time. Any officer may resign at any time by giving written notice to the Manager. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party. A vacancy in any office may be filled by the Manager in his sole discretion.

ARTICLE IV: THE MEMBERS -CAPITAL CONTRIBUTIONS

4.1 Capital Contributions; Issuance of Shares.

(a) The Members shall make contributions to the capital of the Company by purchasing Shares for \$1,000 per Share with an initial minimum subscription of \$100,000 (100 Shares) per Member (including subscriptions from entities of which such Member is the sole beneficial owner). Notwithstanding the foregoing, the Manager may accept subscriptions for less than the initial minimum subscription and may accept subscriptions of less than 100 Shares or may issue fractional Shares in its discretion. The total initial capitalization of the Company shall be a minimum of \$1,000,000 and a maximum of \$5,000,000; provided, however, the Manager reserves the right to increase such maximum capitalization and issue additional Shares from time to time in the future without approval of the Members.

(b) The Members shall make capital contributions in cash by executing and delivering a subscription agreement in form and substance determined by the Manager. The Manager and/or its Affiliate(s) shall be the initial Member(s) and shall contribute initial capital to the Company in the amount of not less than \$1,000. The Manager may purchase additional Shares at any time and, in such case, shall have the rights of the other Members.

4.2 Admission to Company; Subscription Account. Subscription funds received in cash from Persons for the purchase of Shares shall be placed into a segregated non-interest bearing subscription account in the name of the Company at a bank selected by the Manager. Subscribers for Shares whose subscription funds are placed in the subscription account shall not be admitted to the Company as Members until such time as all or a portion of their subscription funds are transferred to the Company. When the Company has located a suitable lending opportunity, and only if funds are not available in the Company to fund such loan (after making reasonable allowances for loss and contingency reserves), then funds from the subscription account shall be transferred to the Company for the purpose of funding the loan, at which time Shares will be issued and the subscribing Person will be admitted to the Company as a Member. The Manager has the right to admit only a portion of an investor's subscription funds at any given time; however, in no case will the Manager admit less than the required minimum subscription of an investor. Subscription Funds will only be transferred from the Subscription Account to the Fund on the first day of the month on a first-in, first-out basis; however, the Manager reserves the right to admit non-ERISA Plan Investors before ERISA Plan Investors in order for the Company to remain exempt from the application of Title 29 of the Code of Federal Regulations Part 2510 relating to the definition of plan assets for purposes of ERISA (the "ERISA Plan Asset Regulations"). In the event only a portion of a subscribing Person's funds are required to fund a Company loan, then all or a portion of funds invested by such subscribing Person shall be transferred to the Company at the same time and new Shares shall be issued therefor. Any subscription funds remaining in the subscription account after the expiration of 60 days from the date any such subscription funds were first received by the Manager shall be returned to the subscribing Person.

4.3 Election to Receive or Reinvest Cash Distributions. Upon subscription for Shares, a subscribing Person will elect whether to receive quarterly cash distributions from the Company or to allow his or her allocable share of Company Cash Available for Distribution to compound by automatically purchasing additional Shares of the Company as of the last day of each calendar quarter. A Member may elect to switch from compounding earnings to receiving quarterly cash distributions, or vice versa, upon 90 days notice to the Manager; provided, however, that if at any time the Company's offering of Shares is not qualified by a permit issued by the California Department of Corporations, then the Manager may suspend or terminate the automatic reinvestment program and instead distribute to all Members their allocable share of quarterly Cash Available for Distribution. Notwithstanding the foregoing, the Manager at any time shall have the right to immediately commence making quarterly distributions to one or more ERISA plan Members who previously had elected to compound earnings if necessary in order for the Company to remain exempt from the application of the ERISA Plan Asset Regulations. Income allocable to Members who elect to compound and reinvest their earnings in additional Shares will be retained by the Company for purposes of making or investing in further mortgage loans or for other proper Company purposes, and the amount of such reinvested earnings will be credited to their Capital Accounts.

4.4 No Participation in Management. Except as expressly provided herein, the Members shall take no part in the conduct or control of the Company business and shall have no right or authority to act for or bind the Company. Economic Interest Owners shall have no voting rights whatsoever.

4.5 Rights and Powers of Members. A Majority Interest of the Members shall have the right to vote upon, and to approve or disapprove, the following matters, and no others, provided, that the matters described in subsections (a), (b) and (c) below shall also require the prior written consent of the Manager:

(a) dissolution and termination of the Company;

(b) amendment to this Agreement, provided that this subsection (b) shall not apply to the matters set forth in Section 12.5 below, with respect to which matters the Manager alone may amend this Agreement without the vote of the Members;

(c) merger or consolidation of the Company pursuant to Section 9.3 below; and

(d) Removal of the Manager and election of a successor Manager, in the manner and subject to the conditions described in Section 3.5 above.

4.6 Meetings. No regular meetings of Members are required to be held, but meetings of Members may be called by Members holding 33 1/3% or more of the outstanding Membership Interests. Meetings shall be noticed and held, and voting procedures shall be followed in accordance with the provisions of Section 17104 of the Act.

4.7 Limited Liability of Members. Shares are non-assessable, and no Member shall be personally liable for any of the expenses, liabilities, or obligations of the Company or for any of the losses thereof beyond the amount of such Member's agreed upon Capital Contribution to the Company and such Member's share of any undistributed net income and gains of the Company; provided, that each Member shall remain liable to return to the Company any distributions that such Member is obligated to return pursuant to Section 17254 of the Act.

ARTICLE V: PROFITS AND LOSSES; CASH DISTRIBUTIONS

5.1 Losses. Losses shall be allocated among the Members as of the last day of each calendar month in accordance with their respective Percentage Interests.

5.2 Profits. Profits shall be allocated among the Members as of the last day of each calendar month during any Fiscal Year in the following order of priority:

(a) First, to the Members in accordance with their respective Percentage Interests until the Members have been allocated Profits pursuant to this Section 5.2(a) in an amount equal to the Preferred Return; and

(b) Thereafter, 60% to the Manager and 40% to the Members (to be allocated among the Members in accordance with their Percentage Interests).

5.3 Cash Available for Distribution. Cash Available for Distribution shall be distributed only to those Members who elect in writing to receive such distributions during the term of the Company in accordance with Section 4.3. Cash Available for Distribution to those Members who elected to receive cash distributions shall be distributed to them in cash quarterly as soon as practicable after the end of each calendar quarter. Cash Available for Distribution allocable to the remaining Members shall (subject to Section 4.3 above) be retained by the Company and automatically reinvested in additional Shares on behalf of such Members, which reinvestment shall be credited to their respective Capital Accounts as of the first day of the succeeding calendar month.

5.4 Cash Distributions Upon Dissolution. Upon dissolution and termination of the Company, all Cash Available for Distribution shall thereafter be distributed to Members in accordance with the provisions of Article IX below.

