

**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
FOR ACCREDITED INVESTORS ONLY**

DISTRESSED REALTY FUND 2, LLC

A Nevada Limited Liability Company

Offering Amount: \$5,000,000

Minimum Investment: \$5,000 (1 Unit)

Distressed Realty Fund 2, LLC (the “**Fund**”) hereby offers, on a best efforts basis (the “**Offering**”), up to 1,000 units of membership interests (the “**Units**”) at the price of \$5,000 per Unit, with a minimum investment of 1 Unit for \$5,000, for gross proceeds of up to \$5,000,000. No minimum amount is required to be raised to close the Offering. The Fund is offering Units only to investors who qualify as “accredited investors,” as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”), pursuant to this Confidential Private Placement Memorandum (including exhibits attached hereto, the “**Offering Memorandum**”). The rights and duties of investors in the Units will be governed by the Fund’s operating agreement, a copy of which is attached as Exhibit B (“**Operating Agreement**”). Terms used in this Memorandum that are capitalized and not otherwise defined shall have the meanings given to them in the Operating Agreement.

The Fund has been formed to purchase distressed, below market price real estate, primarily including single-family housing, and potentially also including other types of distressed real estate, and then to renovate the properties, rent them, and eventually sell them. Purchases may include such things as lender foreclosed REO (Real Estate Owned) houses; short sale, bankruptcy and pre-foreclosure properties; and condominiums, townhomes, duplexes, multifamily units, small commercial buildings and other similar distressed properties (collectively referred to as “**Properties**”). Properties purchased by the Fund may also include residential real estate that is not distressed, but is still expected to produce current income from rents and long-term appreciation in value. The Fund expects to earn a return on investment in such Properties from both rental payments to the Fund and net income from the sale of the Properties.

The Fund also intends to invest in redeemable tax liens and redeemable tax deeds on real property (collectively referred to as “**Tax Certificates**”). The Fund expects to earn a return on its investment in Tax Certificates from interest paid to the Fund as the owner of Tax Certificates (assuming that the Tax Certificates are redeemed). The Fund also expects to generate additional return on investment by foreclosing and taking ownership of real property against which the Fund owns non-redeemed Tax Certificates. Any such property will be added to the Fund’s portfolio of managed Properties.

The managing member of the Fund is Realty Fund Management 2, Inc., a Nevada corporation (the “**Managing Member**”). The Managing Member will manage the acquisition, renovation, rental and sale of Properties and the acquisition of Tax Certificates for the Fund. The Managing Member currently plans to target an allocation of approximately 60% of the net proceeds of the Offering toward investments in Properties and 40% of the net proceeds of the Offering toward investments in Tax Certificates; however, the Managing Member will be permitted to use its sole discretion in determining the amounts and percentages of net proceeds to be allocated toward such investments, and that allocation could vary significantly over time depending on the availability and timing of various investments.

The directors, officers and employees of the Managing Member will make the Offering on behalf of the Fund on a continuous basis until June 30, 2017 (the “**Offering Termination Date**”), subject to earlier sale of the \$5,000,000 maximum or early termination at the Managing Member’s sole discretion.

The Units are being offered pursuant to an exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act and Rule 506(c) of Regulation D thereunder. Each

prospective investor must qualify as an “accredited investor” as defined in Rule 501(a) of Regulation D. Prospective investors must provide evidence verifying their status as accredited investors in order to invest pursuant to Rule 506(c).

To subscribe for Units in the Offering, you must follow all of the steps described under “How to Subscribe for Units.” You must print and sign a subscription agreement in the form attached as Exhibit A (the “**Subscription Agreement**”) and return it to the Managing Member together with a check for the purchase price of the Units. You must also verify your status as an accredited investor as described under “How to Verify That You Are an Accredited Investor.” Any subscriber whose subscription is accepted by the Managing Member will become a member of the Fund (each a “**Member**” and collectively, the “**Members**”). The Managing Member reserves the right to reject, in full or in part, any subscription.

An investment in the Units is highly speculative and involves substantial risks. You must be prepared to bear the economic risk of an investment in the Units for an indefinite period of time and be able to withstand a total loss of your investment. You should read this Offering Memorandum thoroughly and understand the risks of investing before subscribing. See “Risk Factors” and “Conflicts of Interest.”

The offering may be canceled by the Managing Member at any time prior to closing. In the event your subscription is rejected or the offering is canceled, then the amount you remitted will be promptly returned to you, without interest or deduction.

	Offering Price (1)	Offering Expenses (2)	Net Proceeds (3)
Per Unit	\$ 5,000	\$ 50	\$ 4,950
Maximum Offering (4)	\$5,000,000	\$50,000	\$4,950,000

- (1) Each subscriber will be required to purchase a minimum of 1 Unit at a price of \$5,000 per Unit purchased, for a minimum total investment of \$5,000. The Managing Member may, in its discretion, increase or decrease this minimum at any time. The purchase price is payable at the time of subscription.
- (2) The Managing Member will receive a 1% fee to cover offering expenses (“**Offering Expenses**”). Offering Expenses include legal, accounting, Blue Sky, advertising, marketing and other offering costs. No broker-dealers or finders will be used in connection with the Offering, and therefore Offering Expenses will not include any broker commissions or finder’s fees.
- (3) The Fund will utilize the net proceeds of the Offering (net of Offering Expenses and a small working capital reserve to cover the initial operating expenses of the Fund) to invest in Properties and Tax Certificates. See “Use of Proceeds.”
- (4) The maximum number of Units offered is 1,000 for gross proceeds of \$5,000,000. The Managing Member may, in its sole and absolute discretion, choose to sell all or any portion of the Units offered, provided the minimum number of Units is sold.

The date of this Offering Memorandum is June 15, 2015

IMPORTANT LEGAL NOTICES

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Units or passed upon the adequacy or accuracy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

The Units have not been registered under the Securities Act or any state securities laws and may not be resold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Units are also subject to restrictions on transferability under the terms of the Fund's Operating Agreement, which provides that Units may not be transferred without the prior written consent of the Managing Member. There will be no publicly traded market for the Units and purchasers may never be able to resell or transfer the Units, even if their financial circumstances would otherwise require it. An investment in the Units involves a high degree of illiquidity and risk and should be considered only by persons who can afford to bear the financial risks of this investment for an indefinite period of time and who can afford to sustain the loss of entire their investment. See "Risk Factors."

When evaluating an investment in the Units, you should rely only on the information provided in this Offering Memorandum. The delivery of this Offering Memorandum at any time does not imply that the information contained herein is correct as of any time subsequent to its date.

This Offering Memorandum does not constitute an offer to sell Units to any person in any jurisdiction where it is unlawful to make such an offer.

In making an investment decision regarding the Units, you must rely on your own examination of the Fund, the Managing Member, the Units, the investment objective of the Fund and the terms of this offering, including the merits and risks involved. Neither the Fund nor the Managing Member, nor any of their respective representatives or affiliates, is making any representation to any offeree or purchaser of the Units regarding the advisability or legality of an investment in the Units by such offeree or purchaser under any applicable legal investment or similar laws or regulations. You should not construe the contents of this Offering Memorandum as legal, business, financial or tax advice, and you should consult your own counsel, accountants, investment, financial, tax and other advisers as to the legal, business, investment, financial, tax and related aspects of a purchase of the Units.

You and your legal, financial and tax advisers should carefully read this Offering Memorandum and the attached exhibits in order to evaluate the risks and opportunities presented by an investment in the Units in light of your investment objectives and financial resources and determine for yourself, in consultation with your professional advisers, whether an investment in the Units is a suitable investment for you. **Neither the Fund nor the Managing Member, nor any of their respective representatives, affiliates or agents, guarantees any specific results, or any income, profit or return, on an investment in the Units.**

This Offering Memorandum contains summaries believed to be accurate with respect to the documents described, but reference is made to the actual documents themselves for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to in this Offering Memorandum are either attached to this Offering Memorandum or will be made available to you by the Managing Member upon request.

The Managing Member will respond to any questions that investors or their representatives or advisers may have concerning the terms and conditions of this Offering and will make available for examination by any investor or its representatives or professional advisers any additional information that the Managing Member possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of

information furnished in or attached to the Offering Memorandum.

The Managing Member reserves the right to modify or withdraw this Offering at any time and to reject any commitment to subscribe for the Units, in whole or in part, for any or no reason.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you reside and in which you receive this Offering Memorandum, subscribe for Units, or offer to sell or sell the Units, and you must satisfy all requirements of any such jurisdiction in connection with the purchase, offer or sale of the Units. Neither the Fund nor the Managing Member, nor any of their representatives or affiliates, shall have any responsibility therefor.

The terms and conditions of the offering, the rights, preferences, privileges and restrictions of the Units, and the rights and obligations of the Fund, the Managing Member and the Members are governed by this Offering Memorandum, the Operating Agreement and the Subscription Agreement. The description of any of the matters in the text of this Offering Memorandum is subject to and qualified in its entirety by reference to the exhibits to this Offering Memorandum.

Confidentiality

By accepting delivery of this Offering Memorandum and any other accompanying material in connection with the Offering, you acknowledge and agree that this Offering Memorandum is proprietary to the Fund and has been prepared and furnished to you solely for your confidential use for the purpose of enabling you to consider and evaluate an investment in the Units offered by this Offering Memorandum.

You agree to keep strictly confidential the contents of the Offering Memorandum and such other material and not disclose the contents to any third party or otherwise use it for any purpose other than your own evaluation of an investment in the Units; and (2) not to copy or reproduce all or any portion of this Offering Memorandum or any such other material without the prior written consent of the Managing Member. You agree to make any of your representatives or professional advisers with whom you share this Offering Memorandum aware of the terms of this paragraph and to indemnify the Fund, the Managing Member, and their respective affiliates, employees and agents for your failure and/or the failure of such representatives or professional advisers to abide by these conditions. Likewise, you agree that you will not, directly or indirectly, make any statements, any public announcements, or any release to any trade publication or to the press with respect to the subject matter of this Offering Memorandum without the prior written consent of the Managing Member. If you decide not to pursue further investigation of an investment in the Units or to not participate in the offering, you agree to promptly return this Offering Memorandum and any accompanying documentation to the Managing Member.

Forward-Looking Statements

This Offering Memorandum contains forward-looking statements. You should not place undue reliance on these statements. Forward-looking statements include statements concerning possible or assumed future results, including descriptions of the Fund's investment strategies, among other things. These statements are identified by words such as "believe," "anticipate," "expect," "plan," "intend," "estimate" and similar expressions. The Fund has based these statements on particular assumptions that the Fund has made in light of the experience of the Managing Member, as well as the Managing Member's perception of historical trends, current conditions, expected future developments and other factors that the Managing Member believes are appropriate under the circumstances. As you read and consider the information in this Offering Memorandum, you should understand that these statements are not guarantees of performance or results. They involve assumptions, uncertainties and risks.

Although the Managing Member believes that the assumptions upon which these forward-looking statements are based are reasonable, you should nevertheless be aware that many factors, including factors outside of the control of the Managing Member, could affect the Fund's actual financial results and could cause actual results to differ materially from those expressed in the forward-looking statements.

For a discussion of factors that could cause actual results to differ materially from those expressed in the forward-looking statements, see "Risk Factors." In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by the forward-looking statements contained in this Offering Memorandum will in fact transpire.

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TABLE OF CONTENTS

	Page
OFFERING SUMMARY	1
BUSINESS OF THE FUND	6
OPERATING EXPENSES	13
DISTRIBUTIONS	13
MANAGEMENT	15
COMPENSATION OF THE MANAGING MEMBER AND ITS AFFILIATES	17
CONFLICTS OF INTEREST	18
RISK FACTORS	20
ACCOUNTING MATTERS	33
U.S. FEDERAL INCOME TAX CONSIDERATIONS	34
INVESTOR QUALIFICATION AND SUITABILITY STANDARDS	40
ADDITIONAL INFORMATION	42
EXHIBIT A: Subscription Agreement (includes instructions on how to subscribe and how to verify that you are an accredited investor)	
EXHIBIT B: Operating Agreement of Distressed Realty Fund 2, LLC	

OFFERING SUMMARY

Name of Fund:	Distressed Realty Fund 2, LLC, a newly formed Nevada limited liability company
Managing Member of Fund:	Realty Fund Management 2, Inc., a newly formed Nevada corporation
Address, Telephone and Fax:	3960 Howard Hughes Parkway, Suite 500, Las Vegas, Nevada 89169, (714) 342-0785 (telephone), (949) 640-2814 (fax)
Securities Offered:	Up to 1,000 Units of membership interests of the Fund, offered by the Managing Member on a best efforts basis
Price Per Unit:	\$5,000
Minimum Investment:	\$5,000 (1 Unit), subject to decrease in the Managing Member's sole discretion
Offering Amount:	Up to \$5,000,000 (1,000 Units)
Broker Commissions:	None
Securities Exemption:	Rule 506(c) of Regulation D under the Securities Act
Investor Qualifications:	<p>When subscribing for Units you must verify that you are an accredited investor, as defined in Rule 501 of Regulation D under the Securities Act. See "Offering Summary – How to Verify That You Are an Accredited Investor" below on page 4, and also in the Instructions to the Subscription Agreement, attached as <u>Exhibit A</u>.</p> <p>Such verification is required because the Offering is being made pursuant to Rule 506(c) of Regulation D, which allows general solicitation and advertising, but only if the issuer takes reasonable steps specified by the rule to verify that all purchasers in the Offering are accredited investors.</p>
Suitability of Investment:	You should consult with your personal legal, financial and tax advisers about your particular circumstances and whether an investment in Units is suitable for you.
Independent Investigation:	Before deciding whether to invest, you and your professional advisers should carefully read this entire Offering Memorandum, including all exhibits, and should conduct your own independent investigation of the Fund and the terms of the Offering.
Offering Expenses:	A fee of 1% of the gross proceeds of the offering will be paid to the Managing Member to cover legal and accounting expenses, state Blue Sky filing fees, printing, marketing and advertising fees, and other Offering Expenses.
Use of Proceeds:	The Fund will use the net proceeds of the Offering (net of Offering Expenses and net of a small working capital reserve to cover current

operating expenses of the Fund) to purchase Properties and to purchase Tax Certificates. See “Business of the Fund.”

Offering Termination Date:

The offering will continue until June 30, 2017, subject to earlier sale of the \$5,000,000 maximum or early termination at the Managing Member’s sole discretion.

Fund Operations:

The Fund will seek to purchase selected distressed Properties at a discount to market price, renovate them, rent them and sell them in an effort to produce net income for the Fund. The Fund may also purchase selected Properties that are not distressed, but are still expected to produce current income from rents and long-term appreciation and net income from the sale of the Properties. The Fund also intends to purchase Tax Certificates and earn a return on investment from interest that becomes due to the Fund as the owner of the Tax Certificates, assuming that the Tax Certificates are redeemed. The Fund expects to generate additional return on investment in Tax Certificates by foreclosing and taking ownership of real property against which the Fund owns non-redeemed tax deeds. Any such property will be added to the Fund’s portfolio of managed Properties.

Fund Objectives:

The objectives of the Fund include the preservation and protection of the Fund’s capital, the maximization of profits from rental income from the rented Properties, the maximization of profits from interest paid to the Fund on Tax Certificates, and the maximization of profits from the sale of all Properties, all with a view toward producing net income that can be distributed to Members in Quarterly Distributions and Annual Distributions (as defined below).

