



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

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EXECUTIVE SUMMARY

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

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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.

Samuel Fied