5.5 Special Allocation Rules.

(a) For purposes of this Agreement, a loss or allocation (or item thereof) is attributable to non-recourse debt which is secured by Company property to the extent of the excess of the outstanding principal balance of such debt (excluding any portion of such principal balance which would not be treated as an amount realized under Code Section 1001 and Paragraph (a) of Code Section 1.001-2 if such debt were foreclosed upon) over the adjusted basis of such property. This excess is herein defined as "Minimum Gain" (whether taxable as capital gain or as ordinary income) as more explicitly set forth in Treasury Regulation 1.7041(b)(4)(iv)(c). Notwithstanding any other provision of Article V, the allocation of loss or deduction (or item thereof) attributable to non-recourse debt which is secured by Company property will be allowed only to the extent that such allocation does not cause the sum of the deficit Capital Account balances of the Members receiving such allocations to exceed the minimum gain determined at the end of the Company taxable year to which the allocations relate. Any Member with a deficit Capital Account balance resulting in whole or in part from allocations of loss or deduction (or item thereof) attributable to non-recourse debt which is secured by Company property shall, to the extent possible, be allocated income or gain (or item thereof) in an amount not less than the minimum gain at a time no later than the time at which the minimum gain is reduced below the sum of such deficit capital account balances. This Section is intended and shall be interpreted to comply with the requirements of Treasury Regulation Section 1.704-1 (b)(4)(iv)(e).

(b) In the event any Member receives any adjustments, allocations or distributions, not covered by subsection (a) above, so as to result in a deficit Capital Account, items of Company income and gain shall be specially allocated to such Members in an amount and manner sufficient to eliminate the deficit balances in their Capital Accounts created by such adjustments, allocations or distributions as quickly as possible. This Section shall

operate as a qualified income offset as utilized in Treasury Regulation Section 1.704-I(b)(2)(ii)(d).

ARTICLE VI: ACCOUNTING AND REPORTS

6.1 Books and Records. The Manager shall cause the Company to keep the following books and records, which shall be maintained at the Company's principal place of business and shall be available for inspection and copying by, and at the sole expense of, the Members (but not Economic Interest Holders), or their duly authorized representatives, during reasonable business hours:

(a) A current list of the full name and last known business or residence address of each Member and Economic Interest Owner set forth in alphabetical order, together with the capital contributions and number of Shares owned by each Member and Economic Interest Owner;

(b) A current list of the full name and business or residence address of each Manager;

(c) A copy of the Articles and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Articles or any amendments thereto have been executed;

(d) Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the 6 most recent taxable years;

(e) A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

(f) Copies of the financial statements of the Company, if any, for the 6 most recent Fiscal Years; and

(g) The Company's books and records as they relate to the internal affairs of the Company for at least the current and past 4 Fiscal Years.

6.2 Financial Reports.

(a) The Manager shall cause to be prepared at the end of each Fiscal Year of the Company financial statements for the Company including a balance sheet of the Company as of the end of each Fiscal Year, an income statement and a report of the activities of the Company during such Fiscal Year, including a statement of changes in financial position for that Fiscal Year, which financial statements shall be audited by an independent certified public accounting firm in accordance with generally accepted accounting principles.

(b) The Manager shall provide to each of the Members within six months of the end of each Fiscal Year an annual report of the Company's operations including a summary of the Company's audited financial statements. Copies of the Company's audited financials shall be made available to the Members upon reasonable request.

6.3 Tax Returns. The Manager shall cause to be prepared and distributed to each Member within 90 days after the end of each Fiscal Year of the Company a Schedule K-1 and, such other information that the Members may require for preparation of their federal and state income tax returns.

6.4 Tax Matters Partner. In the event the Company is subject to administrative or judicial proceedings for the assessment or collection of deficiencies for federal taxes or for the refund of overpayments of federal taxes arising out of a Member's distributive share of profits, the Manager shall act as the Tax Matters Partner ("TMP") and shall have all the powers and duties assigned to the TMP under Sections 6221 through 6232 of the Code and the Treasury Regulations thereunder. The Members agree to perform all acts necessary under Section 6231 of the Code and Treasury Regulations thereunder to designate the Manager as the TMP.

ARTICLE VII: TRANSFER OF COMPANY INTERESTS

7.1 Restrictions on Transfers. Notwithstanding any provision to the contrary contained herein, the following restrictions shall apply to any and all proposed sales, assignments or transfers of Shares and Economic Interests, and any proposed sale, assignment or transfer in violation of same shall be void ab initio:

(a) No Member shall make any transfer or assignment of all or any part of his Shares without the prior written consent of the Manager, which consent may be withheld in the sole discretion of the Manager.

(b) No Member shall make any transfer or assignment of all or any part of his Economic Interest without the prior written consent of the Manager, which consent shall not be unreasonably withheld.

(c) No Member shall make any transfer or assignment of all or any part of his Shares or Economic Interest if said transfer or assignment would, when considered with all other transfers during the same applicable 12-month period, cause a termination of the Company for federal or California state income tax purposes.

(d) No Member shall be entitled to sell, assign, transfer or convey his Shares or Economic Interest to any person or entity other than a bona fide resident of the State of California for a period of 9 months after the termination of the offering of Shares pursuant to which such Shares (or the Shares associated with such Economic Interest) were acquired.

(e) No Member shall be entitled to sell, assign, transfer or convey his Shares or Economic Interest to any Person unless such transfer complies with Section 260.141.11 of the Rules of the California Commissioner of Corporations if such Section of such Rules is applicable at the time of the proposed transfer.

(f) Instruments evidencing a Shares or Economic Interest shall bear and be subject to a legend condition in substantially the following form:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED NOR HAVE THEY BEEN QUALIFIED UNDER THE CALIFORNIA CORPORATE SECURITIES LAW OF 1968, AS AMENDED. SUCH SHARES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME WITHOUT SUCH REGISTRATION AND QUALIFICATION, OR AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OF THE COMPANY TO THE EFFECT THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED. THERE ARE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFER, AS SET FORTH IN THE OPERATING AGREEMENT.

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 CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED BY THE COMMISSIONER'S RULES.

7.2 Transfer of Shares and Substitution. No assignee of any Shares of the Company shall have the right to become a substituted Member in place of his assignor unless the following conditions are first met:

(a) The assignor shall designate such intention in the instrument of assignment;

(b) The written consent of the Manager to such substitution shall be obtained, which consent may be withheld in the sole discretion of the Manager and which, in any event, shall not be given if the Manager determines that such sale or transfer may jeopardize the continued ability of the Company to qualify as a "partnership" for federal income tax purposes or that such sale or transfer may jeopardize the status of the original sale of said interest pursuant to the non-public and intrastate offering exemptions from registration or qualification under the Securities Act of 1933, as amended (the "1933 Act") or the California Corporate Securities Law of 1968, as amended (the "1968 Law");

(c) The instrument of assignment shall be in a form and substance satisfactory to the Manager;

(d) The assignor and assignee named therein shall execute and acknowledge such other instruments as the Manager may deem necessary to effectuate such substitution,

including but not limited to a power of attorney with provisions more fully described in this Agreement;

(e) The assignee shall accept, adopt and approve in writing all of the terms and provisions of this Agreement as the same may have been amended;

(f) Such assignee shall pay all reasonable expenses (including reasonable attorneys' fees) incurred by the Manager or the Company in connection with such substitution; and

(g) The Company has received, if requested, a legal opinion in form and substance satisfactory to the Manager that such transfer will not violate the registration provisions of the 1933 Act or the qualification requirements of the 1968 Law, which opinion shall be furnished at the Member's expense.

ARTICLE VIII: WITHDRAWAL FROM COMPANY

8.1 Withdrawal by Members. No Member shall have the right to withdraw from the Company, receive cash distributions or otherwise obtain the return of all or any portion of his Capital Account balance for a period of 12 months after the date of the initial purchase of Shares and admission to the Company of such Member or his or her predecessor in interest (the "Holding Period"), except for monthly distributions of Cash Available for Distribution, if any, to which such Member may be entitled pursuant to Section 5.2 above. After the expiration of the Holding Period, a Member may withdraw or partially withdraw from the Company upon and subject to the following conditions and limitations:

(a) A Member desiring to withdraw from the Company shall give not less than 90 days prior written notice of same effective not earlier than the expiration of the Holding Period ("Notice of Withdrawal") to the Manager, and (subject to the provisions of Section 8.2 below) such Member's Capital Account as of the date of such notice shall be liquidated and distributed to such Member in not more than four quarterly installments each equal to 25% of the total Capital Account being liquidated, commencing on the last day of the calendar quarter in which Notice of Withdrawal is effective and continuing thereafter until paid in full.