Management Fee:

The Fund will pay a quarterly management fee (“**Management Fee**”) to the Managing Member in an amount equal to 0.5% of the Fund’s total assets as recorded on the annual balance sheet for the Fund’s most recent fiscal year ended December 31 (the “**Prior Year-End Total Assets**”), for a total annual Management Fee of 2.0% of the Prior Year-End Total Assets. During the Fund’s first year (or partial year) of operations, the Management Fee will be calculated based on the total amount of money invested in Units and contributed to the capital of the Fund (“**Capital Contribution**”) through the end of the quarter to which the Management Fee relates.

Operating Expenses:

The Fund’s operating expenses (“**Operating Expenses**”) are expected to consist primarily of quarterly accounting fees (“**Accounting Fees**”), which are expected to total on average approximately 0.5% of the Fund’s Prior Year-End Total Assets (i.e., on average approximately 2.0% of the Prior Year-End Total Assets annually).. However, Accounting Fees will not be a fixed percentage and will vary throughout the business year.

The Fund will also incur other Operating Expenses related to operation of the Fund’s business, such as office rent, phones, postage, shipping, Internet service, supplies, furniture, equipment and

necessary business travel costs. These expenses are expected to total on average approximately \$2,000 to \$5,000 per month. The Fund will share many of these types of expenses with other distressed real estate funds managed by Mr. Zussman and his affiliates (“**Affiliated Funds**”), and the Fund will pay its pro rata share of all such costs. The biggest variance is expected to be from travel expenses and unexpected operating expenses.

Borrowing:

The Fund generally does not plan to borrow money to finance its purchase of Properties or Tax Certificates, but will instead use available cash to finance such purchases. However, the Fund may, in the Managing Member’s sole discretion, arrange for loans, credit lines or advances (collectively, “**Loans**”) from commercial lenders or from the Managing Member or its affiliates to meet current Operating Expenses and to allow the Fund to pursue favorable opportunities that may require borrowed funds. The Fund will be required to repay the principal and interest on any short-term Loans prior to making any distributions to Members or, in the Managing Member’s sole discretion, as soon as possible.

The Managing Member and its directors, officers and other affiliates, including David Zussman, are not required to loan money to the Fund, but if any of them voluntarily agrees to make a short-term Loan to the Fund, they will charge the Fund a front-end flat fee of 4% of the amount of the Loan as compensation for the first 60 days that the Loan is outstanding, and if the Loan is not repaid within 60 days, they will charge an additional flat fee of 1% as compensation for each additional month or any part of a month that the Loan remains outstanding, up to a maximum of 10% per year and subject to any limitations under applicable usury laws. Management of the Managing Member believes that this rate of compensation is at least as favorable as the Fund would be able to negotiate with any third party lender in an arm’s length transaction. See “Conflicts of Interest.”

Quarterly Distributions:

Up to 1% of the Fund’s Prior Year-End Total Assets will be distributed to Members, pro rata, each quarter within 30 days after the end of the quarter (“**Quarterly Distributions**”) out of available net income from rental income from Properties, net income from earned interest received from redeemed Tax Certificates, and net income from the sale of Properties (after payment of Management Fees, Operating Expenses and Loans). Thus, the aggregate total of all Quarterly Distributions for any year could be up to 4% of the Fund’s Prior Year-End Total Assets (1% for each quarter).

However, Quarterly Distributions are not guaranteed and will be made only if, and to the extent, that net income is available for distribution as described. The Managing Member anticipates that the first Quarterly Distribution will not be made to any Member until at least six months after their investment in the Offering, to allow time for the Fund to begin making investments and generating rents and net income.

During the Fund's first year (or partial year) of operations, any Quarterly Distribution will be calculated based on the amount of each Member's total Capital Contribution through the end of the quarter to which the Quarterly Distribution relates.

Annual Distributions:

On or before March 31 of each year, an additional annual distribution ("Annual Distribution") fifth income check will be sent to Members, pro rata, with respect to any undistributed net income for the prior year ended December 31, as follows:

If the Members received Quarterly Distributions during the prior business year totaling less than 4% of the Prior Year-End Total Assets from all three sources (received rents, interest from redeemed Tax Certificates and net income from sold Properties), then that is all the Members will receive for that year and no Annual Distribution will be made.

However, if, during the prior business year, Members received 4% from all three sources listed above, then an Annual Distribution will be made of any additional net income available for distribution, with 75% being distributed to the Members, pro rata, and 25% being distributed to the Managing Member (the "Net Profit Split"). A Net Profit Split will thus be the fifth income check that Members will receive for that business year.

Annual Distributions are not guaranteed and will be made only if, and to the extent, that net income is available for distribution as described. The Managing Member anticipates that there may not be net income available to make an Annual Distribution for the Fund's first year (or partial year) of operations because the Fund may not have sold any Properties, or may not have had any Properties ready to sell, at such an early stage of its business. There is also no assurance that during any subsequent business year the Fund will sell any Properties that produce net income to the Fund.

Fund Term:

The term of the Fund will end on December 31, 2023, subject to earlier termination in the Managing Member's sole discretion, and subject to extension beyond that date if, and for so long as, the Managing Member determines in its sole discretion that economic or other conditions make it more favorable to continue operating the Fund.

How to Subscribe:

If you wish to subscribe for Units in the Offering, you should take each of the following steps:

- Print, complete and sign the Subscription Agreement, including the Registration Form appearing at the end of the Subscription Agreement.

- Prepare a check for the number of Units you want to purchase payable to “Distressed Realty Fund 2, LLC” for the purchase price of the Units.
- Obtain written verification that you are an accredited investor, as described below under “How to Verify That You Are an Accredited Investor.”
- Deliver the completed Subscription Agreement, check and accredited investor verification to the following address:

Distressed Realty Fund 2, LLC Office
c/o Realty Fund Management 2, Inc., Managing Member
3960 Howard Hughes Parkway, Suite 500
Las Vegas, Nevada 89169
Attention: David Zussman, CEO
Email: zussman@cox.net
Phone: (714) 342-0785 Fax: (949) 640-2814

**How to Verify That You
Are an Accredited Investor:**

When subscribing for Units, you must provide the Managing Member with written verification of your status as an accredited investor. You may do this by utilizing any qualified accredited investor verification service. Neither the Fund nor the Managing Member, nor any of their respective affiliates, has any interest in or affiliation with any investor verification service, guarantees their services, or will receive any benefit from the fees paid to use their services. For additional information, see Instructions to the Subscription Agreement, attached as Exhibit A, under “How to Verify That You Are an Accredited Investor.”

You need to obtain your accredited investor verification within three months before your purchase of Units in the Offering, so if you have previously obtained a verification that is more than three months old, you will be required to obtain a new one.

If you have any questions about the accredited investor verification process, please review the information provided on each investor verification service’s website.

If you have any difficulty understanding this process, please do not hesitate to contact David Zussman at zussman@cox.net or (714) 342-0785.

BUSINESS OF THE FUND

Properties

The Fund has been formed to purchase distressed, below market price real estate, primarily including single-family housing, and potentially also including other types of distressed real estate. Purchases may include such distressed properties as lender foreclosed REO (Real Estate Owned) houses; short sale, bankruptcy and pre-foreclosure properties; and condominiums, townhomes, duplexes, multifamily units, small commercial buildings and other similar distressed properties (collectively referred to as “**Properties**”). Such Properties may also include residential real estate that is not distressed, or was previously distressed but may already have been renovated, and is expected to produce current income from rents and long-term appreciation and net income from the sale of the Properties. The Fund expects to earn a return on investment in such Properties from both rental payments to the Fund and potential net income from the sale of the Properties.

The latest economic recession began in 2008 when the stock market and the real estate market were both near all time high values. The stock market, which had been trading at approximately 14,500 Dow Jones points, fell approximately 8,000 points (approximately 55%) before it started to recover in 2010. The Dow has since fully recovered the entire drop and moved to new all time highs at over 18,000 points as of May 2015.

However, the real estate market has been much slower to recover. The market has recovered only part of the greatest fall in real estate prices since the Great Depression of the 1930’s. The recovery in real estate prices started in 2012, fueled by consumer demand, the rising stock market, low cost mortgage money, declining unemployment rates and bargain real estate prices. However, after 6 years of slow economic growth of approximately 2% GDP per year, real estate has produced only a partial recovery of its losses. The amount of the recovery has varied from area to area depending on such things as the location of real estate within a city or region, the desirability of the property, its proximity to schools and shopping, mortgage rates, and the demands of buyers.

Many economists and housing market experts have forecast that the value of residential real estate will continue to increase, at least over the next several years, and they expect that in many markets housing prices could return to their pre-recession highs within the next five to ten years.

Management believes these conditions present an income and capital appreciation opportunity for the Fund. The residential real estate market generally still has a long way to go just to return to its pre-recession high prices. The U.S. employment rate has been improving, and as of April 2015 has declined to 5.4%, as reported by the Department of Labor’s Bureau of Labor Statistics. Mortgage money currently remains inexpensive, the demand for properties is increasing, new home construction has been limited over the last several years, and the inventory of new residential properties to rent or buy is tight. The U.S. population has increased by several million additional people who all need a place to live. There are a large number of available properties that cannot be sold to retail buyers because the properties will not pass the inspection required for a new mortgage.

To take advantage of the expected growth in the real estate market, the Fund intends to concentrate primarily on buying distressed Properties that need repairs and renovations. The Fund intends to renovate and rent most of those Properties for current income and then, in the future, to sell them, with the expectation that their value will have appreciated to produce net income for Fund investors at the time of sale.

There are currently millions of distressed houses and Properties that are available and most are listed for sale in local Multiple Listing Service listings throughout the nation. However, due to the condition of these Properties, they can’t be sold to any retail buyer because they won’t pass the inspection required for a mortgage.

The only buyers of most of these distressed Properties are cash buyers, like the Fund, who pay all cash by bank wire within 10 days to purchase any selected distressed house or property at a below market price. The Fund will also pay cash to have the repairs and renovation of a Property completed within several weeks after purchase to make the houses ready for a new family to rent or buy.

Before the Fund commits to buy any distressed Property, the Managing Member will seek to have an independent realtor and local repair people in that city look at the house. They will provide management with a written estimate of the cost for the repairs the house needs. Management will also add the anticipated costs of managing the Property and the estimated amount of profit the Fund needs to make for the work and invested money. The total of all of these expenses will be deducted from the estimated value of the Property when it is ready to sell to determine the estimated amount of money the Fund can offer to purchase each property. The Fund will not be able to purchase every Property it makes a bid on and it will have to negotiate with the seller to buy most Properties.

The Fund may also acquire some Properties that do not require renovation, where the Properties are already in a condition to be rented for current income and are expected to continue to appreciate in value and produce net income when sold in the future. For example, Mr. Zussman and his affiliates currently manage other Affiliated Funds that are expected to wind down their operations over the next few years and liquidate their property assets. At that time the Affiliated Funds will be selling houses that were previously purchased and may have been renovated which have already been producing rental income for the Affiliated Funds. Before acquiring such Properties for the Fund, the Managing Member will consider the condition and rental history of the Properties and the likelihood that the Properties will continue to appreciate in value during the term of the Fund. Any such purchases will be made at prices that have been determined based on recent sales of comparable properties listed in the local Multiple Listing Service. See “Conflicts of Interest.”

More detail about the Fund’s business plan with respect to the purchase, rental and sale of Properties is set forth below.

Lender Foreclosed Vacant REO Properties

Lenders (i.e., banks and other financial institutions) acquire residential REO (Real Estate Owned) “distressed houses” when borrowers fail to make mortgage/trust deed payments on their homes. These lenders are in the business of making loans; they are not in the business of repossessing and managing the collateral or security (i.e., homes) attached to these loans. When a borrower defaults, the loan becomes a non-performing asset called a residential REO (Real Estate Owned), at which time it is no longer earning interest for the lender. In addition, non-performing loans cost the lender more money as a result of the myriad legal and administrative costs associated with foreclosing on the property, making the property title free and clear of all liens and encumbrances, removing the home occupants through unlawful detainer actions and insuring the vacant property against fire and vandalism.

Even though there has been progress in working through the backlog of lender foreclosed properties, lenders still own a large quantity (shadow inventory) of distressed properties they have foreclosed on that must be renovated before they can be sold. The banks won’t do the repair work nor will they invest any more money into the maintenance of the properties. In addition to the interior repairs, the yards and swimming pools all have to be rejuvenated and often the roof needs to be replaced. A normal renovation to an average distressed house will often cost \$25,000 to \$40,000 or more to make the property ready to rent or sell. Our repair crews can usually complete an entire renovation job within 4 to 6 weeks and the house will rent or sell at a higher price than most other available properties because of their enhanced features and appearance.

Governmental Foreclosed Houses

Governmental agencies that sell houses, such as HUD, Fannie Mae, Freddie Mac, FHA, IRS, DEA, VA and state/county agencies, also provide a plentiful source of foreclosed or seized houses.

Properties – Plan of Operation

The Fund intends to acquire Properties in many states and counties throughout the United States using independent, licensed real estate brokers and agents in each area to facilitate Property screening, purchases, renovations, renting and selling of the Properties.

Realtors will provide assistance in locating available Properties. They will provide Property price comparables, acquisition information on Tax Certificate properties and Tax deed properties from city, county/state and federal government agencies and foreclosure data on Properties. They will also provide contacts of local expert repair, renovation, gardening and trash hauling personnel that already do work on properties they manage.

The Fund will acquire all Properties in their “as is” condition, and most of them will require at least some minimum cosmetic renovations before rental or resale. In some cases, Properties may require significant rehabilitation and refurbishment. The Fund estimates that the cost of renovating Properties will range from 10% to 40% of market value of each Property. The Managing Member and local realtors will hire local contractors and experts to complete the renovations. Local real estate agents will handle Property purchases, renovations, renting and sales. The Fund plans to purchase REO, foreclosed and acquired Properties from bankruptcy court and REO lenders, private parties, homeowners and government agencies. These Properties will be renovated and listed for sale or rent at current market prices.

Acquisition, Management and Disposition of Properties

On behalf of the Fund, the Managing Member will work with experienced local licensed realtors to complete the following tasks:

Locate Properties

Locate Properties that are for sale or are expected to be available for sale. Analyze potential purchases of various Properties using realtor computer-based property selection and analysis procedures for acquisitions. This is an ongoing activity and is done by the local realtor where the Properties are located. Each potential Property will be personally inspected by a local realtor before it is shown to the Managing Member, who decides if an offer to purchase should be made. During the inspection, the condition and amount of suggested renovation the Property needs will be evaluated. The realtor will provide his or her broker property opinion, or “BPO,” of the Property to the Managing Member. A BPO is an informal review of the condition and estimated value of the Property. The realtor may not be able to enter some of the Properties to determine the amount of repairs the Property will need, because many Properties are sold for cash in their as is condition.

Purchase Properties

Purchase Properties at below market wholesale prices. Properties may include lender foreclosed REO houses; short sale, bankruptcy and pre-foreclosure properties; and condominiums, townhomes, duplexes, multifamily units, small commercial buildings and other similar distressed properties. Generally, there is a two-week escrow period during which termite, mold and structural inspections are conducted by licensed professionals and a written report is provided to the Managing Member. Some properties are sold as is for a reduced price at the auctions and no inspection is allowed.

Renovate Properties

Renovate the Properties. The Managing Member will analyze the cost of renovations provided by the realtor and by bids from renovation companies. All renovation costs are calculated before purchase of each Property. Generally, renovations take between four to twelve weeks, depending on whether only cosmetic or more extensive work is needed. Occasionally a Property will be sold within the first few months after completion of renovations. However, most Properties will be rented for some period of time before they are sold.