(b) Furthermore, commencing with the end of the calendar month in which such Notice of Withdrawal is given, any current Cash Available for Distribution allocable to the Capital Account (or portion thereof) being withdrawn shall also be distributed in cash to the withdrawing Member in the manner provided in Section 5.2 above.

8.2 Limitations on Withdrawal. Notwithstanding Section 8.1 above, the return of a withdrawing Member's Capital Account shall be subject to the following limitations:

(a) The Company will not establish a reserve from which to fund withdrawals and, accordingly, the Company's obligation to return a Member's Capital Account is limited to the availability of Company cash flow in any given calendar quarter, as determined in good faith

by the Manager. For this purpose, cash flow is considered to be available only after all current Company expenses have been paid (including compensation to the Manager and its Affiliates) and provision has been made for maintaining adequate reserves to meet anticipated Company expenses, funding of all and outstanding loan commitments and approved loans, and payment of all monthly cash distributions on a pro rata basis which must be paid to Members who have elected to receive such distributions. The Company shall not be obligated to sell or liquidate any mortgage loans prior to maturity for the purpose of generating funds to liquidate the Capital Accounts of withdrawing Members.

(b) If current cash flow is inadequate to promptly liquidate all Capital Accounts with respect to which Notices of Withdrawal have been received, then the priority of distributions among withdrawing Members shall be determined by the chronological order in which their respective Notices of Withdrawal were received by the Manager; provided, that the Manager shall have the discretion to accord priority to Notices of Withdrawal received from Deceased Members and ERISA Plan Investors as described in Section 8.3 below.

(c) In no event shall the Company be required to liquidate more than \$25,000 per calendar quarter per Member or the Capital Accounts of Withdrawing Members to the extent that the aggregate distributions paid to all withdrawing Members during any 12-month period would exceed an amount equal to 20% of the aggregate Capital Accounts of all Members at the beginning of such period.

8.3 Priority Withdrawals. Notwithstanding any provision herein to the contrary, the Company may give priority to the return of the Capital Accounts of certain Members, as follows:

(a) Upon the death of the sole beneficiary of a corporate pension or profit sharing plan, Individual Retirement Account or other employee benefit plan subject to ERISA or upon the death of a Member (the "Deceased Member"), the return of such Deceased Member's Capital Account may be given priority over the return of other withdrawing Members' Capital Accounts, in the Manager's sole and absolute discretion, but such priority liquidation shall be limited to \$50,000 per calendar quarter per Member.

(b) The Manager, in its sole and absolute discretion, shall also have the right at any time to immediately liquidate all or a portion of the Capital Account of one or more ERISA plan investors (the "ERISA Plan Investors") in order to ensure that the Company remains exempt from the ERISA Plan Asset Regulations. The liquidation of such ERISA Plan Investors' Capital Accounts shall have priority over the liquidation of all other withdrawing Members' Capital Accounts, including those of Deceased Members.

8.4 Capital Account Adjustments. Notwithstanding the foregoing, the remaining Capital Account of a withdrawing Member shall continue to be subject to adjustment as described in Section 1.5 above until it is fully liquidated. Any reduction in a Capital Account by reason of an allocation of Losses, if any, shall reduce all subsequent liquidation payments proportionately. In no event shall any Member receive cash distributions upon withdrawal from the Company if the effect of such distribution would be to create a deficit in such Member's Capital Account.

8.5 Constructive Vote to Dissolve. If at any time there are outstanding unfulfilled Notices of Withdrawal from a Majority Interest of the Members (even if not all such Members are

liquidating their entire Capital Accounts), the Manager shall have the right, but not the obligation, to deem such event to constitute a vote by the Members to dissolve the Company pursuant to Section 9.1 and to concur with such vote. If the Company so dissolves at a time when any Members who have previously given Notices of Withdrawal have not yet received the full return of their requested withdrawals, then in such event the winding up provisions of Section 9.2 below shall apply and the distribution provisions of Section 9.2(c) shall be controlling, such that liquidation payments shall thereafter be made proportionately to all Members pursuant to Section 9.2(c) and no further withdrawal payments shall be made pursuant to this Article VIII.

8.6 Effect of Withdrawal on Shares. Each payment by the Company in liquidation of all or any portion of a Member's Capital Account shall be treated as the Company's repurchase of its Shares, and the number of Shares repurchased shall be equal to (i) the dollar amount of the Capital Account being returned to the Member, divided by (ii) the then current value of Shares calculated in the same manner as the offering price of Shares as determined under Section 4.1 above.

ARTICLE IX: DISSOLUTION OF THE COMPANY; MERGER OF THE COMPANY

9.1 Events Causing Dissolution. The Company shall dissolve upon occurrence of the earlier of the following events:

- (a) By the Manager, in the Manager's sole discretion;
- (b) The vote (including a deemed vote pursuant to Section 8.5 above) of a Majority Interest of the Members to dissolve; or
- (c) An entry of a decree of judicial dissolution pursuant to Section 7351 of the California Corporations Code.

9.2 Winding Up. Upon the occurrence of an event of dissolution, the Company shall not immediately be terminated, but shall continue until its affairs have been wound up. Upon dissolution of the Company, unless the business of the Company is continued as provided above, the Manager will wind up the Company's affairs as follows:

- (a) No new loans shall be made or purchased;
- (b) Except as may be agreed upon by the Manager and a Majority Interest of Members in connection with a merger or consolidation described in Section 9.3, the Manager shall liquidate the assets of the Company as promptly as is consistent with recovering the fair market value thereof, either by sale to third parties (including the Manager or Affiliates) or by servicing the Company's outstanding loans in accordance with their terms; provided, however, the Manager shall liquidate all Company assets for the best price reasonably obtainable in order to completely wind up the Company's affairs within five (5) years after the date of dissolution;
- (c) Except as may be agreed upon by the Manager and a Majority Interest of Members in connection with a merger or consolidation described in Section 9.3, all sums of cash held by

the Company as of the date of dissolution (including liquid assets which shall be converted to cash), together with all sums of cash received by the Company during the winding up process from any source whatsoever, shall be applied and promptly distributed to the Members in proportion to the positive balances in their respective outstanding Capital Accounts, but only after all the Company's debts have been paid or otherwise adequately provided for.

(d) Upon the completion of the liquidation of the Company and distribution of liquidation proceeds, the Manager shall cause to be filed a Certificate of Dissolution as required by the Act and shall furnish to each of the Members a statement setting forth the receipts and disbursements of the Company during such liquidation, the amount of proceeds from such liquidation distributed with respect to Company Interests and the amount of proceeds paid or distributed to Members.

9.3 Merger or Consolidation of the Company. The Company may be merged or consolidated with one or more other entities, which may be Affiliates of the Company; provided that the principal terms of any such merger or consolidation are first approved by the Manager and by the affirmative vote of a Majority Interest of the Members. In any such merger or consolidation, the Company may be either a disappearing or surviving entity pursuant to the Act or any other provision of applicable law.

ARTICLE X: TRANSACTIONS BETWEEN THE COMPANY, THE MANAGER AND AFFILIATES

10.1 Loan Origination Fees. The Company may purchase existing loans from the Manager or its Affiliates or will enter into loan transactions in which the Manager or its Affiliates will act as a broker in arranging the loan, for which it will receive a brokerage, origination renewal or forbearance fees in an amount determined on a case-by-case basis, provided that the loan brokerage, origination or renewal fees are anticipated to average between 1% and 6% of the principal amount of the loan and will generally not be less than \$2,000 per loan.

10.2 Loan Servicing Fees. The Manager or its Affiliates may act as servicing agent with respect to all Company loans. In consideration for such collection efforts, the Manager or its Affiliates shall be entitled to receive a monthly servicing of 1% per annum (i.e., 1/12th of 1% monthly) of the total unpaid principal balance of each loan serviced, payable only as interest is received by the Company.

10.3 Sale of Real Estate to the Manager or its Affiliates. In the event the Company becomes the owner of any real property by foreclosure on a Company loan, the Company may sell such property to the Manager or an Affiliate of the Manager provided:

(a) No foreclosed property will be sold to the Manager or an Affiliate thereof unless the Manager has first used its best efforts to sell any property at a fair price on the open market for at least 90 days.

(b) In the event any property is sold to the Manager or an Affiliate thereof, the net purchase price must be no less than: (i) any bona fide third-party offer received; (ii) the independently appraised value of such property at the time of sale, and (iii) the total amount of the Company's "investment" in the property. The Company's investment includes, without

limitation, the following: the unpaid principal amount of the Company's loan, unpaid interest accrued to the date of foreclosure, expenditures made to protect the Company's interest in the property such as payments to senior lienholders and for insurance and taxes, costs of foreclosure (including attorneys' fees actually incurred to prosecute the foreclosure or to obtain relief from stays in bankruptcy), and any advances made by the Manager, if any, on behalf of the Company for any of the foregoing.

(c) Neither the Manager nor any of its Affiliates shall receive a real estate commission in connection with such a sale.

10.4 Loan Processing Fees. The Manager or an Affiliate of the Manager may provide certain document preparation, and loan processing services, for which services the Manager or such Affiliate shall be entitled to receive such fees as are permitted by law and as are generally prevailing in the geographical area where the property securing the loan is located.

10.5 Late Charges; Prepayment Penalties; Forbearance Fees; Default Interest. The Manager will be entitled to receive and retain, and the Company hereby assigns to Manager, any and all late charges, prepayment penalties, forbearance fees, extension fees and Default Interest collected from any borrower on a Company loan. For the purpose of this paragraph, "Default Interest" shall mean the difference between (i) the higher rate of interest accrued by reason of a borrower's default under a loan, over (ii) the regular rate of interest otherwise provided under the loan.

10.6 Purchase of Loans from Manager or Affiliates. The Company may purchase existing loans from the Manager or Affiliates, provided that the following conditions are met:

- (a) At the time of purchase the borrower shall not be default under the loan;
- (b) The purchase price for such loan does not exceed the unpaid balance of principal, accrued interest and other charges owing thereunder; and
- (c) The loan satisfies the loan underwriting criteria customarily applied by the Company with respect to loans made to or purchased from unrelated third parties.

10.7 Sale of Loans to Manager or Affiliates. The Company may sell existing loans to the Manager or its Affiliates, but only so long as the Company receives net sales proceeds from such sale in an amount equal to the total unpaid balance of principal, accrued interest and other charges owing under such loan, or the fair market value of such loan, whichever is greater. Notwithstanding the foregoing, the Manager shall be under no obligation to purchase any loans from the Company or to guarantee any payments under any Company.

10.8 Reimbursement of Manager for Certain Expenses. The Manager shall be reimbursed by the Company for all organizational syndication and operating expenses incurred on behalf of the Company, including without limitation, out-of-pocket general and administrative expenses of the Company, accounting and audit fees, legal fees and expenses, postage, and preparation of reports to Members.

ARTICLE XI: ARBITRATION

11.1 Arbitration. Any action to resolve any controversy or claim arising out of or related to this Agreement, or the breach hereof, however characterized, shall be resolved through a binding, non-public arbitration before an adjudicator selected as provided in this Article XI.

11.2 Demand for Arbitration. Any party desiring to bring any action under this Agreement shall give written notice to the other party, which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by paragraph number and title, if applicable, of the provisions of this Agreement pertaining to the dispute.

11.3 Appointment of Arbitrator. The parties shall endeavor to agree, within 30 days of the above-described notice, upon a mutually acceptable adjudicator to resolve the dispute. The adjudicator shall be a single former judge of the Superior Court or the Court of Appeal of the State of California or member in good standing with the California State Bar currently employed by or associated with the office of JAMS located in or nearest to Indian Wells, California. If the parties cannot agree upon the adjudicator within such 30-day period, then JAMS, in its sole discretion, shall provide a list of three adjudicators with the qualifications set forth above. Within 10 days of JAMS providing the above-described list, each of the parties shall be entitled to strike one name from the list and so notify JAMS. JAMS, in its sole discretion, thereafter shall select as adjudicator anyone of the persons remaining on the list, and the person so selected shall thereafter serve as adjudicator. If for any reason JAMS is unable or unwilling to make such an appointment, either party may apply to the Superior Court of the State of California in and for the County of Riverside for appointment of any former judge of the Superior Court or the Court of Appeal of the State of California to serve as adjudicator. The appointment of an adjudicator, whether by JAMS or by the Superior Court pursuant to the foregoing, shall be made, and the adjudicator shall serve, without further objection from either party, except on the ground of conflict of interest, if any, pursuant to the same rules that would apply if the former judge were serving as an active member of the Superior Court or Court of Appeal.

11.4 Hearing. The hearing shall take place at a mutually acceptable location in Indian Wells, California and shall be conducted pursuant to the provisions of the California Arbitration Act commencing with California Code of Civil Procedure Section 1280, the rules and procedures established by JAMS, and such other rules and procedures as may be determined by the adjudicator; provided, however, that: (1) at the hearing, any relevant evidence may be presented by either party, and the formal rules of evidence applicable to judicial proceedings shall not govern; and (2) discovery between the parties prior to the arbitration hearing shall be limited to the mutual exchange of relevant documents. Interrogatories, requests for admissions, and depositions of witnesses shall not be permitted.

11.5 Arbitration Award. In resolving the dispute, the adjudicator shall apply the pertinent provisions of this Agreement without departure therefrom in any respect, and the adjudicator shall not have the power to change any of the provisions of the Agreement. The adjudicator shall try all of the issues, including any issues that may be raised concerning arbitrability of the dispute, subject-matter and personal jurisdiction, and any and all other issues, whether of fact or of law, and shall hear and decide all motions and matters of any kind. The adjudicator shall not be required to prepare a written statement of decision as to any interlocutory decision, but at the conclusion of the arbitration shall prepare a written statement of decision thereon which shall be final and binding upon the parties, and upon which judgment may be entered in accordance with applicable law in any court having jurisdiction thereof. Any

interlocutory decisions by the adjudicator likewise shall be final and binding, except that the adjudicator shall have the power to reconsider such.

11.6 Costs of Arbitration. The prevailing party in any dispute regarding or arising out of this Agreement shall be entitled to an award of its reasonable attorneys' fees in addition to any other relief to which it is entitled.