Rent Properties

Rent will be based on the rental prices in the immediate area for a comparable renovated Property. Most purchased houses are similar sized with generally two to three bedrooms, one to two bathrooms and 800 to 1400 square feet. These kinds of houses rent quickly, at an average of between \$750 and \$1,400 per month, which we expect to produce an approximate 7% to 10% net return to the Fund each year, in addition to any appreciation in value of the Properties.

Sell Properties

Some Properties may be sold slightly under market value to facilitate the sale, because the Property needs more repairs than the price of the Property will increase in value from the repairs in comparison to other renovated Properties. Based on the Managing Member's experience in managing other distressed real estate funds, net income to the Fund from the sale of Properties is likely to be in the range of approximately 10% to 40% (\$10,000 to \$40,000) per Property. The net income can vary from house to house and from city to city.

Properties – Business Strategies

The Fund expects to use the following strategies in connection with its acquisition, renovation, rental and resale of Properties.

Acquire Houses at Significant Discounts to Market Value

Properties to be acquired generally have been foreclosed and are priced significantly below market value. Some of them may be vacant. Most will come with free and clear titles. This alleviates the necessity of incurring costs and wasting time with foreclosure procedures and unlawful detainer actions, which may be required in pre-foreclosure, short sale, redeemable Tax Certificate, and other types of Property acquisitions.

Minimize Renovation Costs

The Managing Member intends to minimize Property renovation costs by establishing business alliances with local property renovators and supply sources and, if prudent, hiring local personnel to handle these functions. The Managing Member will analyze the lowest available costs based on product details from the major home renovation stores. The Managing Member reviews renovation bids from various companies and repair people before selecting the company and people to complete the job.

Achieve Economies of Scale When Selling Properties

The Managing Member intends to try to minimize realtor commissions paid to buy and sell Properties by negotiating with the other realtor through the offer and acceptance. The Fund may hire independent contractors to handle some of the functions and renovations in cities where the Fund owns a substantial number of Properties. Management has purchased, rented and sold over 100 houses for Affiliated Funds in such cities as Atlanta, Memphis, Phoenix, St. Louis and Las Vegas over the last several years.

Maximize Investor Returns by Reinvesting Proceeds from Property Sales to Buy More Properties

When the Managing Member sells a Property and the sale produces net income, the Managing Member will apply the net income first to pay Fund Operating Expenses, pay Management Fees, and repay short-term Loans, and then (to the extent available) to pay Quarterly Distributions and Annual Distributions to Members. The Managing Member will then apply the returned investment capital from the sale of the Property toward the purchase of other Properties that can then in turn be renovated and sold or rented. When the Managing Member determines that it is time to wind down the Fund and distribute the assets of the Fund to the Members, the remaining proceeds from Property sales will no longer be reinvested in Properties and will instead be distributed to the Members. During this wind down period, the Fund will have to reduce the Quarterly Distributions paid to the Members, because when Properties are sold the rental income will be less.

Tax Certificates

The Fund also intends to invest in redeemable tax liens and redeemable tax deeds on real property (collectively referred to as “**Tax Certificates**”). The Fund expects to earn a return on its investment in Tax Certificates from earned interest paid to the Fund as the owner of Tax Certificates (assuming that the Tax Certificates are redeemed). The Fund also expects to generate additional return on investment by foreclosing on unredeemed tax liens and/or taking ownership of real property against which the Fund owns non-redeemed Tax Certificates. Any such acquired Tax Certificate properties will be added to the Fund’s portfolio of managed Properties, discussed above.

When a property owner fails to pay the current property tax on time, the local county treasurer sells a Tax Certificate with respect to that owner’s property. Most counties hold an annual Tax Certificate auction on the courthouse steps at published times throughout the year. Tax Certificates are sold at auction for cash. Any investor can participate in a county held auction either in person at the county courthouse or some counties offer the available Tax Certificates online at the county’s website, with Tax Certificates being sold to the highest or best bidder.

The following chart lists 26 states in which the Managing Member currently anticipates purchasing a majority of the Tax Certificates. These states have over 1,900 counties, parishes and municipalities that can sell one or both of the two different types of redeemable Tax Certificates – tax liens and tax deeds. The information in this table is intended to provide a general summary only and does not reflect variations in laws and rules that may exist between counties, parishes and municipalities within a given state.

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Tax Certificate Yields And Redemption Periods By State

	State	Number of Counties, Parishes and Municipalities	Redeemable Tax Lien / Tax Deed	Maximum Yield Per Year	Penalty % Flat Rate	Auction Bidding	Maximum Redemption Period	Auction Time
1	Alabama	67	Lien	12%		Bid Up Price	3 Years	Spring
2	Arizona	15	Lien	16%		Bid Down %	3 Years	February
3	Colorado	64	Lien	9%+Prime		Bid Up Price	3 Years	Fall
4	Florida	67	Lien	18%	5% minimum	Bid Down %	2 Years	May
5	Georgia	159	Deed	20%		Bid Up Price	1 Year	All Year
6	Hawaii	5	Deed	12%		Bid Up Price	1 Year	Fall
7	Illinois	102	Lien		18% per 6 mos	Bid Down %	6 Mos / 3 Yrs	Fall
8	Indiana	92	Lien			Bid Up Price	1 Year	September
9	Iowa	99	Lien	24%		Smaller Interest	2 Years	June
10	Kentucky	120	Lien	12%		Lottery	1 Year	All Year
11	Louisiana	64	Lien	12%	Plus 5%	Smaller Interest	3 Years	Summer
12	Maryland	23	Lien			Bid Up Price	6 Months	Spring
13	Mississippi	82	Lien	18%		Bid Up Price	2 Years	April/August
14	Missouri	114	Lien	10%	(Locals)	Bid Up Price	1 Year	August
15	Nebraska	93	Lien	14%		Lottery	3 Years	March
16	New Jersey	21	Lien	18%		Bid Down %	2 Years	All Year
17	Ohio	88	Lien	18%	(Bulk)	Bulk	1 Year	Fall
18	Oklahoma	77	Lien	8%		Lottery	2 Years	June
19	Rhode Island	5	Lien	10%		Smaller Interest	1 Year	Spring
20	South Carolina	46	Lien	12%		Bid Up Price	1 Year	Fall
21	South Dakota	66	Lien	10%		Bid Up Price	3 Years	December
22	Tennessee	95	Deed	10%		Bid Up Price	1 Year	All Year
23	Texas	254	Deed		25% / 6 mos.	Bid Up Price	6 Months	All Year
24	Vermont	14	Lien	12%		Bid Up Price	1 Year	All Year
25	West Virginia	55	Lien	12%		Bid Up Price	17 Months	November
26	Wyoming	23	Lien	15%	3%	Lottery	4 Years	Fall

When a Tax Certificate is sold to a buyer, it is recorded by the county treasurer as the first lien on the title of the property because it is placed ahead of any mortgages or property debts. However, counties do not offer any guarantees regarding the purchase of a Tax Certificate, specifically warning purchasers, “Let the buyer beware.” If a Tax Certificate does not redeem within the time period set by state and county laws, a tax lien investor has the legal right to foreclose on the title of the property and acquire it. A tax lien investor must hire a lawyer to file a foreclosure lawsuit in the local court on the lien property. The lawsuit is usually uncontested and takes about one year, costing approximately \$2,000 in legal fees. If the lawsuit is contested, the length of the lawsuit and the amount of the legal fees may be greater. The local judge will usually grant the tax lien property title to the investor. By contrast, a tax deed investor takes title to the property from the county upon purchasing the tax deed, and if the tax deed does not redeem the investor already holds the title to the property in the investor’s name. After paying the county all back taxes and costs, the tax deed investor can immediately do whatever the investor wants to do with the property.

All of the above 26 states allow either one, two or three years for the property owner, its heirs, or any lender with a lien on the property to redeem a Tax Certificate from the county treasurer. Usually a lender with a lien on the property title will immediately redeem the Tax Certificate to protect the lender’s interest in the title once they receive notice of the unpaid property taxes or are served a foreclosure lawsuit on the property. Any of the above three parties that wants to redeem a Tax Certificate must pay the county treasurer all unpaid back property taxes, the earned interest to date and all fees assessed by the county. Thereafter, the county will cancel the Tax Certificate lien on the property title, notify the investor of the redemption and pay the Tax

Certificate investor its original invested amount plus the agreed rate of accrued interest that is paid to date. The amount of this interest payment may vary significantly from state to state and even from county to county within a state. Therefore, the Fund will generally seek to acquire its Tax Certificates in jurisdictions offering the greatest returns.

The real estate laws of each state and county determine the amount of interest that an investor may receive on a Tax Certificate purchased there. When a Tax Certificate is sold to an investor at an auction, the price paid by the purchaser for each Tax Certificate will be determined by one of four different bidding systems that the counties use. The type of bidding system used by each county also determines the rate of interest to be earned and the amount to be paid to purchase each Tax Certificate. As indicated on the above table, the most commonly used bidding systems are the bid up the price of the unpaid property taxes system and the bid down the interest rate to be earned on the Tax Certificate system. A few states use the bid down the percentage interest in the title of the property system and a few states use the lottery system.

Over the past 175 years, the vast majority (some experts have estimated the redemption rate at approximately 95%) of all sold Tax Certificates have been redeemed, including some that have been foreclosed. The annual redemption rate of purchased Tax Certificates will vary each year. The redemption rate is greatly affected by many things, including the current economic conditions, the current demand for real estate, and the current availability and cost of investment capital. If a Tax Certificate is foreclosed and the investor acquires the property, the property can be used, rented or sold. If the Tax Certificate is not redeemed or foreclosed or the property is acquired, the Tax Certificate will eventually expire worthless.

The over 1,900 counties have thousands of different Tax Certificate laws that control the ownership of real estate. There are only a few states, such as Florida, Alabama and Arizona, that allow several additional years for a Tax Certificate to be redeemed. The property owner, its heirs or any lender remain responsible to pay the set rate of interest for each additional year assuming that the Tax Certificate is finally redeemed.

Many smaller counties also offer and sell tax liens that didn't sell at the county held auction for some reason. These tax liens are referred to as over the counter (OTC) tax liens and are available to anyone that goes into the county treasurer's office and selects the number of unsold tax liens they would like to buy for cash at that time.

Competition

The business of buying Properties to manage, rent and sell is highly competitive. Because the Fund intends to focus primarily on the purchase of residential real estate, it will compete not only with other real estate businesses, but also with individual purchasers. Intense competition could decrease the supply and increase the cost of available Properties, limiting the Fund's ability to make acquisitions on favorable terms.

The Fund intends to seek a competitive advantage over individual purchasers of Properties on residential property buyers, whenever possible by:

- Paying cash for purchases and closing escrow in 2 weeks.
- Paying cash for renovations to get them ready sooner to rent or sell.
- Developing a line of credit to be used to leverage Fund assets for the purchase and renovation of additional Properties.
- Utilizing realtor computerized screening procedures for the acquisition of REO, foreclosure and redeemable Tax Certificate Properties. The Fund will work with many different realtors who specialize in buying, repairing, renting and selling distressed Properties throughout the United States.
- Buying and renovating many Properties in several large cities to help control expenses by being able to receive better prices from third-party repair businesses and contractors.

Legal Proceedings

Neither the Fund nor the Managing Member is currently involved in any litigation, nor are they aware of any threatened or impending litigation against the Fund or Managing Member.

OPERATING EXPENSES

The Fund's Operating Expenses are expected to consist primarily of quarterly Accounting Fees, which are expected to be on average approximately 0.5% per quarter of the Fund's Prior Year-End Total Assets (i.e., on average approximately 2.0% of the Prior Year-End Total Assets annually). However, the Accounting Fees will not be a fixed percentage and will vary throughout the business year. These Accounting Fees will cover the Fund's cost of services relating to bookkeeping, accounting, preparation of annual tax returns and Schedule K-1's, preparation of financial reports, and other services. The Managing Member has retained Brian C. Hill, CPA, and his independent consulting firm, BCH Consulting, Inc., to provide full bookkeeping and CPA accounting services to the Fund.

The Fund will also incur other Operating Costs related to operation of the Fund's business, such as office rent, phones, postage, shipping, Internet service, supplies, furniture, equipment and necessary business travel costs. These expenses are expected to total on average approximately \$2,000 to \$5,000 per month. The Fund will share many of these types of expenses with other Affiliated Funds managed by Mr. Zussman and his affiliates, and the Fund will pay its pro rata share of all such costs. Travel expenses will vary from month to month depending on the amount of travel that is done.

The Managing Member may set aside a small working capital reserve from the net proceeds of the Offering to cover the initial Operating Expenses of the Fund and may retain a working capital reserve whenever making a Quarterly Distribution or an Annual Distribution (discussed below) to cover current Operating Expenses.

DISTRIBUTIONS

Quarterly Distributions

Each quarter, within 30 days after the end of the quarter, the Managing Member will distribute to Members, pro rata, up to 1% of the Fund's Prior Year-End Total Assets as stated on the balance sheet ("**Quarterly Distributions**") out of available net income from rental income from Properties, net income from earned interest received from redeemed Tax Certificates, and net income from the sale of Properties (after payment of Management Fees, Operating Expenses and short-term Loans). Thus, the aggregate total of all Quarterly Distributions paid to the Members for any year could be up to 4% of the Fund's Prior Year-End Total Assets (1% for each quarter).

However, Quarterly Distributions are not guaranteed and will be made only if, and to the extent, that net income is available for distribution as described. The Managing Member anticipates that the first Quarterly Distribution will not be made to any Member until at least six months after their investment in the Offering, to allow time for the Fund to begin making investments and generating rents and net income.

During the Fund's first year (or partial year) of operations, any Quarterly Distribution will be calculated based on each Member's total Capital Contribution through the end of the quarter to which the Quarterly Distribution relates.

Annual Distributions

On or before March 31 of each year, the Managing Member will make an additional annual distribution (“**Annual Distribution**”) of a fifth income check to Members, pro rata, with respect to any undistributed net income for the prior year ended December 31, as follows:

If the Members received Quarterly Distributions during the prior business year totaling less than 4% of the Prior Year-End Total Assets from all three sources (received rents, interest from redeemed Tax Certificates and net income from sold Properties), then that is all the Members will receive for that business year and no Annual Distribution will be made.

However, if, during the prior business year, Members received 4% from all three sources of income listed above, then an Annual Distribution will be made of any additional net income available for distribution, with 75% being distributed to the Members, pro rata, and 25% being distributed to the Managing Member (the “**Net Profit Split**”). A Net Profit Split will thus be the fifth income check that Members will receive for that business year.

Annual Distributions are not guaranteed and will be made only if, and to the extent, that net income is available for distribution as described. The Managing Member anticipates that there may not be net income available to make an Annual Distribution for the Fund’s first year (or partial year) of operations because the Fund may not have sold any Properties, or may not have had any Properties ready to sell, at such an early stage of its business. During the anticipated 8 to 10 years in the operating life of the Fund, there could be years in which no Properties are sold that produce net income to the Fund.

Calculation of Net income

Net income from rental income from Properties, net income from interest paid to the Fund on redeemed Tax Certificates, and net income from the sale of Properties will be calculated based on revenues received minus expenses incurred. Thus, net income from rental income from Properties will be calculated based on total rents received minus the total costs incurred in managing and repairing the related rental properties, including the costs of paying home owner association dues, property taxes and fire, liability and loss of rent insurance. Net income from interest on Tax Certificates will be calculated based on total interest received from redeemed Tax Certificates minus the cost of the related Tax Certificates and minus all expenses related to the purchase of the Tax Certificates. Net income from the sale of Properties that closed escrow during the year will be calculated based on the total sales price of a Property minus the purchase price of the Property, minus all direct costs and expenses associated with the Property that have been incurred by the Fund in connection with the purchase, renovation, management and sale of the Property, as well as an annual charge on the financial statements of the Fund for depreciation on rental Properties. The annual depreciation charge is equal to the value of the building portion of the rental Property divided by 27.5 years.