11.7 WAIVERS. THE PARTIES HEREBY FREELY WAIVE THE RIGHT TO TRIAL BY JUDGE OR JURY, THE RIGHT TO APPEAL, FULL PRETRIAL DISCOVERY AND APPLICATION OF THE RULES OF EVIDENCE.

ARTICLE XII: MISCELLANEOUS

12.1 Legal Representation.

(a) Counsel to the Company may also be counsel to the Manager or any Affiliate of the Manager. The Manager may execute on behalf of the Company and the Members any consent to the representation of the Company that counsel may request pursuant to the California Rules of Professional Conduct or similar rules in any other jurisdiction ("Rules"). Each Member acknowledges that Company counsel does not represent any Member and Company counsel shall owe no duties directly to any Member. Notwithstanding any adversity that may develop, in the event any dispute or controversy arises between any Members and the Company, or between any Members or the Company, on the one hand, and the Manager (and its Affiliates), on the other hand, then each Member agrees that Company counsel may represent either the Company or such Manager (or its Affiliates or both), in any such dispute or controversy to the extent permitted by the Rules, and each Member hereby consents to such representation.

(b) Each Member further acknowledges that Company counsel has represented only the interests of the Manager and not the Members in connection with the formation of the Company and the preparation and negotiation of this Agreement, and each Member acknowledges that it has been afforded the opportunity to consult with independent counsel with regard thereto.

12.2 Covenant to Sign Documents. Without limiting the power of attorney granted by Sections 2.6 and 2.7 above, each Member covenants, for himself and his successors and assigns, to execute, with acknowledgement or verification, if required, any and all certificates, documents and other writings which may be necessary or expedient in the creation of the Company and the achievement of its purposes, including, without limitation, all such filings, records or publications necessary or appropriate in the judgment of the Manager to comply with the applicable laws of any jurisdiction in which the Company shall conduct its business.

12.3 Notices. Except as otherwise expressly provided for in this Agreement, all notices which any Member may desire or may be required to give any other Member shall be in writing and shall be deemed duly given when delivered personally or when deposited in the United States mail, first-class postage prepaid, addressed to the Member's address as shown in the books of the Company pursuant to written notification to the Manager. Notices to the Manager or to

the Company shall be delivered to the Company's principal place of business, as set forth in Section 2.3 above or as hereafter charged as provided herein.

12.4 Right to Engage in Competing Business. Nothing contained herein shall preclude any Member from purchasing or lending money upon the security of any other property or rights therein, or in any manner investing in, participating in, developing or managing any other venture of any kind, without notice to the other Members, without participation by the other Members, and without liability to them or any of them. Each Member waives any right he may have against the Manager for capitalizing on information received as a consequence of the Manager's management of the affairs of this Company.

12.5 Amendment. This Agreement is subject to amendment by the affirmative vote of a Majority Interest of the Members with the written concurrence of the Manager. Notwithstanding anything to the contrary contained in this Agreement, the Manager shall have the right to amend this Agreement, without the vote or consent of any of the Members, when:

- (a) There is a change in the name of the Company or the amount of the contribution of any Member;
- (b) A person is substituted as a Member;
- (c) An additional Member is admitted;
- (d) A person is admitted as a successor or additional Manager in accordance with the terms of this Agreement;
- (e) There is a change in the character of the business of the Company;
- (f) There is a false or erroneous statement in this Agreement; or
- (g) A change in this Agreement is required in order that it shall accurately represent the agreement among the Members.

12.6 Governing Law. This Agreement shall be governed by and shall be interpreted and enforced in accordance with the substantive laws of the State of California.

12.7 Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior agreements and representations, either oral or in writing, between the parties hereto with respect to the subject matter contained herein.

12.8 Waiver. No waiver by any party hereto of any breach of, or default under, this Agreement by any other party shall be construed or deemed a waiver of any other breach of or default under this Agreement, and shall not preclude any party from exercising or asserting any rights under this Agreement with respect to any other breach or default.

12.9 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the

provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

12.10 Captions. Section titles or captions contained in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement.

12.11 Number and Gender. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neutral genders, and the word "person" shall include a natural person, firm, partnership, corporation, trust, association of other form of legal entity. Any consent or action required or permitted to be given or made by a Manager may be given or made by any Manager.

12.12 Counterparts. This Agreement may be executed in counterparts, any or all of which may be signed by the Manager on behalf of the Members as their attorney-in-fact.

{SIGNATURES CONTINUE ON FOLLOWING PAGE}

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year first above written.

MANAGER:

Capital Finance

By: _____
Steven I. Fried
Its: Sole Owner
Capital Finance,
as Attorney-in-Fact For the Persons listed on Schedule A hereto

By: _____
Steven I. Fried
Its: Sole Owner

SCHEDULE A

MEMBERS

Name and Address

Date of Admission Capital Contribution

EXHIBIT B

THE LIMITED LIABILITY COMPANY SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). SUCH SHARES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH SHARES UNDER THE ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OF THE COMPANY TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED. IN ADDITION, IN NO EVENT MAY SHARES BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON WHO IS NOT A RESIDENT OF CALIFORNIA FOR A PERIOD OF NINE MONTHS FROM THE DATE OF THE LAST SALE THEREOF BY THE COMPANY.

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 CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED BY THE COMMISSIONER'S RULES.

SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY CAPITAL FINANCE MORTGAGE INCOME FUND, LLC a California limited liability company

The undersigned hereby applies to become a Member in Capital Finance Mortgage Income Fund, LLC, a California limited liability company, having its principal place of business at 45605 Navajo Road, Indian Wells, California 92210 (the "Company"), and subscribes to purchase membership interests ("Shares") in the Company in the amount herein indicated in accordance with the terms and conditions of the Operating Agreement, attached as Exhibit A to the Offering Circular dated March __, 2009, as supplemented from time to time (the "Offering Circular").

1. REPRESENTATIONS AND WARRANTIES. The undersigned represents and warrants as follows:

(a) I have received, read and fully understood the Offering Circular and in making this investment I am relying only on the information provided in the Offering Circular. I have not relied on any statements or representations inconsistent with those contained in the Offering Circular.

(b) I understand that the Shares are being offered and sold without registration under the Securities Act of 1933, as amended in reliance upon the exemption from such registration requirements for intrastate offerings. I acknowledge and understand that the availability of this exemption depends in part upon the accuracy of the representations and warranties contained herein, which I hereby make with the intent that they may be relied upon by the Manager. I understand that the Company has obtained a permit from the California Department of Corporations to offer and sell the Shares in California but has not registered or qualified the Shares for offer or sale under the securities laws of any other state. This Subscription Agreement is made pursuant to, and is subject to, the terms and conditions of

the qualification approved by the Commissioner of Corporations of the State of California for the Company.

(c) My principal residence is in the State of California or I am a non-U.S. citizen residing in a foreign nation. Except as hereafter provided, if I am acting as the trustee of a trust or on behalf of any other business entity, both the principal office and the principal place of business of such trust or other entity are located in the State of California or in a foreign nation. If I am acting as the trustee or custodian of a Keogh plan, Individual Retirement Account or other retirement plan and I am not a resident of California, then all of the following requirements are satisfied: (i) all participants or beneficiaries of such retirement plan have their principal residence in California; (ii) all investment decisions regarding such plan are made by such resident participants and/or beneficiaries; and (iii) I perform only ministerial functions with respect to the investment of plan assets, with no independent authority or discretion to make investment decisions.