All such costs, fees, commissions and expenses will be paid directly by the Fund or reimbursed by the Fund to the person or entity providing the service for the Fund. Such expenses include, among others, the cost of selecting, inspecting and purchasing Properties, foreclosure costs, attorney fees, renovation material and labor costs, repair costs, local property management fees, advertising costs, buying and selling real estate commissions, property taxes, insurance costs, advertising expenses, closing costs including escrow, title insurance, recording and other fees, gardening, trash removal, utilities, eviction and travel costs to properties.

In some situations, the sale of a Property may produce losses, particularly if we experience another drop in real estate values, and in that event there may not be any net income from the Property to distribute.

The book value of a Member's investment in the Fund may decrease over time because of the Fund's annual charge for depreciation against the value of rental Properties owned by the Fund and because the Fund plans to distribute net income on a current basis, rather than retaining net income. The value of a Member's investment could also decrease significantly and lose value if there is another recession or downturn in the economy and in residential property values.

Distribution upon Dissolution

Under the terms of the Operating Agreement, any cash available when the Fund is to be dissolved shall be applied and distributed in the following order or priority:

First, to the payment of debts and liabilities of the Fund, including payment of any outstanding short-term and long-term Loans, and to the expense of liquidation;

Next, to the establishment of any reserve which the Managing Member may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Fund. Such reserve may be paid over by the Managing Member to any specific selected attorney at law, CPA or bank, as escrow agent, to be held for disbursement in payment of any such liabilities and obligations, at the expiration of such period as shall be deemed advisable by the Managing Member for distribution of the balance in the manner herein above provided.

Finally, the balance, if any, to the Members to the extent of the positive balances in their respective Capital Accounts (determined after giving effect to all contributions, distributions and allocations for all fiscal year periods ending prior to the dissolution and all contributions, distributions and allocations made for all fiscal years ending after the dissolution).

MANAGEMENT

Managing Member

Realty Fund Management 2, Inc. is the Managing Member of Distressed Realty Fund 2, LLC. The business address of the Managing Member and the Fund is 3960 Howard Hughes Parkway, Suite 500, Las Vegas, NV 89169.

Officers and Directors of the Managing Member

<u>Name</u>	<u>Age</u>	<u>Position</u>
David Zussman, J.D.	71	President and CEO
Stephen Verchick, J.D.	73	Vice President and Legal Counsel

David Zussman, J.D., is the President and CEO of the Managing Member and is the controlling shareholder of the Managing Member. Mr. Zussman has provided management services for several private investment funds and others investing in distressed properties and Tax Certificates since 2004. Mr. Zussman is a licensed broker realtor and property manager in Nevada and licensed real estate agent in California. Mr. Zussman also purchases distressed properties for himself, his family and his friends.

Mr. Zussman has participated as a guest speaker at 15 different distressed real estate financial conferences held throughout the United States for professionals in the real estate, banking and financial business. He has also served on panels that discussed issues relating to the acquisition, renovation, management and sale of distressed real estate and the acquisition and management of Tax Certificates, as well as the use of crowdfunding to raise capital for investment in distressed real estate and Tax Certificates.

Mr. Zussman previously provided consulting advice to private clients from 1999 to 2003 regarding the purchase of Tax Certificates on distressed real estate. The services were provided on an hourly fee basis and all property Tax Certificates were purchased in the client's name.

Mr. Zussman was a registered stockbroker with national brokerage firms from 1972 to 1978 and was an SEC registered investment adviser from 1978 to 1992.

In 1979, Mr. Zussman served as vice president of marketing and national corporation spokesperson for a major securities firm, the general partner for various real estate limited partnerships, marketing tax-advantaged real estate funds. Mr. Zussman was Chairman and President of Wall Street News Productions, Inc., a national television financial news magazine program from 1981 to 1994. From 1995 to 1998, Mr. Zussman was Chairman and President of Cyber Information, Inc., a publicly trading financial and business Internet marketing company.

Mr. Zussman has been a college instructor at several junior colleges in the areas of business, law, banking, securities and investments. Mr. Zussman holds an AA degree in real estate construction technology from Santa Monica City College, attended California State University (Los Angeles, CA) studying business administration and received a Juris Doctor of Law degree from Mid-Valley College of Law (Encino, CA).

Stephen Verchick, J.D., is Vice President and Legal Counsel for the Managing Member. He has served as Legal Counsel for other private funds investing in distressed properties and Tax Certificates since 2004 and to American Certificate and Title, Inc. from 1999 to 2003.

Mr. Verchick has practiced law in California for over 30 years. He was a partner for 15 years in Trinity Capital Corp., a New York based investment banking/venture capital firm, and its successor firm, Unity Capital, LLC. Mr. Verchick was Legal Counsel for Cyber Information, Inc., from 1995 to 1998.

Mr. Verchick and Mr. Zussman have worked together on various business ventures since 1996. Mr. Verchick has held investments in real estate since the early 1980s. He was a general partner in a real estate (condominium project in Kona, Hawaii) development group that later became the second largest owner of single family homes in the Phoenix, Arizona area, as well as a developer of commercial properties in Houston, Texas. In the mid-1980s to early 1990s, Mr. Verchick was a partner in the Granada Inn, a development in Las Vegas, Nevada that included a motel/casino operation and multi-unit apartment buildings.

He has also been a director of various public, private and charitable organizations. Mr. Verchick holds a B.A. degree in economics from New York University, holds a J.D. degree from Brooklyn Law School and attended the Anderson School at UCLA for graduate studies in business and finance.

There is no family relationship between any director, executive officer or employee of the Fund's Managing Member.

The Managing Member intends to try to obtain key man life insurance and errors and omissions insurance coverage with respect to its CEO, Mr. Zussman, with the Fund being the beneficiary on the policy and the Fund paying the annual premiums. There is no assurance that the Managing Member will be able to obtain or maintain such coverage.

The Managing Member is putting in place protections and a plan of succession to help ensure that the Managing Member can continue to function effectively on behalf of the Fund in the event that Mr. Zussman becomes injured, ill or otherwise incapacitated and unavailable to perform his responsibilities as CEO of the Managing Member. Those protections are expected to include giving a durable power of attorney to Stephen Verchick, Vice President and Legal Counsel for the Managing Member, and to Brian C. Hill, CPA,

independent professional adviser to the Managing Member, authorizing them under certain circumstances to sign legal documents and issue checks on Mr. Zussman's behalf.

The Managing Member's plan of succession is expected to provide for Mr. Verchick to be appointed as the CEO of the Managing Member in the event that Mr. Zussman becomes unavailable to serve in that capacity, and if Mr. Verchick is not available to serve as such, the plan of succession is expected to provide for Mr. Hill to assume that role. However, there can be no assurance that such parties will be willing and able to fulfill those responsibilities if called upon to do so. In such a case, the owners of the Managing Member would seek to identify and elect a new CEO who is qualified and willing to serve as such.

Independent Professional Advisers

Brian C. Hill, CPA, is the founder, owner and President of BCH Consulting, Inc. Mr. Hill earned a degree in accounting from the University of North Carolina. Prior to opening BCH Consulting in 2007, he worked in the corporate world for over fifteen years as a tax manager, controller and chief financial officer. Mr. Hill has worked with Mr. Zussman for several years doing all accounting work for other Affiliated Funds that Mr. Zussman and his affiliates manage. Mr. Hill is licensed with the State of California and is a member of the California Society of CPAs.

David Bogan is an independent Tax Certificate expert who has purchased thousands of Tax Certificates from dozens of county treasurers for several of Mr. Zussman's prior Affiliated Funds. Mr. Bogan knows the various state and county Tax Certificate laws and procedures. He travels to the auctions and has bid on several thousand Tax Certificates, handled their redemptions, provided BPO valuations on properties and filed foreclosure on hundreds of unredeemed Tax Certificates throughout the nation.

COMPENSATION OF THE MANAGING MEMBER AND ITS AFFILIATES

The Fund will pay 0.5% quarterly Management Fees to the Managing Member and may, if there is sufficient net income available, also pay an annual 25% Net Profit Split to the Managing Member, on the terms and conditions described below. The determination of these types and amounts of the compensation to be received by the Managing Member was not the result of arm's length negotiations. See "Conflicts of Interest."

In addition, the CEO of the Managing Member, David Zussman, may receive compensation from the Fund and from third parties in connection with Property transactions for services rendered by him as a licensed broker realtor and licensed property manager in Nevada and a licensed real estate agent in California, and he could also choose to become licensed in other states and could then qualify for similar compensation for providing services in those states as well. This compensation could include such things as real estate commissions, property management fees and out-of-state referral fees. Most real estate commissions are based on 6% of the total purchase price, with some split of that amount between the buy side broker and the sell side broker of each real estate transaction. Mr. Zussman will typically receive either a buy side commission or a sell side commission in any specific transaction, but he may, in some situations, represent both the buyer and the seller in a dual agency relationship when permitted by local laws and receive the full real estate commission. The Managing Member will seek to ensure that any such compensation paid to Mr. Zussman by the Fund is on terms comparable to what the Fund would expect to pay to an unrelated party in an arm's length transaction. The real estate commissions are paid through escrow when the transaction is closed. See "Conflicts of Interest."

The Managing Member and/or its directors, officers and other affiliates, including specifically David Zussman, may, but are not required, to make short-term Loans to the Fund. For making such a Loan, they will charge the Fund a front-end flat fee of 4% of the amount of the Loan as compensation for the first 60 days that the Loan is outstanding, and if the Loan is not repaid within 60 days, they will charge an additional flat fee of 1% as compensation for each additional month or any part of a month that the Loan remains outstanding, up to a

maximum of 10% per year and subject to any limitations under applicable usury laws. Management of the Managing Member believes that this rate of compensation is at least as favorable as the Fund would be able to negotiate with any third party lender in an arm's length transaction. See "Conflicts of Interest."

Management Fees

The Fund will pay a quarterly management fee ("**Management Fee**") to the Managing Member in an amount equal to 0.5% of the Fund's Prior Year-End Total Assets as stated on the balance sheet, for a total annual Management Fee of 2.0% of the Prior Year-End Total Assets.

During the Fund's first year (or partial year) of operations, the Management Fee will be calculated based on the total Capital Contributions of all Members through the end of the quarter to which the Management Fee relates. Thereafter, the annual 2% Management Fee will be based on the Fund's Prior Year-End Total Assets, i.e., the prior year's balance sheet valuation of all Fund owned assets.

Net Profit Split

The Managing Member will potentially receive a 25% Net Profit Split (with Members receiving 75%) in connection with any Annual Distribution that is made each year from net income from the sale of Properties sold during the prior calendar year. The Managing Member will receive a 25% Net Profit Split only after Members have received a total return of 4% of the Prior Year-End Total Assets for the prior year.

CONFLICTS OF INTEREST

David Zussman is the CEO of the Managing Member, and Mr. Zussman is the controlling shareholder of the Managing Member. As an officer of the Managing Member, Mr. Zussman will be responsible for overseeing all aspects of the business of the Fund, including the selection, purchase, renovation, rental and sale of Properties and the selection and purchase of Tax Certificates.

A number of conflicts of interest may arise in connection with Mr. Zussman's role as an officer of the Managing Member, including those described below.

Mr. Zussman is currently the controlling shareholder and the officer of companies managing two other private affiliated distressed real estate investment funds that have invested in distressed real estate and/or Tax Certificates. Mr. Zussman and his affiliates may also participate in organizing and managing similar real estate investment funds in the future. Although Mr. Zussman believes that he will be able to devote sufficient time to the business of the Fund, there is a potential conflict of interest between the amount of time he will have available for this Fund and the other funds he manages. Furthermore, Mr. Zussman may be faced with other potential conflicts of interest, such as determining which available Properties and Tax Certificates are to be acquired by which fund. Since the quantity of Properties and Tax Certificates that are available for sale may be limited, there may be competition between the Fund and any other funds that Mr. Zussman manages to invest in the best available Properties and Tax Certificates. This competition may result in the Fund acquiring Properties and Tax Certificates that are less desirable than if Mr. Zussman were not affiliated with other funds that compete with the Fund for the same Properties and Tax Certificates. However, the existing Affiliated Funds that Mr. Zussman and his affiliates manage have stopped purchasing Tax Certificates and new Properties, so they will not be in competition with this Fund.

Mr. Zussman and other affiliates of the Managing Member are also engaged, and may engage, in other business ventures that may require substantial commitment of time and energy. The time necessary to be spent on such other business may result in conflicts of interest between this Fund and such other businesses.

Mr. Zussman and other affiliates of the Managing Member may also invest in Units in the Offering and thereby become Members of the Fund. This may present a conflict of interests that could affect judgments to be made by them on behalf of the Fund.

The Fund will pay quarterly 0.5% Management Fees to the Managing Member and may, if there is sufficient net income available, also pay an annual 25% Net Profit Split to the Managing Member, on the terms and conditions described under “Compensation of the Managing Member and Its Affiliates.” Mr. Zussman stands to benefit personally from this compensation. The determination of these types and amounts of compensation to be received by the Managing Member was arbitrarily established by Mr. Zussman on behalf of the Managing Member and is not the result of arm’s length negotiations.

As an officer of the Managing Member, Mr. Zussman is also responsible for selecting real estate agents, property managers and other service providers to provide local real estate services with respect to the Properties being acquired, sold, repaired and managed by the Fund. Under certain circumstances, as permitted by the provisions of the Fund’s Operating Agreement, Mr. Zussman may elect to provide such local services himself where his qualifications as a licensed broker realtor and property manager in Nevada and a licensed real estate agent in California allow him to do so. Mr. Zussman may also choose to become licensed in other states and provide local real estate services there as well. Thus, in addition to the Managing Member’s Management Fees and Net Profit Split, Mr. Zussman also stands to benefit from real estate commissions, property management fees, out-of-state referral fees and other compensation that he may receive from the Fund and from third parties when providing local real estate services in connection with the Fund’s Property transactions. See “Compensation of the Managing Member and Its Affiliates.” The Managing Member will seek to ensure that any compensation paid to Mr. Zussman by the Fund is on terms comparable to what the Fund would expect to pay to an unrelated party in an arm’s length transaction.

Other members of management of the Managing Member may also have, or acquire, real estate licenses in various states and could likewise qualify for compensation for services they render in those states. In addition, the Managing Member may hire or use people or companies that have real estate licenses and insurance licenses, and the Fund could pay them standard fees in transactions involving Fund Properties.

Affiliated Funds that are also managed by Mr. Zussman and his affiliates may, from time to time, seek to sell properties owned by them, including rental homes. Under the terms of the Operating Agreement, the Fund will be permitted to purchase such properties from Affiliated Funds in the sole discretion of the Managing Member. The Fund may wish to acquire such homes to provide the Fund with a source of immediate rental income and future long-term appreciation in value. The Managing Member will be subject to a conflict of interests in such transactions because its CEO, Mr. Zussman, will have an interest in obtaining a favorable sales price for the selling Affiliated Fund, while also having an interest in obtaining a favorable purchase price for the Fund. The Managing Member will address this conflict by using recent sales prices of comparable properties listed on the local Multiple Listing Service to determine the price at which the Fund will purchase any property from an Affiliated Fund. Prices of Properties will be affected by the amount of repairs that must be done to have the Property ready to rent or sell.

In addition, the Managing Member and its affiliates (including Mr. Zussman) may, but are not required, to make short-term Loans to the Fund. For making such a Loan, they will charge the Fund a front-end flat fee of 4% of the amount of the Loan as compensation for the first 60 days that the Loan is outstanding, and if the Loan is not repaid within 60 days, they will charge an additional flat fee of 1% as compensation for each additional month or any part of a month that the Loan remains outstanding, up to a maximum of 10% per year and subject to any limitations under applicable usury laws. Management of the Managing Member believes that this rate of compensation is at least as favorable as the Fund would be able to negotiate with any third party lender in an arm’s length transaction. However, because the Managing Member and its affiliates stand to receive a compensation benefit from making such Loans, they are subject to a conflict of interests that could affect their judgment in deciding whether to make such Loans to the Fund.

The Operating Agreement includes provisions that help to preserve the Managing Member's control of the Fund. The Managing Member, which is controlled by Mr. Zussman, may be removed only by the vote of holders of at least 80% of the Units in the Fund, and then only if all short-term Loans made or guaranteed by the Managing Member or its affiliates have been paid in full, all Operating Expenses paid by them have been reimbursed, all unpaid Management Fees have been paid, and all Management Fees that would have become due and payable to the Managing Member through the end of a ten-year management term of the Fund have been paid.

The conflicts of interest described above are expressly permitted by the terms of the Fund's Operating Agreement. You should invest in Units of the Fund only if you are willing to accept these conflicts of interest and the associated risks.

RISK FACTORS

An investment in the Units offered hereby is speculative and involves a high degree of risk and should be considered only by persons who can afford the loss of their entire investment. You should carefully consider the following risk factors relating to the business of the Fund and this Offering, together with the information set forth elsewhere in this Offering Memorandum, and consult with your personal legal, financial and tax advisers as to whether an investment in the Units is suitable for you. You should note that this Offering Memorandum contains forward-looking statements, i.e., statements containing words like believes, anticipates, expects, intends, should, seeks, and similar words. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ significantly from those in the forward-looking statements as a result of various factors, including, but not limited to, the risk factors set forth in this Offering Memorandum.

Risks Related to This Offering

Investing in Units involves a high degree of risk that may result in the loss of part or all of your investment.

The Fund's investment in Properties and Tax Certificates will be highly speculative. Therefore, an investment in Units is not suitable for anyone without a high tolerance for risk. You should invest in Units only if you are able to bear the risk of losing your entire investment.

The Offering is an exempt, private offering that has not been registered under the Securities Act, and so investors will not have the protections that would be afforded by Securities Act registration.

The Units in this Offering have not been registered under the Securities Act or applicable state securities laws. No regulatory authority has reviewed the merits of an investment in the Units, the price of the Units or the other terms of this Offering, or of the adequacy or accuracy of disclosure in this Offering Memorandum. Because this Offering has not been registered under the Securities Act, purchasers of the Units will not have all the protections afforded by federal and state securities laws applicable to registered offerings. You must, therefore, judge for yourself the adequacy of the disclosures and the fairness of the terms of this Offering without the benefit of prior review by any regulatory authority.

An investment in Units is a long-term investment in restricted securities that the holder may not be able to sell and may be required to hold indefinitely.

You are required by law to purchase Units only for your own account, for investment purposes. The Units will not be registered for public sale under the Securities Act or under the securities laws of any state. Instead, the Fund will rely upon exemptions from federal and state registration requirements, which exemptions depend in part upon the investment intent of the Investor. The Units will be subject to restrictions on resale by applicable securities laws, and the Units may be transferred only with the written consent, and in the sole discretion, of

the Managing Member and under limited circumstances. Further, there is no public market for the Units, and no trading market for the Units is expected to develop. Members should not expect to be able to exit their investment in Units by reselling them to the Fund, the Managing Member or any third party. For these reasons, there is little, if any, liquidity in an investment in the Units and investment therein should be considered only as long-term investment. You should purchase Units only if you can bear the economic risk of the investment, can afford to have funds committed to an illiquid investment for an indefinite period of time, and, if necessary, can afford a complete loss of your investment. If you purchase Units, you will have no right to have your Units repurchased by the Fund. In addition, if you were able to sell all or any portion of your Units, the sale might involve adverse tax consequences.

No minimum amount is required to be raised before the Offering can be closed, and so there is no assurance that the amount of money raised in the Offering will be sufficient to fully implement the Fund's business plan.

Directors, officers and employees of the Managing Member of the Fund will make the Offering strictly on a best efforts basis. Accordingly, there can be no assurance that all or any specific number of the Units offered hereby will in fact be sold or that the proceeds from any sales actually made will be sufficient to implement the Fund's business plan as described in this Offering Memorandum. Because the number of Units that will actually be sold is unknown, the risks in this regard to initial purchasers of Units are increased. Once a subscription request is delivered to the Fund, the subscriber will be irrevocably bound by its terms.

Risks Related to an Investment in the Fund

The Fund does not have an operating history or an investment history, and the Fund may not be able to implement its investment plans and strategies successfully.

The Fund was organized as a limited liability company in Nevada in October 2014. Because the Fund has not yet commenced actual operations, it has no track record from which you can evaluate an investment in the Units. Furthermore, the Fund's potential revenues, expenses and cash flow cannot be predicted with any certainty. The Fund is subject to all of the business risks and uncertainties associated with any new business.

The Managing Member and its officers, directors and agents are not able to control various factors affecting the Fund's operating results and cannot guarantee the Fund's operating results, which are uncertain and likely to fluctuate.

The Managing Member and its officers, directors and agents do not have any control over the volatile real estate market and such things as the supply of desirable Properties, the going rates for rents and sales prices, the availability and terms of real estate financing, actual Property renovation costs, the speed with which Properties can be rented or sold, and the timing and length of upturns and downturns in local and national economies. In addition, management is unable to control the availability of Tax Certificates for purchase, the type of bidding systems used at the various state and county auctions where Tax Certificates are purchased, the frequency and amount of Tax Certificate redemptions, the rates of interest and/or penalties on the reinvestment of redemption proceeds, and the percentage of redeemed foreclosed and worthless Tax Certificates. For these and other reasons, management of the Fund do not and cannot predict or guarantee the Fund's operating results, which are likely to vary and fluctuate from period to period, and the Managing Member strongly recommends that you consult your own financial adviser, attorney and tax adviser before investing in the Fund.

Any Properties or Tax Certificates purchased by the Fund will be portfolio assets of the Fund and will not be owned by, and their value will not be allocated or attributed to, any particular Member.

When the gross proceeds from any closing of the Offering are used to purchase Properties or Tax Certificates, those Properties and Tax Certificates will become portfolio assets of the Fund and will not be owned by, and their value will not be allocated or attributed to, any subscriber that participated in that particular closing. All Properties and Tax Certificates purchased with proceeds of the Offering will belong to Fund, none of the Members of the Fund will have any right to or interest in any of the Properties or Tax Certificates, and the Members will not have any interest in the proceeds from the Properties or Tax Certificates except as provided in the Operating Agreement.

After a Member invests in Units, the book value of the Member's investment may decline over time.

The book value of a Member's investment in the Fund may decrease over time because of the Fund's annual charge for depreciation against the value of rental Properties owned by the Fund and because the Fund plans to distribute net income on a current basis, rather than retaining net income. The value of a Member's investment could also decrease significantly and lose value if there is another economic recession or downturn in the economy and in residential property values.

Risks Related to Management of the Fund

Conflicts of interest may arise in connection with Mr. Zussman's role as an officer of the Managing Member of the Fund.

David Zussman is a controlling shareholder and officer of the Managing Member of the Fund. A number of conflicts of interest may arise in connection with Mr. Zussman's role as an officer of the Managing Member, including those described under "Conflicts of Interest." Such conflicts of interest are expressly permitted by the terms of the Fund's Operating Agreement. You should invest in Units of the Fund only if you are willing to accept these conflicts of interest and the associated risks.

Members must rely on the Managing Member and its officers, directors and agents to manage the Fund's evaluation, selection, acquisition, renovation, rental and sale of Properties and its evaluation, selection, acquisition and management of Tax Certificates.

The Managing Member and its management team will be solely responsible for the evaluation, selection, acquisition, renovation, management, rental and sale of all Properties for the Fund and for the evaluation, selection, acquisition and management of all Tax Certificates for the Fund, as well as the administration of the Offering and the Fund. The success of the Fund will therefore, to a large extent, depend on investments chosen for the Fund by the Managing Member and its management team. Members have no right or power to take part in the management or control of the business of the Fund. Accordingly, no person should purchase any of the Units offered hereby unless he or she is willing to entrust all aspects of the management and control of the business of the Fund to the Managing Member.

The loss of the services of any of the directors, officers or agents of the Managing Member could have a material adverse effect on the Fund's business, financial condition and results of operations. The Fund does not currently maintain key man life insurance on the Managing Member's directors or officers, although the Managing Member intends to seek to obtain a life insurance policy and an errors and omissions insurance policy that the Fund will pay for. These policies will be for the benefit of the Fund with respect to the CEO of the Management Member, David Zussman. There is no assurance that such a policy will be available to the Fund on favorable terms or at all.

The Managing Member is putting in place protections and a plan of succession to help ensure that the Managing Member can continue to function effectively on behalf of the Fund in the event that Mr. Zussman becomes injured, ill or otherwise incapacitated and unavailable to perform his responsibilities as CEO of the Managing Member. Those protections are expected to include giving a durable power of attorney to Stephen Verchick, Vice President and Legal Counsel for the Managing Member, and to Brian C. Hill, CPA, independent professional adviser to the Managing Member, authorizing them under certain circumstances to sign legal documents and issue Fund checks on Mr. Zussman's behalf. The Managing Member's plan of succession is expected to provide for Mr. Verchick to be appointed as the CEO of the Managing Member in the event that Mr. Zussman becomes unavailable to serve in that capacity, and if Mr. Verchick is not available to serve as such, the plan of succession is expected to provide for Mr. Hill to assume that role. However, there can be no assurance that such parties will be willing and able to fulfill those responsibilities if called upon to do so. In such a case, the owners of the Managing Member would seek to identify and elect a new CEO who is qualified and willing to serve as such.

The Fund's future success depends on its ability to attract and retain highly qualified professional, managerial and financial personnel to perform necessary functions for the Fund. Such personnel may be in-house or outsourced. There is no assurance that the Fund will be successful in attracting or retaining highly qualified individuals in key management positions. The failure to do so could have a material adverse effect on the Fund's business, financial condition and results of operations.

The Fund does not have any specific guidelines for what proportion of its portfolio of Properties and Tax Certificates will be purchased in particular states or geographic areas, and investors will have to rely on the Managing Member to use its discretion in making such decisions on behalf of the Fund.

The Fund does not currently own any Properties nor has it identified any potential Properties to buy. The Fund has not established any specific guidelines regarding the planned concentration of Properties in particular states as it acquires its portfolio of owned Properties. The Managing Member does propose to purchase and renovate medium priced Properties that will appeal to most renters or buyers. The Managing Member also proposes to focus on buying Properties that will rent for a positive cash flow. The Managing Member intends to have the Fund buy Properties in large cities in several states. Management has purchased, repaired and rented over 100 distressed properties for Affiliated Funds in cities such as Atlanta, Memphis, St. Louis, Phoenix and Las Vegas during the last several years. Management has sold over 75 houses in these cities, mostly to retail buyers.

The Fund does not currently own any Tax Certificates and has not specifically identified any Tax Certificates it intends to purchase. While the Fund intends to purchase Tax Certificates sold by county treasurers in several states, there can be no assurance that Tax Certificates from all such states will be held by the Fund at any given time or in any given proportions as a percentage of the total portfolio of Tax Certificates held by the Fund at any time. The Fund has not established any guidelines regarding the concentration of Tax Certificates in particular states within its portfolio of Tax Certificates. The Managing Member expects to purchase Tax Certificates in the higher yielding states and in states with the shortest redemption periods, in such proportions as the Managing Member deems most advantageous within prevailing time parameters. Most counties hold the tax certificate auction only a few days each year. During the last 10 years, management has purchased several thousand Tax Certificates in 20 states on behalf of affiliated investment funds that cost those funds approximately \$10 million. Management estimates that, to date, approximately 91% of those Tax Certificates have been redeemed or were foreclosed on and the property was acquired.

The Fund may also, in the sole discretion of the Managing Member, purchase Properties from other Affiliated Funds (also managed by Mr. Zussman and his affiliates) at prices that are based on the recent sales prices of comparable properties listed on the local Multiple Listing Service, when such Properties are expected to produce rental income and future long-term appreciation and net income from the sale of the Properties. See

“Conflicts of Interest.”

Members will be dependent on the Managing Member to use its discretion and best judgment in deciding where to acquire Properties and Tax Certificates on behalf of the Fund.

Any litigation or other claims filed against the Fund or the Managing Member or any of their affiliates could disrupt their ability to effectively manage the operations of Fund and of the Properties and Tax Certificates owned by the Fund.

The Fund and the Managing Member and their affiliates are subject to the risk of litigation. They could be required to spend time and money to respond to any litigation threatened or filed against them, which could disrupt their ability to manage any Property or Tax Certificate owned by the Fund and its operations and could have an adverse effect on the profitability of the Fund.

In 2003, a prior business that was affiliated with management of the Managing Member of the Fund agreed to a cease and desist order in the state of Maine.

In 2003, a private client Tax Certificate services program offered by American Certificate & Title, Inc. (“ACT”) was created and managed by David Zussman, the current CEO of the Managing Member of the Fund. Trinity Consulting, an outside and independent marketing firm that sold books, tapes and newsletters regarding the purchase of Tax Certificates, offered ACT’s Tax Certificate services to their clients in 2003. Without authorization from ACT to do so, Trinity offered ACT’s services to Maine residents. As a result of Trinity’s unauthorized actions in Maine, ACT was advised to refrain from offering any services to Maine residents. Since ACT was not offering or planning to offer any services to Maine residents, ACT willingly agreed to cease and desist from offering ACT services to clients in the State of Maine. No client accounts were ever opened in Maine and there were no other regulatory actions taken.

No independent experts represent subscribers in the Offering or the Members of the Fund.

The rights of the Managing Member to the Management Fees, the Net Profit Split, and other forms of management compensation payable to the Managing Member and its affiliates have not been negotiated at arm’s length. See “Compensation of the Managing Member and Its Affiliates” and “Conflicts of Interest.” Further, while the Managing Member has consulted with counsel, accountants and other experts regarding the structure and terms of this Offering and of the Fund’s proposed investments, such counsel and other advisers do not represent the subscribers or Members. The Fund and the Managing Member urge you to consult with your own legal, accounting, investment, tax and financial advisers regarding the desirability and appropriateness of purchasing Units and the suitability of an investment in the Fund. Subscribers should not consider the Managing Member’s law firm or the law firm of any of its affiliates to be their counsel and should consult with their own independent legal counsel on all matters concerning the offering and an investment in Units.

Risks Related to the Fund’s Investments in Properties, Tax Certificates and Risks Related to Investments in Real Estate in General

Investments in real estate are subject to inherent risks.