(d) I understand that Shares may not be sold or otherwise disposed of without the prior written consent of the Manager, which consent may be granted or withheld in their sole discretion, and that any such transfer is also subject to the prior written consent of the California Commissioner of Corporations and to numerous other restrictions described in the Offering Circular and in the Operating Agreement. I have liquid assets sufficient to assure myself (i) that investment in these Shares will not cause me undue financial difficulties and (ii) that I can provide for my current needs and possible personal contingencies or, if I am the trustee of a retirement trust, that the limited liquidity of the Shares will not cause difficulty in meeting the trust's obligations to make distributions to plan participants in a timely manner.

(e) I understand that an investment in the Shares involves certain risks.

(f) I am 18 years of age or older.

(g) By virtue of my own investment acumen and experience or financial advice from my independent advisors (other than a person receiving commissions by reason of my purchase of Shares), I am capable of evaluating the risks and merits of an investment in the Shares.

(h) Either (i) I have a net worth (exclusive of home, furnishings and automobiles) of \$250,000 plus an annual gross income of \$65,000; or (ii) I have a net worth (exclusive of home, furnishings and automobiles) of \$500,000; or (iii) I am purchasing as a trustee or other fiduciary for a person meeting the requirements of clause (i) or (ii) above.

(i) The amount of my investment in Shares of the Company set forth herein does not exceed ten percent (10%) of my net worth (exclusive of my home, furnishings and automobile)

(j) I am purchasing the Shares solely for my own account, and not with a view to or for a sale in connection with any distribution of the Shares.

2. **POWER OF ATTORNEY.** The undersigned hereby irrevocably constitutes and appoints the Manager as his, her or its true and lawful attorney-in-fact, with full power of substitution and with full power and authority for him, her or it and in his, her or its name, place and stead, to execute, acknowledge, publish and file:

(a) The Operating Agreement, the Articles of Organization of the Company and any amendments thereto or cancellations thereof required under the laws of the State of California;

(b) Any other certificates, instruments and documents as may be required by, or may be appropriate under, the laws of any state or other jurisdiction in which the Company is doing or intends to do business; and

(c) Any documents which may be required to effect the continuation of the Company, the admission of an additional or substituted Member, or the dissolution and termination of the Company.

The power of attorney granted above is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death of a Member or the delivery of an assignment of Shares by a Member; provided, that where the assignee thereof has been approved by the Manager for admission to the Company as a substituted Member, such power of attorney shall survive the delivery of such assignment for the sole purpose of enabling the Manager to execute, acknowledge, file and record any instrument necessary to effect such substitution.

3. ACCEPTANCE. This Subscription Agreement will be accepted or rejected by the Manager within thirty (30) days of its receipt by the Company. Upon acceptance, this subscription will become irrevocable, and will obligate the undersigned to purchase the Shares in an amount indicated below. The Manager will return a countersigned copy of this Subscription Agreement to accepted subscribers, which copy (together with my canceled check) will be evidence of my purchase of Shares.

4. PAYMENT OF SUBSCRIPTION PRICE. I understand that Shares will be issued for a purchase price of \$1,000 per Share. The minimum initial purchase is \$100,000, payable in cash concurrently with delivery of this Subscription Agreement. I understand that my subscription funds will be held by the Manager in a non-interest bearing segregated subscription account at a financial institution selected by the Manager, until my funds are needed by the Company to fund a mortgage loan, and thereafter shall only be transferred to the Company on the first day of the following month. Only upon such transfer will I actually be admitted to the Company. In the interim, my subscription funds will not earn interest in the subscription account.

5. UNDERSTANDING OF LEGAL CONSEQUENCES. The undersigned acknowledges that it understands the meaning and legal consequences of the representations and warranties made by the undersigned herein, and that the Manager is relying on such representations and warranties in making his determination to accept or reject this subscription.

6. INDEMNIFICATION. THE UNDERSIGNED AGREES TO INDEMNIFY AND HOLD CAPITAL FINANCE MORTGAGE INCOME FUND, LLC AND ITS MANAGER, MEMBERS AND OTHER AGENTS AND EMPLOYEES HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LIABILITIES, AND DAMAGES (INCLUDING, WITHOUT LIMITATION, ALL ATTORNEYS' FEES WHICH SHALL BE PAID AS INCURRED) WHICH ANY OF THEM MAY INCUR, IN ANY MANNER OR TO ANY PERSON, BY REASON OF THE FALSITY, INCOMPLETENESS OR MISREPRESENTATION OF ANY INFORMATION FURNISHED BY THE UNDERSIGNED HEREIN OR IN ANY DOCUMENT SUBMITTED HERewith. THE EFFECT OF THE FOREGOING PARAGRAPH IS THAT THE UNDERSIGNED WILL BE FINANCIALLY RESPONSIBLE FOR ALL

LOSSES, DAMAGES, EXPENSES AND LIABILITIES INCURRED BY THE COMPANY AND/OR ITS MANAGER AS A RESULT OF A BREACH OF ANY OF THE REPRESENTATIONS AND WARRANTIES MADE BY THE UNDERSIGNED.

7. INVESTOR INFORMATION. (Please print or type)

Name and Address of Investor or Beneficial Owner:

Name: _____

Address: _____

City Zip Code: _____, California 9 _____

Telephone (Home) (_____) _____-_____

Telephone (Office) (_____) _____-_____

Net Worth (excluding home, auto, furnishings) exceeds \$250,000. Yes No

Current Annual Income Exceeds \$65,000. Yes No

If "no," does net worth (as defined above) exceed \$500,000? Yes No

The amount of my investment in Shares of the Company does not exceed ten percent (10%) of my net worth (exclusive of my home, furnishings and automobile). Yes No

Please complete the following, as applicable. (Investments by more than one of the following entities, even if related to each other or controlled by the same person, require completion of a separate Subscription Agreement.)

Identifying Information

Monthly Income to Be¹

Individual:

Name _____

Reinvested

Address _____

OR

_____, CA 9 _____

Distributed

Social Security No. _____

Individual Retirement Account ("IRA"):

Custodian Name _____

Reinvested

Address _____

OR

_____, CA 9 _____

Distributed

Social Security No. _____

Pension or Profit Sharing Trust ("ERISA Plan"):

Trustee Name _____ Reinvested
Address _____ OR
_____, CA 9 _____ Distributed
Tax I. D. No. _____

Trust:

Trustee Name _____ Reinvested
Address _____ OR
_____, CA 9 _____ Distributed
Tax I. D. No. _____

Partnership, LLC, Corporation, Etc.:

Name _____ Reinvested
Address _____ OR
_____, CA 9 _____ Distributed
Tax I. D. No. _____

¹ See Offering Circular for important information about this election.

8. SUBSCRIPTION. Enclosed is my check in the amount set forth below, payable to "Capital Finance Mortgage Income Fund, LLC" which I will return with this Subscription Agreement to 45605 Navajo Road, Indian Wells, California 92210.

Subscription Amount: \$ _____ .00

No. of Shares (@ \$1,000 per Share): _____

IN WITNESS WHEREOF, the undersigned hereby agrees to become a Member in Capital Finance Mortgage Income Fund, LLC upon the terms and conditions set forth in the Operating Agreement.

Dated: _____, 20__

Signature of Investor or Beneficial Owner:

Signature of Trustee, if any:

If IRA or ERISA plan, then both custodian/trustee and beneficial owners must sign.

ACCEPTANCE

The foregoing Subscription Agreement is hereby accepted by Capital Finance Mortgage Income Fund, LLC.