Risks that may apply to real estate investments generally include, without limitation, risks associated with the general economic climate; local real estate conditions and outlook; oversupply of certain types and classes of properties; adverse changes in consumer and business preferences for rental properties; demographic shifts; the ability of a property manager to manage the property; fluctuations in interest rates; increases in interest rates; changes in ability to obtain mortgage financing; tenant, zoning and regulatory restrictions; and governmental rules, regulations and fiscal policies, including the effects of inflation and enactment of

unfavorable real estate, environmental, zoning or tax laws, hazardous material laws, uninsured losses and other risks. Other adverse factors include, but are not limited to, the failure of tenants to pay rents on a timely basis or at all, the inability to maintain 100% occupancy of rental properties, the potential need to repair significant damage and destruction to rental and vacant properties caused by tenants or vandals, and the Fund's inability to control operating and closing costs, including site maintenance, insurance premiums, and real estate taxes.

There is no assurance that the Properties purchased or acquired by the Fund will be of a quality that will generate net rent and/or net income for the Fund.

The Fund intends to purchase Properties and Tax Certificates in many different places throughout the United States. Some of these places may be in areas that are unfamiliar to the Managing Member. For this and other reasons, some of the Properties that the Fund may acquire could turn out to be undesirable Properties, which, even after renovation, might yield little if any net income to the Fund or could result in losses to the Fund when rented or sold.

The Fund will incur significant, and sometimes unexpected, renovation and other costs when preparing Properties for rent or sale, and those costs may in some cases reduce any net income from a Property.

The Managing Member anticipates that, after the Fund acquires any Property – including Properties related to non-redeemed Tax Certificates – the Fund will be required to refurbish all such Properties before renting or reselling them. This will especially be true of any foreclosure properties and tax-defaulted properties that the Fund acquires, because such Properties are generally sold in an “as is” condition and usually require at least some cosmetic renovation. In some cases, such Properties may require more significant rehabilitation and refurbishing. The Fund could also incur unexpected renovation costs because of hidden conditions or defects of the Properties. These and other costs could, in some cases, reduce or eliminate the amount of net income the Fund can obtain from some Properties. The Managing Member anticipates using independent local workers to perform property renovations. The Fund will pay the costs of these services at the prevailing rates in the communities where the Properties are located. In addition, when the Properties are rented or sold, it is likely that the Fund will incur and pay usual and customary real estate commissions.

Numerous factors could affect a Property's ability to generate net income from renting and/or selling the Property.

Some of the factors that could affect a Property's ability to generate net income:

- the age, design and construction quality of the Property;
- perceptions regarding the safety, convenience and attractiveness of the Property;
- characteristics of the neighborhood, community and area where the Property is located;
- the existence and construction of competing properties;
- the proximity and attractiveness of competing properties;
- the adequacy of the Property's management and maintenance;
- national, regional or local economic conditions, including plant closings, industry slowdowns and unemployment rates;
- local real estate conditions, including any increase or decrease in, or oversupply or undersupply, of comparable space;
- demographic factors;
- customer tastes and preferences;
- retroactive changes in building codes; and
- changes in governmental rules, regulations and fiscal policies, including environmental legislation.

Particular factors that may adversely affect a Property's ability to generate net income include:

- an increase in interest rates, real estate taxes, insurance cost and other operating expenses;
- an increase in the capital expenditures needed to maintain the Property or make improvements;
- an increase in vacancy rates;
- a decline in rental rates; and
- natural disasters and civil disturbances such as fires, tornadoes, floods, riots, or acts of war or terrorism.

The volatility of net income generated by a Property over time can be influenced by many of the foregoing factors, as well as by:

- the length of tenant stays;
- the creditworthiness of tenants;
- the rates at which leases are renewed or replaced;
- the percentage of total Property expenses in relation to revenue;
- the ratio of fixed operating expenses to those that vary with revenues; and
- the level of capital expenditures required to maintain the Property and to attract and maintain tenants.

Any failure to effectively manage a Property could make it more difficult for the Property to compete effectively with similar properties and to maintain or increase profitability and value.

The operation of a Property will depend upon the local property manager's performance and viability. A property manager generally is responsible for:

- responding to changes in the local market;
- planning and implementing the rental structure, including establishing durations of leases and levels of rent payments;
- operating the property and providing maintenance services;
- managing operating expenses; and
- ensuring that maintenance and capital improvements are carried out in a timely fashion.

By controlling costs, providing appropriate and efficient services to tenants and maintaining improvements in good condition, a property manager may be able to maintain or improve occupancy rates, business and cash flow; reduce operating and repair costs; and preserve Property value.

On the other hand, management errors could, in some cases, impair the long-term viability of the Property. A Property must be competitive with neighboring properties in order to remain profitable. Inability or failure of a local property manager to maintain a Property will affect its ability to compete effectively with other similar properties.

Local market and economic conditions could reduce net income from a Property.

Local market and economic conditions for a Property could significantly affect occupancy, rental rates, and the operating performance of the Property. Such risks might include, but are not limited to:

- Decline in the local rates of employment or a lack of employment growth;
- Industry slowdowns, plant closings, job outsourcing and other factors that could affect the local economy;
- An oversupply of, or a reduced demand for, similar properties within the neighborhood or community;
- A decline in new household formation;

- Rent control or rent stabilization laws, or other laws regulating properties similar to the Property that could prevent the property manager from increasing or maintaining current rental rates or selling the Property;
- Increased costs of operating and maintaining the Property, including increases in the cost of utilities, property taxes, maintenance supplies and personnel costs; and
- Competition from other real estate alternatives that are available for rent, as well as new and existing real estate for sale, could make it more difficult to rent units for longer terms and maintain high occupancy rates, increase or maintain existing rental rates, and sell the Property.

Market conditions could significantly delay the sale of Properties acquired by the Fund or could force the Managing Member to sell Properties at a loss.

Although the Managing Member intends to eventually resell all of the Properties the Fund will acquire, there can be no assurance of when any Property will, in fact, be sold or the terms of any such sale. Market conditions may adversely affect the Fund's ability to sell the Properties at desired times and prices. Because of this, the Manager may be required either to extend the term of the Fund in hopes that market conditions will improve or to sell Properties at a loss to the Fund.

The Fund's investment portfolio of Properties and Tax Certificates will be relatively illiquid, making it difficult to make desired changes to the portfolio in a timely way.

Real estate investments and investments in Tax Certificates are relatively illiquid. Because the Managing Member's ability to vary the Fund's portfolio in response to changes in economic and other conditions may be limited, the Managing Member may not be able to dispose of Properties at the most appropriate time or for the highest sales price. The Fund plans to rent Properties acquired until the Properties are sold.

The Fund and its Members are dependent on the Managing Member to conduct due diligence in the selection of Properties and Tax Certificates, and there is no assurance that this due diligence will be effective in identifying all material issues and defects.

Before purchasing a Property or Tax Certificate for the Fund, the Managing Member will follow certain limited due diligence procedures.

The due diligence procedures for the purchase of Properties will generally include finding available Properties for sale by using realtor data searches and evaluating current comps of rent and sales prices of similar Properties in the immediate neighborhood by local licensed realtors. The local realtor will find and try to inspect each Property to estimate its condition and repair needs. No assurance can be given that this limited due diligence will detect all problems and defects that the Property may have, including determining its true value and condition. The Managing Member may hire a local licensed appraiser to write a report for the Fund of the estimated value to rent and sell the Property before the Property is purchased. Management will always rely on the local realtor's estimate of the appraised value of each purchased or sold Property. Management will always rely on the assessed property tax value that is set by the local county treasurer on all purchased Tax Certificates.

Whenever the Fund makes an offer to purchase a Property that is accepted, it may hire an inspector to write a report about the condition of the Property. The Managing Member may receive a termite report and a separate mold and structure report before the escrow closes. If these reports show serious damage, the Managing Member may either renegotiate the purchase price, require the seller to make repairs, or withdraw the offer. Most distressed Properties are sold in "as is" condition and cannot be inspected before the purchase.

The due diligence procedures for purchasing Tax Certificates will generally include conducting available tax lien data searches and evaluating the county assessed values of the offered properties. No assurance can be

given that this limited due diligence will detect all problems and defects that the property securing a Tax Certificate may have, including determining the property's true value and condition and determining whether title to the property is clear. In performing due diligence, the Managing Member will rely primarily on the county tax assessor's valuation of the property and improvements provided by the local county tax assessor's office and property title information supplied by the county at auctions or over-the-counter assignment sales of unsold Tax Certificates.

Fund Members will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning the Fund's investments in Properties or Tax Certificates.

Even though the Managing Member intends to implement procedures and investigations to try to identify and address problems before acquiring any Property, those procedures and investigations may not identify certain problems and latent defects like mold, toxicity, contamination, termites, and structural problems and roofing, plumbing, lighting, sewer, water and soil issues that could be very costly to correct.

The Managing Member's planned procedures to reduce risk in the Fund's purchase of Properties, when possible, include conducting a computerized screening process and including an external and if possible an internal inspection by both the local realtor and local licensed inspectors to write reports detailing the serious issues of the targeted Property before the escrow is closed. However, most distressed Properties are sold as is and cannot be inspected at all before purchase. When an inspection is possible, the local realtor and inspector will seek to gather information about the Properties' physical condition, needed renovations and renting and selling price comps of like-kind properties in the immediate area. The local inspector will provide a detailed investigation report including color pictures showing serious issues found. They will search for signs of mold, toxicity, contamination, termites, and structural problems and for roofing, plumbing, lighting, sewer, water and soil issues that can increase the cost to renovate the Property and reduce the amount of net profit the Fund can make when the Property is rented or sold.

A purchaser of a Tax Certificate is not entitled to any specific information concerning the condition of the related property nor can a purchaser inspect the property through the exercise of a right to entry. The Managing Member's planned procedures to reduce risk in the Fund's purchase of Tax Certificates include a detailed pre-bid computerized screening process that includes, under certain circumstances, an external inspection of targeted properties to the extent feasible to gather information about their physical condition and value.

Despite the best efforts of the Managing Member and of local real estate agents and inspectors, these procedures and investigations may not be successful in identifying the kinds of problems and latent defects listed above, any of which could turn out to be very costly to remedy or repair, particularly when no inspection of a distressed Property or a property associated with a Tax Certificate is possible.

The Fund's business is vulnerable to serious risks associated with any future recession or downturn in the economy and real estate markets.

Any future major drop in property values from an economic recession, especially if it is similar to the 2008 to 2011 real estate market crash, could seriously affect the future value and desirability of real estate and could have a potentially devastating effect on the Fund's investments, financial condition and profitability. Any future period of economic recession or slowdown, rising interest rates, or declining demand for real estate could adversely affect the Fund's business. Such economic conditions could result in reductions in rental rates and property sales prices. Changes in the market for real estate could limit the availability for purchase by the Fund of Properties and Tax Certificates that meet the Fund's acquisition guidelines. The condition of the real estate market tends to be cyclical and related to the condition of the economy as a whole or, at least, to the perceptions of real estate investors as to the economic outlook. Management may not be able to accurately anticipate or adequately respond to changes in economic and real estate market conditions, which could have a

material adverse effect on the Fund's business, financial condition and results of operations.

A change in interest rates on real estate loans could significantly affect the value of a Property.

Real estate loan rates could significantly change due to general economic conditions and downturns. Loss rates on such loans may increase as a result of factors such as local real estate market conditions, prevailing interest rates, the level of consumer confidence, the rate of unemployment, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. Any change in interest rates could dramatically affect the value of an investment in the Fund.

Actions taken to stabilize the economy may not have the intended effect.

Actions taken by the United States government, the Federal Reserve, and other governmental and regulatory bodies that are intended to stabilize the economy or financial markets may not achieve their intended effect. The ending or slowing of such actions after they have been in effect for a long period of time might also have a negative effect on the economy. Some of these actions might adversely affect financial institutions and capital providers, as well as property owners and tenants, and could therefore adversely affect the value of an investment in the Fund.

A Property acquired by the Fund could become subject to a government taking by condemnation or eminent domain, and the compensation given for that taking may not be adequate to cover the Fund's costs to purchase and renovate the Property.

There can be no assurance that a Property acquired by the Fund will not be taken for a public or quasi-public purpose by condemnation or eminent domain. In the event of a condemnation proceeding, the relevant authority may have the power and discretion to determine the value of the Property and such value may be less than the price the Fund paid to buy and renovate the Property. In such a case, the Fund could lose some or all of its investment in the Property.

By acquiring title to a Property, the Fund will become subject to any environmental risks associated with that Property, including responsibilities to investigate and clean up hazardous or toxic substances or chemical releases on the Property and liabilities for property damage, personal injury, investigation and cleanup costs.

Through its acquisition activities, the Fund intends to acquire title to Properties. Under various federal, state, and local environmental laws, ordinances and regulations, the Fund, as either the current holder of title or as a previous holder of title may be (i) required to investigate and clean up hazardous or toxic substances or chemical releases at such property and (ii) held strictly liable to a governmental entity or to third parties for property damage, personal injury, investigation and cleanup costs incurred by such parties in connection with the contamination. Liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. There can be no assurance that the Fund will not incur expenses in the future as a result of liabilities under environmental laws. Such expenses may not be covered by any insurance held by the Fund, in which event the business, prospects, financial condition and results of operations of the Fund could be materially adversely affected. Additionally, to the extent the Fund is the owner of a Property, private individuals occupying the Property may bring actions against the Fund for various environmental issues such as mold contamination.

Environmental hazards, if identified, could undermine the market value and commercial use of any Property.

If hazardous waste or other environmental hazards were to be found on any Property, the value of the Property would be negatively impacted and use of the Property might be jeopardized. There can be no assurance that

any Property in which the Company may invest, directly or indirectly, is or will be in compliance with all applicable environmental laws and regulations.

The Fund may not be able to comply fully with all current laws, rules, regulations, or licensing requirements, or that more restrictive laws, rules and regulations will not be adopted in the future that could make compliance substantially more difficult or expensive.

The real estate brokers and sales persons that the Fund will use to buy, renovate, rent and sell Properties are regulated by the states in which they do business. Those regulations include licensing requirements. The independent workers who will perform the renovation, rehabilitation and refurbishing of the Properties may not be licensed by the states in which they do business.

The Properties themselves will be subject to zoning and other land use restrictions. The Fund, as a purchaser and seller of real estate, will be subject to certain disclosure obligations, among other things, as required by the various states in which the Properties will be located. The Fund is also subject to laws governing its relationship with its employees, including minimum wage requirements, overtime, working conditions and work permit requirements. The Fund may hire independent contractors and not employees to perform most needed renovations and repairs.

The Managing Member believes that it will be able to obtain and establish the licenses, systems and procedures needed to ensure compliance with governmental requirements impacting the Fund and its business. However, there can be no assurance of full compliance with current laws, rules and regulations or that more restrictive laws, rules and regulations will not be adopted in the future that could make compliance substantially more difficult or expensive. If the Fund is unable to comply with such laws or regulations, it could negatively impact the Fund and its operations.

The Fund may not be able to compete effectively against other businesses and individuals that seek to acquire, manage and sell Properties and Tax Certificates, and this could negatively affect the Fund's operating results and financial condition and could require the Fund to try to adapt its business to address such competitive conditions.

The business of real property acquisition, management and resale is highly competitive. Because the Fund intends to focus primarily on the purchase of residential Properties and real estate Tax Certificates, the Fund will be required to compete not only with other real estate businesses but also with large numbers of individual purchasers who buy residential real estate and Tax Certificates for their own personal and investment purposes. Intense competition could decrease the supply and increase the cost of available Properties and Tax Certificates, limiting the Fund's ability to acquire Properties and Tax Certificates on favorable terms. There can be no assurances that existing or future business competitors will not develop programs for the acquisition of Properties and/or Tax Certificates that could significantly impact the Fund's ability to compete in its intended market niche and could negatively affect the Fund's operating results and financial condition. The Fund may be required to alter its business plans in the future to respond to competitive conditions that currently exist or that could develop in the future.