Dated: _____, 2009

CAPITAL FINANCE MORTGAGE INCOME FUND, LLC,
a California limited liability company

By: _____
Its: Manager

Curriculum Vitae
Of
STEVEN I. FRIED
Telephone: (760) 776-5749
Facsimile: (760) 776-9179
Web: <http://www.BankingExpertWitness.com>

BACKGROUND

Owner - Capital Finance (1987-present). Capital Finance is bonded and licensed by the State of California as a Commercial Finance Lender. Established, financed, marketed this commercial finance company specializing in Expert Witness Testimony and consulting to banks on the improvement and secondary marketing of loan portfolios, collection and/or outplacement of troubled borrowers and loans, SBA financing, Accounts Receivable financing and Factoring, and loan placement.

Executive Vice President and Chief Credit Officer – First Community Bank (1998-2000). Hired to insure safety and soundness of the loan portfolio for this \$140 million, seven-branch bank. Responsible for the administration of credit quality, loan portfolio growth, compliance, credit policy, credit training. Supervise, directly, nine lenders and six staff credit personnel. Personally responsible for the structure, handling, negotiation and participation of large, complex credit facilities.

Accomplishments

- ◆ Received the highest regulatory rating for loan portfolio quality at examination.
- ◆ Initiated and established equipment leasing department to maximize Bank's after-tax profits.
- ◆ Initiated and established Asset-based lending department.
- ◆ Established management training program to assist current loan officers and train new loan officers for eventual assignment to branch offices.
- ◆ Established uniform credit analysis programs for analyzing loans and presentation to management and the loan committee.

President and Chief Executive Officer - Western United National Bank (1988- 1993). Full responsibility for the turn-around and improvement of this wholesale bank.

Accomplishments

- ◆ Increased asset size 150% in less than two years.
- ◆ Established SBA Loan department, which, after two years became the 17th largest in Los Angeles County and represented \$800 thousand per year in earnings.
- ◆ Established Accounts Receivable Financing department which generated average yields of 21%-24% per annum.
- ◆ Rewrote all policies and procedures, including new policies required by recent legislation, to regulatory standards.
- ◆ Responsible for the Bank's only profitable operations in its 10-year history.
- ◆ Successfully prosecuted Bank's recovery of a \$2 million dollar claim against a bonding company and completed two public offering documents.

President and Chief Executive Officer - Empire National Bank (1985-1987). Full responsibility to restructure this severely troubled institution. Increased the ratio of non interest-bearing deposits from 13% to 29% of total deposits while reducing staff by one-third and increasing fee income. Successfully established Accounts Receivable Financing department, which became profitable in less than six months.

President and Chief Executive Officer - Inland National Bank (1983-1985). Took over this bank after it had been served with a Cease and Desist Order. Restructured all loan, deposit, and operational functions of this bank resulting in the removal of all regulatory sanctions and positioned the Bank for sale to a \$140 million bank for twice the adjusted net worth. Established a Loan Production Office in Beverly Hills, middle market Accounts Receivable financing department, insurance marketing affiliate and business development department. Personally acquired \$5 million in new loans and \$3 million in new deposits within 9 months.

Prior employment as **Senior Vice President** with American City Bank, Century City, California (1979-1983). Total of seven branches; \$425 million in assets; 425 employees. Fully responsible for all administrative banking services (e.g. commercial and consumer loans, international department, six staff departments, and other areas as designated by the Board of Directors). Coordinated program

“Experience, Expertise, Integrity and Clarity”

activities, determined procedures, and set up bank policies. Approved and granted lines of credits and internal lending authorities. Personal lending authority of \$2 million.

Commercial Loan Administration - Four years as Vice President (Regional Head Office), Union Bank, Los Angeles, California (1974-1979). Responsible for all commercial lending with a staff of 85 personnel. Personally responsible for administration and management of the single largest account in that office (annual borrowing volume of \$85-million).

Other Banking Experience - Six years employment as Assistant Vice President and Assistant Treasurer with Bankers Trust Company, 16 Wall Street, New York, New York (1968-1974).

EDUCATION - Rutgers University, BA, 1968, Major: Economics and Business Administration; Graduate Training City University-Bernard M. Baruch School, Major: Finance and Investments.

ACTIVITIES

- Chairman/President of the California Bankers' Council- State organization for California of the Independent Bankers Association of America representing 260 California banks.
- Region IX Chairman for the IBAA Political Action Committee (California and Hawaii).
- Board of Directors (former) for the Commercial Finance Conference of California.
- President, Financial Service Group, City of Hope
- Named Small Business Advocate of the Year by the U. S. Small Business Administration
- Testified before the Securities & Exchange Commission, State Banking and Finance Committee and as an expert witness.
- Acted as the exclusive loan agent for SBA loans for four separate Southern California Commercial Banking and Savings Institutions.
- Principal in Software Development Company that wrote and leased specialized SBA and Construction Loan accounting software to Banks in 12 Western States.
- Senior Consultant to Valley Economic Development Center, Inc., the leading non-profit intermediary in Southern California.
- Member of Round Table Group Scholars Fellowship
- Member of Gerson Lehrman Group Financial Services Council
- Member of Technical Advisory Services for Attorneys Network
- Member of Intota Expert Services Network
- Member of Coleman Research Group Executive Forum
- Bonded -Hartford Insurance Company
- Licensed California Commercial Finance Lender
- Advisory Director - Sunrise Community Bank
- Panelist - "Lender Default on Commercial Construction Loans: Legal Strategies for Mitigating Developer Losses and Negotiating New Financing" presented January 8, 2009 by Strafford Publications, Inc.

SEMINARS

- Federal Deposit Insurance Corporation - Bank Simulation Course.
- Rapport Leadership International - Graduate of Leadership Breakthrough and Power Communication.

Areas of Specialization

Bank Policies and Procedures	Lender Liability
Standards of Practice	Regulatory Procedures, Influence & Issues
Forensic Commercial Lending	Standards of Conduct
Commercial Loans	Breach of Covenants
Accounts Receivable Financing	Negligence/Gross Negligence
Construction Loans	Breach of Fiduciary Duties
Commercial Mortgages	Loan Evaluation & Administration
Equipment Loans	Good Faith
Bankruptcy	Commercial Finance
Fairness/ Interest Rates	Factoring
Fraud/ Dischargeability	Purchase Order Finance
Credit Analysis	Equipment Leasing
Banking Regulations & Laws	Consumer & Credit Reporting Laws
Bank Operations	Loan Participations, Syndications & Documentation
Troubled Debt Restructuring Practices & Loan Workouts	Loan Portfolio Purchases & Sales
Collection Practices	Loan Commitments

"Experience, Expertise, Integrity and Clarity"

Partial Listing of Expert Witness Clients

- *Acorn Capital Group, LLC*
- *AIG Insurance Company (NYSE:AIG)*
- *Air Wisconsin Airlines Corporation*
- *Alfred and Sharon LaPeter*
- *Artisan Partners/Artisan Mutual Funds*
- *Ballew Schneider Covalt Gaines & Engdahl*
- *Baskin & Grant, LLP*
- *Benjamin, Bain & Howard, LLC*
- *Bird, Marella, Boxer, Wolpert, Nessim, Drooks & Lincenberg, A Professional Corporation*
- *Brownstein, Hyatt & Farber P.C.*
- *Calamigos Ranch*
- *Crest Investment and Loan*
- *Daniel H. McLinden, Esq.*
- *Davis Graham & Stubbs LLP*
- *Deborah C. Davis Trust*
- *DiTrapano & Jackson, Attorneys*
- *Dovebid Appraisal*
- *Dr. Walter Jayasinghe*
- *Duckor Spradling Metzger & Wynne*
- *Duncan-Williams, Inc.*
- *Eckley & Associates, P.C. of Arizona*
- *Eldred Farms*
- *Fairbanks Capital*
- *First Hawaiian Bank*
- *Gaines & Gaines, APLC*
- *General RV Center, Inc.*
- *Gersh & Helfrich, LLP*
- *Gregory & Patricia Daviscourt*
- *Grimm, Vranjes, McCormick & Graham, LLP*
- *Hamburg, Hanover, Edwards & Martin*
- *Harriet Fowler*
- *Hill and Associates*
- *Hinchy, Witte, Wood, Anderson, Attorneys*
- *Homecomings Financial Networks, Inc., an indirect wholly owned subsidiary of GMAC LLC*
- *HSBC Bank*
- *HSBC Business Credit*
- *Hyde & Swigart*
- *Inline Construction, LLC*
- *Jefferson Pilot Insurance*
- *Jenabra, Inc.*
- *Jensen & Associates*
- *Jill Losey, Jaime Losey*
- *Jontz, Dawe, Gulley & Crown*
- *Kaplan Papadakis & Gournis P.C.*
- *Kelly & Laurie Boeckel*
- *Kingsley & Kingsley, APC*
- *Kobayashi, Sugita & Goda Attorneys*
- *Kolod • Wager Law Offices, LLP*
- *Kolod, Wager & Gordon, LLP*
- *Kramer Levin Naftalis & Frankel LLP*
- *Law Firm of Collison & Kaplan*
- *Law Office of David J. Hoffa, PLLC*
- *Law Offices of Kevin Chaffin*
- *Law Offices of Charles T. Mathews*
- *Law Offices of Paul Bloom*
- *Lewis & Roca, LLP*
- *Lettunich Land & Cattle*
- *Lukins & Annis, P.S.*
- *Marilyn Graulich*
- *McDermott, Will & Emery, Attorneys*
- *Messenbrink Lumber*
- *Michael V. Pundeff, Esq.*
- *Miller Stratvert P.A.*
- *Mirshad Mirkhan, Esq.*
- *Monteleone & Johnson, LLP*
- *Mortgage Capital Resources Corporation*
- *Pacific Crest Thrift and Loan*
- *ParkCenter Mall*
- *Phillip Schlosberg, Esq.*
- *Pite Duncan, LLP*
- *Reed Smith, LLP*
- *Rex & Debra Runkle*
- *Rode & Oualey*
- *Round Table Group*
- *Saxton Fruit Farms, Inc.*
- *Select Portfolio Services*
- *Siemens Medical Solutions, USA*
- *Siemens Financial Services, Inc. (NYSE:SI)*
- *Skechers U.S.A., Inc. (NYSE:SKX)*
- *Southland Title Company*
- *Spector & Ehrenworth P.C.*
- *Tataranowicz/ Construction*
- *Tailor Made Development, LLC*
- *The Myers Law Firm, P.C.*
- *U. S. Bancorp (NYSE:USB)*
- *Vancott, Bagley, Cornwall & McCarthy P.C.*
- *Viennes Furniture, Inc.*
- *Wachovia Bank (NYSE:WB)*
- *Wachovia Small Business Capital*
- *Washington Street Music*
- *Wells Fargo Bank (NYSE:WFB)*
- *Westpac Banking Corporation (NZ) (NYSE:WBK)*
- *White, Peterson, Morrow, Gigray PA*
- *William J. Brown Law Office*

Capital Finance Partial Listing of Finance Clients

Banks & Financial Institutions

- Imperial Thrift & Loan
Sale of \$62 Million - Auto Loans
- Cal Fed Bank
Sale of SBA Loan Portfolio
SBA Loan Servicing Consultant
- Valley Economic Development Center, Inc.
Senior Consultant
- California Oaks State Bank
Exclusive SBA Loan Agent
- Peoples Bank of California
Purchase \$20 Million Automobile Loans
- First Citizens Bank, Sherman Oaks
Exclusive SBA Loan Agent
- Culver National Bank, Culver City
SBA Agent
- Marina State Bank, Marina Del Rey
SBA Agent
- Bank of Whittier, Whittier
SBA Agent
- Republic Bank, Torrance
Sale of \$1.2 Million - Auto Leases
Sale of \$9 Million Non-performing Loans
Sale of \$1 Million SBA Loans
- Western Security Bank
Sale of \$2.8 Million Sub-performing Loans
Sale of \$500,000. Sub-performing Loans
Purchase of \$7.5 Million Auto Loans
Purchase of \$3 Million Auto Loans
- World Trade Bank
Sale of \$2.5 Million - Unguaranteed Portion of SBA loans
- Tustin Thrift & Loan
Sale of \$4.6 Million FHA Title I loans
Sale of \$6.4 Million Auto loans
- Marich Acceptance Corporation
Sale of \$40 Million Auto Leases
- Prime Financial Corporation
Agent for Equipment Loans/Leases/Securitization
- Pawnee Leasing Corporation
Correspondent for Equipment Leases
- Foxmoor Funding Corp.
Master Correspondent for Title I and Non-conforming Trust Deed Loans
- Hancock Savings Bank
Exclusive Agent for SBA Loans
- ATMG, Inc.
Exclusive Agent for Banks
- Cellular Telecom Corporation
\$500,000. SBA Loan
- Premier Arts dba Framestore
\$500,000. SBA Loan
- Platform Bed, Ltd.
Mt. Taylor Designs, Ltd.
\$200,000. Import Line of Credit
- \$100,000. Equipment Loan
- Supreme Real Estate Group
\$ 4,000,000. Mortgage Loan
- Black Forest Lodge
\$2,200,000. Mortgage Loan
- Shillan Abrams & Company
\$200,000. SBA/Working Capital Line
\$50,000. Personal Loan
- Integrated Holdings International
\$500,000. SBA Bridge Loan
- Aerostar Inflight Systems
\$800,000. Equipment Lease &
\$900,000. SBA Loan
- Body Alive Sports and Active Wear
\$1,400,000. Factoring Contract
- Princess Fashions
\$100,000. Receivable Financing
- Summerville Senior Care Partners
\$800,000. Construction/SBA Financing
- MME Optiks, Inc.
\$250,000. SBA Loan
\$163,000. SBA Loan
- CMI Marketing, Inc./CompuFlex
\$500,000. SBA Loan
- David Fried Enterprises
\$750,000. SBA Loan
- Cinderella of Boston, Inc.
\$700,000. Debt Restructure
- Clark Family Daycare
\$30,000. SBA Loan
- Morris Industries
\$300,000. Equipment Lease
\$1,300,000. Commercial Mortgage
- Calamigos Ranch
\$3,000,000. Commercial Mortgage
- Heritage Products
\$100,000. SBA Loan
- Sun Pacific Construction, Inc.
\$12,000,000. Construction Loan
Sale of \$170,000. Trust Deed Note
- SpaceCam Systems, Inc.
\$200,000. SBA Loan
- Hollywood Export Forwarding Co.
\$30,000. SBA Loan
- Air Call Paging
\$100,000. SBA Loan
- GFBA Architects
\$100,000. SBA Loan
- Phase I Electronics
\$400,000. Accounts Receivable Financing
- Western Magnesite Corporation
\$100,000. SBA Loan

Corporations

- Elmore Pipe Jacking, Inc.
\$3,000,000. Term Loan
\$2,000,000 Revolving Credit Facility
- B & B Sales, Inc.
\$1,000,000 Inventory Line of Credit
\$1,200,000 Comm'l Real Estate Loan