Although the Managing Member may seek to obtain insurance policies covering many of the risks relating to its Properties, such insurance may not be available on acceptable terms, or at all, and some risks may not be insurable.

Physical improvements on a Property that is subject to a Tax Certificate may be removed, destroyed, vandalized or abandoned by tenants and owners, and will also be subject to the vagaries of nature, in whole or in part, during the redemption holding period of the Tax Certificate, particularly if the Property is or becomes vacant. In addition, when a county or city government assesses a fine against such a Property, the government may, in some cases, demolish part or all of the improvements on the Property for safety reasons, for example,

when such a Property is being used as a drug house. The government's demolition costs will become a lien on the Property. During the redemption holding period, the Tax Certificate purchaser does not have legal rights to go onto or enter the Property. If the tax lien is not redeemed and the Fund decides to acquire the Property through foreclosure, the Fund may be required to pay any government fines or taxes assessed against the Property, and the remaining value of such property may be substantially diminished. The Fund will attempt to insure these Properties and its other Properties for casualty losses with comprehensive insurance, if available, including liability, loss of rents and fire. However, certain types of losses (generally of a catastrophic nature, such as earthquakes, floods, terrorism and wars) are either uninsurable or not economically feasible to buy. No insurance can ever be purchased on any Tax Certificate until the Fund actually owns the Property and has the title in its name.

Further, there can be no assurance that any insurance will be available at commercially reasonable rates, or at all. In the event that any of the Fund's Properties incurs a casualty loss that is not fully covered by insurance, including sometimes substantial losses caused by tenants and vandals, the value of the Fund's assets will be reduced by the amount of any such uninsured loss. In addition, the Fund may not have immediately available a source of funding to repair or reconstruct the damaged property, which could delay or prevent the Fund from completing the repair or reconstruction, and this could result in lost revenues if the Fund is unable to rent or sell the property.

The Fund may elect to foreclose on the title of a Property that is subject to a Tax Certificate. The Managing Member will seek to obtain a new title insurance policy on all such Properties it acquires from redeemable Tax Certificates. The Managing Member may not always be able to secure a new title insurance policy on these kinds of acquired Properties. Without title insurance, the Fund may be forced to absorb any losses caused by an unrecorded or unknown lien against the Property title and to pay the necessary cost to defend any challenges to title made by persons attacking the validity of the redeemable Tax Certificate. The Fund will also have to pay the cost of prosecuting any quiet title actions required in order to sell these Properties with clean titles.

Although the Fund may seek to obtain insurance for liabilities associated with the operation of the Fund's business, there can be no assurance that insurance will be available at commercially reasonable rates or at all. The Fund may purchase a general liability policy, if available, with coverage of approximately \$500,000 to \$1,000,000 to cover each Property. In the event that any of the Fund's operations results in a loss that is not covered or not fully covered by insurance, the value of the Fund's assets will be reduced by the amount of any such uninsured loss.

Some Tax Certificates purchased by the Fund may turn out to be worthless.

It is possible that certain Tax Certificates that are not redeemed by property owners will not be worth the expense of foreclosure, or for some other reason the Managing Member may determine that it is imprudent to foreclose on the property. Such Tax Certificates are commonly described as "worthless." In such instances, the Fund is not expected to foreclose on those Tax Certificates, nor is the Fund expected to receive a return of its principal investment in the Tax Certificates. Based on past experience, management believes that the industry average for worthless Tax Certificates during normal economic times is approximately 5% of all Tax Certificates purchased by investors. Management believes that the criteria it plans to use in choosing which Tax Certificates it will acquire should enable the Fund's percentage of worthless Tax Certificates to be approximately the same as the industry average. However, there is no guarantee that this will be the case. It is possible that the Fund's percentage of worthless Tax Certificates could be significantly greater than the industry average which would likely cause the Fund to sustain significant losses.

If a Tax Certificate is redeemed early by the property owner, a lender, or anyone else with an interest in the property, the early redemption will reduce the expected rate of return from the Tax Certificate to the Fund.

Because Tax Certificates may be redeemed at any time prior to the expiration of the redemption period of one, two or three years, depending on the state by the property owner, the owner's heirs, a lender, a mechanic lien holder, or anyone else with a legal interest in the title, any early redemption will reduce the anticipated rate of return to the Fund. For example, a mortgagee will have an interest in immediately paying off any delinquent property taxes in order to protect its existing title interest. In such an event, the Fund will reinvest the returned investment capital into new Tax Certificates. The new Tax Certificates may be purchased in a different county and state and at a different rate of interest and redemption period. The purchase of a new Tax Certificate will have a new cost for the Fund.

If a Tax Certificate purchased by the Fund is not redeemed, the Fund may be able to realize proceeds from the Tax Certificate only if it forecloses on the title to the property and the costs of foreclosure do not exceed the net proceeds from the sale of the property.

If a person with an interest in property covered by a tax lien does not pay the redemption price within the redemption period allowed by the county where the tax lien was purchased, the Fund may be able to realize proceeds from the tax lien only by foreclosing to obtain title to the property. The Managing Member will seek to obtain the title for the Fund only if it estimates that the net proceeds of sale of the acquired property will be sufficient to justify obtaining the title. The Fund will endeavor to invest in Tax Certificates that are likely to be redeemed, or if not redeemed, cover a property that has a market value exceeding the purchase price of the Tax Certificates. In the event the Fund forecloses on a property that is covered by a tax lien, the Fund will incur expenses, including, without limitation, legal fees and costs, accruing interest, and any county or city fines assessed against the property, which will be deducted from the amount recoverable by the Fund and will reduce or eliminate the amount of net income to the Fund or will cause the Fund to lose money on that tax lien.

Bankruptcy court proceedings could forestall, delay or modify an action to obtain title to a property covered by an unredeemed Tax Certificate or could affect the taxes, interest and fees that the Tax Certificate holder may be able to collect.

If a bankruptcy court determines that a delinquent property is included in the estate of a bankrupt property owner, the application for bankruptcy protection by the owner will forestall, delay or modify an action to obtain title to a property until the redemption price of the related Tax Certificate is paid to the Fund. It will also affect the taxes, interest and fees that the Tax Certificate holder may be able to collect. In some states the county government can cancel the sold Tax Certificate and return the purchase price to the purchaser.

Any failure of the Fund or of local authorities to comply with due process of law could invalidate a non-redeemed Tax Certificate or deed to the property covered by the Tax Certificate and could prevent the Fund from obtaining a refund of its purchase price.

Any tax lien on real property obtained after the failure of an owner to redeem may be declared invalid because of a failure to comply with due process of law. The Fund will use registered U.S. mail with a required return receipt when serving notice to parties with an interest in the property. Some states require publishing the foreclosure notice in a local newspaper and posting the notice on the front door of the property.

The Managing Member and the Fund will rely on local authorities to perform statutory duties in relation to a Tax Certificate. If those authorities prejudice the rights of the Fund through failure to perform their statutory duties, the Fund may have to hire a local attorney to file litigation for the return of the purchase price of the Tax Certificate or for specific performance.

Subordination of the Fund's Tax Certificates to other liens could adversely affect the Fund's investment.

The Fund's Tax Certificates may be subordinated to certain federal and state tax liens for unpaid income taxes. To the extent such government liens exist on a property, if the foreclosure and sale of that property does not generate enough money to satisfy those liens, the Fund may not receive any return of its investment in the

related Tax Certificate. In addition, the Fund's failure to pay subsequent taxes on property covered by such tax liens may allow the holders of such subsequent liens to have priority over the lien of the Fund. Accordingly, this loss of priority status may ultimately adversely affect the Fund's investment. Furthermore, the Fund may need to allocate additional funds to a property to purchase subordinate liens (future years' taxes) in order to obtain free and clear title to the property. The Fund may pay the future years' property taxes to the county treasurer on a lien to protect the priority interest in the property and to earn additional interest if the lien is redeemed.

If the Fund uses borrowed funds to finance the purchase or development of any Property or to finance the purchase of Tax Certificates, such leveraging will divert future cash flows toward payment of interest and repayment of principal.

Any use of borrowed funds to finance the purchase or development of a Property or the purchase of Tax Certificates could involve a high degree of financial risk and could exaggerate the effect of any increase or decrease in value. The possibility of partial or total loss of capital would exist, and investors should not subscribe to invest in Units unless they can readily bear the consequences of such a loss.

The Fund may become subject to adverse claims and litigation regarding its ownership interest in Properties and Tax Certificates.

The Fund may become subject to adverse claims and litigation regarding the Fund's ownership of the Properties and Tax Certificates and claims for invalid liens on properties subject to the Tax Certificates, which could result in material litigation costs to the Fund and potentially negative outcomes and could divert the attention of management from managing the business of the Fund. The Fund has not yet purchased any Properties or Tax Certificates, and neither the Fund nor the Managing Member is currently a party to any such litigation.

The tax aspects of the Fund's investment in Properties and Tax Certificates may not be free from doubt.

The tax aspects of investing in Properties and Tax Certificates involve various issues about which the tax results may not be free from doubt. The Fund has not applied for a ruling from the IRS or obtained an opinion of legal counsel as to any tax matters. Consequently, you must consult with, and rely solely on the advice of, your personal tax advisers before investing in Units.

ACCOUNTING MATTERS

Fiscal Year

The Fund will operate on a calendar year basis, with its fiscal year ending on December 31.

Method of Accounting

Subject to the Managing Member's discretion, the Fund intends to maintain its books and records and to report its income tax results in conformity with generally accepted accounting principles (GAAP). However, the Managing Member reserves the right to change the Fund's method of accounting.

Reports, Books and Records

During the term of the Fund, the Managing Member will keep proper and complete accounting records. The Fund's books and accounting records will be kept at a secure location and can be brought to the Fund's principal place of business. Members will at all times, during reasonable business hours (by setting an

appointment), have the right to inspect, examine and copy such books and records. However, personal information regarding other Members will not be made available due to privacy rights.

Within 30 days after the end of each calendar quarter, the Managing Member will mail each Member's Quarterly Distribution check (if payable) and also post online, in a password-protected area of the Fund's website, a quarterly report to Members. On or before March 31 of each year, the Managing Member will also mail each Member's Annual Distribution check (if payable). The quarterly report will include a description of any significant activities and events involving the Fund during the period, and will include the Managing Member's best estimate of the current value of the outstanding Units as of the end of the quarter.

The Fund's operating calendar quarters run from January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31. On or before March 15th of each year, the Managing Member will issue a Schedule K-1 to each Member showing the Member's share of income, losses, deductions and credits reported by the Fund on its tax return for the prior year.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations which may be relevant to a prospective Member who or which is a U.S. person. For purposes of this discussion, a "U.S. person" is (1) a citizen or resident of the United States, (2) a corporation or partnership organized in the United States or under the law of the United States or of any State, (3) an estate (other than a foreign estate the income of which, from sources without the United States, is not effectively connected with a trade or business conducted within the United States), or (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust. A "non-U.S. person" is a person or entity other than a U.S. person. This summary does not attempt to discuss all of the tax consequences that might be applicable to a Member, and does not discuss the special income and withholding tax considerations (U.S. and foreign) applicable to non-U.S. persons. The discussion below is based on the Code, existing law, judicial decisions and administrative regulations, rulings and practice, all of which are subject to change. Legislation may be enacted to interpretive Treasury Regulations may be issued in the future that could be retroactive with respect to transactions entered into prior to the effective date thereof or that could generally affect the Fund (or an investment therein). Hence, there can be no assurance that future legislation will not affect, perhaps adversely, the tax treatment of gains, losses and expenses arising from past or future activities of the Fund.

The discussion set forth herein is not advice intended to be relied upon and used, and cannot be used, by any taxpayer for the purpose of avoiding any penalties imposed on the taxpayer by any taxing authority. This summary was written to support the promotion or marketing of the transactions contemplated by and described in this Offering Memorandum. Each prospective purchaser of Units should seek advice based on his or her particular circumstances from an independent tax adviser concerning the income tax (and other tax) consequences of participation in this investment.

The summary is addressed generally to potential Members who are individuals, and (except as may be discussed below from time to time) it does not discuss the federal income tax consequences of an investment in the Fund to corporate taxpayers, tax-exempt entities and estates trust. There may be collateral or additional tax consequences applicable to an investment in the Fund by such potential Members. In addition, the Fund and the Members may be subject to taxes other than federal income taxes, including state and local taxes, estate, inheritance and intangible property taxes and sales and use taxes.

The tax aspects of investing in Tax Certificates involve various issues (discussed below) about which the tax results are not free from doubt. The Fund has not applied for a ruling from the IRS or obtained an opinion of legal counsel as to any tax matters. Consequently, prospective Members must consult with, and rely solely on the advice of their personal tax advisers as to the tax consequences to them of this investment. The following

discussion is not tax advice. Prospective Members are strongly urged to consult their tax advisers with respect to an investment in the Fund.

Fund Status

Classification as a Partnership

Current U.S. Treasury Regulations provide that, unless it elects to be classified as a corporation, a domestic limited liability company will be classified as a partnership for federal income tax purposes. (See Treas. Reg. 301.7701 -3(b)(1).) The Fund has not elected to be classified as a corporation. Therefore, it should be treated as a partnership for federal income tax purposes under current law.

Taxation of Members and Fund Operations

General

The Fund itself will not be subject to federal income tax, but will be required to report the results of its operations on a partnership information return filed annually with the IRS. Each Member will be required to report on his or her income tax return each year, an allocable share of the Fund's income, gain, loss, deduction and items of tax preference, and will be subject to tax on his or her share of the Fund's taxable income, whether or not he or she has received or will receive any cash distributions from the Fund in such year.

The Managing Member anticipates that the Fund will generate primarily ordinary income, which generally cannot be offset by capital losses.

Adjusted Basis

Each Member's adjusted basis in the Units will be equal to his or her cash investment, increased by the amount of his or her share of items of income and gain of the Fund, and by his or her share of Fund non-recourse liabilities, and reduced, but not below zero, by (a) the amount of his or her share of items of losses and deductions of the Fund, (b) expenditures which are neither properly deductible nor capitalized, and (c) the amount of any distributions received by such Member. A reduction (due to amortization or otherwise) in the amount of Fund non-recourse debt that was included in a Member's basis in his or her Units is treated as a cash distribution to such Member for these purposes.

Cash Distributions made to a Member will not, to the extent of his or her adjusted tax basis in the Units, result in taxable income to such Member, but will reduce his or her basis in the Units. Distributions received by a Member in excess of basis will result in recognition of gain.

A Member may deduct his or her share of any losses of the Fund (whether ordinary or capital) only up to the amount of his or her adjusted basis in the Units. Cash losses in excess of a Member's adjusted basis in his or her Units in any year may be carried forward and deducted in succeeding years subject to this limitation. In addition, under Section 465 of the Code, non-corporate Members cannot deduct losses from the Fund in excess of their amount "at risk" in the Fund, which would include their cash investment but generally would not include amounts borrowed by the Fund to acquire Tax Certificates.

Gain or Loss of Sale of Units

A Member who sells or disposes of his or her Units on their own will recognize gain or loss for tax purposes to the extent the sales price (including such Member's share of any non-recourse debt of the Fund) exceeds or is less than his or her adjusted basis in the Units.

Provided that the Fund is not deemed to be a dealer in REOs or Tax Certificates, gain or loss recognized by a Member upon a sale or other disposition of his or her Units generally should be treated as capital gain or loss, except for any gain which is attributable to such partner's distributive share of income of the Fund up to the date of sale or disposition (which income will be taxed as described below). Such capital gains or capital loss will be treated as long-term capital gain or loss of the Units so disposed of were held for more than one year, or as short-term capital gains or loss if the Units so disposed of were held for one year or less.

Income from Payments on Tax Certificates

The Fund intends to invest in Tax Certificates it believes will generally be redeemed for cash. The Fund expects to derive primarily ordinary income from its investments in Tax Certificates, attributable to its receipt of redemption payments in excess of the price paid to purchase the applicable Tax Certificates. Such payments are not expected to give rise to capital gain because the receipt of such payments generally is not treated as a sale or exchange for federal income tax purposes.

Gain or Loss on Sale of Properties

On a sale of Properties by the Fund, the difference between the sales proceeds and the Fund's adjusted basis in the Properties would give rise to the Fund's recognition of gain or loss. If the Fund were to be treated for federal income tax purposes as a dealer in Properties or if the Properties were otherwise considered to be inventory in the Fund's hands, then the Fund's gain or loss from sales of Properties would be ordinary rather than capital, and its income from holding and disposing of Properties would constitute unrelated business income as to tax-exempt Members. The Managing Member anticipates that the Fund will hold the Properties as capital assets, but cannot assure this result as it will depend upon the actual facts relating to the Fund's future business operations and its sales of Properties. The Fund's position with respect to this issue may be successfully challenged, or the Fund may in any event be required to report as ordinary income the portion of any sale proceeds representing interest accrued to the date of such sale.

Gain or Loss on Sale of a Tax Certificate

On a sale of a Tax Certificate by the Fund, the difference between the sales proceeds and the Fund's adjusted basis in the Tax Certificate would give rise to the Fund's recognition of gain or loss. If the Fund were to be treated for federal income tax purposes as a dealer in Tax Certificates or if the Tax Certificates were otherwise considered to be inventory in the Fund's hands, then the Fund's gain or loss from sales of Tax Certificates would be ordinary rather than capital, and its income from holding and disposing of Tax Certificates would constitute unrelated business income as to tax-exempt Members. The Managing Member anticipates that the Fund will hold the Tax Certificates as capital assets, but cannot assure this result as it will depend upon the actual facts relating to the Fund's future business operations and its sales of Tax Certificates. The Fund's position with respect to this issue may be successfully challenged, or the Fund may in any event be required to report as ordinary income the portion of any sale proceeds representing interest accrued to the date of such sale.

Income or Loss on Sale of a Property

Although the tax law in this area as applied to REOs is not entirely clear, a foreclosure by the Fund on a Property could be expected to result in the Fund's recognition of ordinary income to the extent that the value of the underlying real property exceeds the Fund's adjusted basis in the Properties. The Fund's initial adjusted basis in real property so acquired will equal the property's fair market value on the foreclosure date.

On a subsequent disposition of such property to the Fund, the difference between the sales proceeds and the Fund's adjusted basis in the property would give rise to the Fund's recognition of gain or loss. Provided that the Fund is not treated as a dealer in real estate, such gain or loss should be capital gain or loss except for the

portion of any capital gain, which is characterized as ordinary income under the depreciation recapture rules of Section 1250 of the Code.

Income or Loss on Sale of a Property

Although the tax law in this area as applied to REOs is not entirely clear, a foreclosure by the Fund on a Property could be expected to result in the Fund's recognition of ordinary income to the extent that the value of the underlying Property exceeds the Fund's adjusted basis in the Property. The Fund's initial adjusted basis in Property so acquired will equal the Property's fair market value on the foreclosure date.

On a subsequent disposition of such Property to the Fund, the difference between the sales proceeds and the Fund's adjusted basis in the Property would give rise to the Fund's recognition of gain or loss. Provided that the Fund is not treated as a dealer in real estate, such gain or loss should be capital gain or loss except for the portion of any capital gain which is characterized as ordinary income under the depreciation recapture rules of Section 1250 of the Code.

Income or Loss on Sale of a Property Covered by a Tax Certificate

Although the tax law in this area as applied to Tax Certificates is not entirely clear, a foreclosure by the Fund on a Property covered by a Tax Certificate could be expected to result in the Fund's recognition of ordinary income to the extent that the value of the underlying Property exceeds the Fund's adjusted basis in the Tax Certificate. The Fund's initial adjusted basis in Property so acquired will equal the Property's fair market value on the foreclosure date.

On a subsequent disposition of such property to the Fund, the difference between the sales proceeds and the Fund's adjusted basis in the Property would give rise to the Fund's recognition of gain or loss. Provided that the Fund is not treated as a dealer in real estate, such gain or loss should be capital gain or loss except for the portion of any capital gain which is characterized as ordinary income under the depreciation recapture rules of Section 1250 of the Code.

Limitation on Deductibility of Passive Activity Losses

Non-corporate taxpayers and certain closely held corporations deriving net losses from passive activities are permitted to deduct such losses only to the extent of their income from passive activities. Passive activity income does not include, among other items, "portfolio income," such as interest income and income from investment. Unused passive activity losses can be carried forward and deducted in future years, subject to the same limitations.

Although the application of the passive activity rules to the Fund is unclear, the Fund currently expects to report its income and loss as non-passive activity income and loss, rather than as passive activity income and loss. As indicated, non-passive activity income from the Fund could not be offset by a Member's passive activity losses from other investments. In the absence of any published authority concerning the application of the passive activity loss rules to the ownership and disposition of Properties and Tax Certificates, the characterization of the Fund's taxable income (loss) from Properties or Tax Certificates as passive or non-passive activity income (loss) is subject to some uncertainty and there can be no assurance that the Fund's position will not be successfully challenged, or that deductions claimed by Members on account of Fund tax losses (if any) will not be disallowed to the extent such deductions exceed such Member's passive activity income from other investments.

Unless the Fund is considered to be a dealer in real property, income and losses (if any) from the Fund's ownership and disposition of Properties, including any Property acquired by foreclosing on a Tax Certificate, generally would be treated as passive activity income and loss.

Members who are subject to the passive activity loss limitation should consult their tax advisers concerning the application of these rules to this investment, and to any indebtedness incurred by them in connection with this investment.

Limitation on Deductibility of Investment Expenses

An individual's miscellaneous itemized deductions, including his or her investment expenses other than investment Units, are deductible for regular income tax purposes only to the extent that they exceed 2% of his or her adjusted gross income and are not deductible at all for alternative minimum tax purposes. The deductible portion of such expenses is then reduced by an amount equal to the lesser of (i) 3% of an individual's adjusted gross income in excess of the threshold or (ii) 80% of the individual's itemized deductions otherwise allowable for such taxable year. If the Fund is considered to be engaged in a trade or business for this purpose, then the forgoing limitations on itemized deductions will not apply to a Member's share of Fund expenses. This determination is dependent on the actual facts and circumstances of the Fund's activities, and will be made by the Managing Member in consultation with the Fund's accountant. Even if the Managing Member determines that the Fund can take a position that is engaged in a trade or business, the Fund's position could be successfully challenged. Accordingly, prospective Members who are individuals should consider that the limitation may apply to their share of Fund expenses (other than Units). Whether or not deductible, the entire amount of the Fund fees and expenses will reduce the amount of cash available for distribution to Members.

Alternative Minimum Tax

The alternative minimum tax, if applicable, will not be imposed on the Fund as such, but each Member must include in the computation of his or her own certain other items. The application of the alternative minimum tax to particular investors will vary, depending on their personal tax situation, and should be reviewed by each investor with his or her personal tax adviser. The Managing Member recommends that all interested investors consult with their own attorney, accountant and financial adviser.

Tax Audits

The income tax returns of the Fund may be audited. Any such audit may result in an audit of the tax returns of the Members and could result in tax deficiencies unrelated to the Fund. Audit changes made to the Fund's tax returns would result in corresponding changes to the Member's tax returns. Such changes, under the tax rules providing for administrative and judicial proceedings at the partnership level, would be binding on the Members under most circumstances. Further, in case of non-corporate and certain corporate Members, interest paid on tax deficiencies is non-deductible.

Tax-Exempt Members and Unrelated Business Taxable Income

Tax-exempt entities (e.g., IRAs and trusts formed to implement qualified pension, Keogh, profit-sharing and stock bonus plans) are exempt from taxation except to the extent that their "unrelated business taxable income" ("UBTI"), determined in accordance with Sections 511-514 of the Code, exceeds \$1,000 during any taxable year. (In addition, a tax-exempt Member must file a tax return for any year in which its gross unrelated business income is \$1,000 or more, even if it owed no tax.) The tax is imposed at such income tax rates as would be applicable to the organization if it were not otherwise exempt from taxation. If an exempt organization is a Member, the organization is required to include in its computation of its UBTI its pro rata share of the portion, if any, of the Fund's taxable income that would be taxable to the organization as UBTI if earned directly by the organization. As discussed below, this investment is not anticipated to generate UBTI.

UBTI, as defined in Section 512 of the Code, generally means the taxable income (with certain modifications) derived by a tax-exempt organization from a trade or business, or from “debt-financed” assets, that is not substantially related to such organization’s performance of its exempt function. Income and gains described in Sections 512(b)(1)-(5) of the Code (generally, interest, dividends, and gains from dispositions of capital assets) generally are excluded from UBTI except to the extent that such income is derived from or attributable to “debt-financed property,” as defined in Section 512(b) of the Code. The Fund currently does not anticipate that it will incur indebtedness in connection with its acquisition of Properties or Tax Certificates, and the Managing Member therefore anticipates that none of the Fund’s taxable income from its Properties or Tax Certificates will be treated as UBTI.

The Investors that invest their retirement capital must consider the effect of the UBTI tax they may have to pay because of the use of borrowed capital. Each Investor should seek the advice of their own tax adviser regarding the possible effect from the net income produced.

Leverage Use

The Fund generally does not plan to borrow money to finance its purchase of Properties or Tax Certificates, but will instead use available cash to finance such purchases. However, the Fund may, in the Managing Member’s sole discretion, arrange for loans, credit lines or advances (collectively, “**Loans**”) from commercial lenders or from the Managing Member or its affiliates to meet current Operating Expenses and to allow the Fund to pursue favorable opportunities that may require borrowed funds. Thus, there may be times during the operating year when the Fund will have outstanding Loans and other times when such Loans will be fully repaid. The Members will not be personally responsible for the borrowed capital, but the Fund will be required to repay the principal and interest on any such Loans prior to making any distributions to Members. Members could potentially benefit if the Fund is able to use leverage to take advantage of opportunities that the Fund would otherwise have to forego if it didn’t have access to borrowed funds. However, the Managing Member intends to use leverage judiciously to avoid subjecting the Fund to the risk of having to service debt on any property whose value may be substantially less than the amount of the debt against the property after a severe market downturn. Management does not intend to borrow more than 50% of the current value of any property when the loan is made.

The Managing Member and its affiliates are not required to loan money to the Fund, but if any of them voluntarily agrees to make a Loan to the Fund, they will charge the Fund a front-end flat fee of 4% of the amount of the Loan as compensation for the first 60 days that the Loan is outstanding, and if the Loan is not repaid within 60 days, they will charge an additional flat fee of 1% as compensation for each additional month or any part of a month that the Loan remains outstanding, subject to any limitations under applicable usury laws. Management of the Managing Member believes that this rate of compensation is at least as favorable as the Fund would be able to negotiate with any third party lender in an arm’s length transaction. See “Conflicts of Interest.”

State and Local Taxes

In addition to the federal income tax considerations summarized above, the Fund and the Members may be subject to various state and local taxes, including state and local income taxes in the jurisdictions in which the Fund acquires Properties and Tax Certificates. Members may be required to file tax returns and pay taxes in such jurisdictions, in addition to their jurisdiction of residence. Income taxes imposed by such states on a non-resident Member’s share of the Fund’s income sourced to such states may be creditable against income taxes imposed on such income by the state in which such Member resides. The treatment of certain items of income, gain, loss or deduction under state and local income tax laws may differ from the treatment of such items under federal income tax law. Any state or local taxes payable by the Fund itself would reduce the cash available for distribution to the Members and may not be fully deductible by Members for federal income tax purposes.

Prospective Investors should consult with their own professional tax advisers concerning the state and local tax consequences to them of an investment in the Fund.

The foregoing summary is not intended as a substitute for professional tax advice. In addition, the foregoing does not discuss estate tax, gift tax or other estate planning aspects of this investment, nor does it discuss the special U.S. income and estate tax rules applicable to foreign investors. Accordingly, prospective Members must consult their own tax advisers with respect to the effects of this investment on their own tax situation.

Allocations of Taxable Income, Gains and Losses

In general, taxable income and losses of the Fund will be allocated among the Members according to the number of Units they own in such a manner as to effectuate, to the extent possible, the distribution of cash available for distribution described above under “Distribution. Also, certain special allocations may be required to comply with “minimum gain chargeback” and other requirements of Section 704 of the Code and the Regulations thereunder, as described in the Operating Agreement.

INVESTOR QUALIFICATIONS AND SUITABILITY STANDARDS

Accredited Investor Requirements

You will be required to represent to the Managing Member in the Subscription Agreement that you qualify as an accredited Investor, as defined in Rule 501(a) of Regulation D under the Securities Act (“**Accredited Investor**”). You must also indicate on the Accredited Investor Questionnaire at the end of the Subscription Agreement how you qualify as an accredited investor. This is done by checking the box next to each applicable category in the definition of accredited investor as listed on the Accredited Investor Questionnaire. Those categories are as follows:

Accredited Investor Categories for Individuals

- A natural person who had an individual income in excess of \$200,000 in each of the two most recent years, or joint income with that person’s spouse in excess of \$300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year.
- A natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of the purchase of Units, is in excess of \$1,000,000. (**Instruction:** For purposes of calculating net worth: (1) your primary residence shall not be included as an asset; (2) indebtedness that is secured by your primary residence, up to the estimated fair market value of your primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of your primary residence, the amount of such excess shall be included as a liability); and (3) indebtedness that is secured by your primary residence in excess of the estimated fair market value of your primary residence shall be included as a liability.)

Accredited Investor Categories for Entities

- An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the Units, with total assets in excess of \$5,000,000.

- A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Units, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment.
- A bank as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in an individual or fiduciary capacity.
- A broker dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.
- An insurance company as defined in Section 2(a)(13) of the Securities Act.
- An investment company registered under the Investment Company Act of 1940 or business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940.
- A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
- A plan established and maintained by a state of the United States of America, its political subdivisions, or any agency or instrumentality of a state of the United States of America or its political subdivisions, for the benefit of its employees that has total assets in excess of \$5,000,000.
- An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
- An entity in which all of the equity owners are accredited investors as defined by any of the above categories. (If you check this category, you must also provide a list of all of the equity owners of the entity and their written certifications that they are each accredited investors, identifying the category of accredited investor of each.)

In addition to representing that you qualify as an accredited investor, you will be required to provide written verification to the Managing Member that you are an accredited investor, as described in the Instructions to the Subscription Agreement, attached as Exhibit A, under “How to Verify That You Are an Accredited Investor.”

Investor Sophistication

Subscribers should consult with their own attorneys and financial and tax advisers to determine whether an investment in the Units is suitable for their respective financial and tax situations and investment objectives. Each subscriber must certify to the Fund that an investment in the Units is suitable for them by making the following representations and warranties (among others) in the Subscription Agreement:

- The subscriber has such knowledge and experience in financial and business matters as to make the subscriber capable of evaluating the merits and risks of an investment in the

Units, of making an informed investment decision with respect to such an investment, and of protecting the subscribers Units in the investment.

- The subscriber has adequate means of providing for current financial needs and possible contingencies, has no need for liquidity in this investment, and has not borrowed funds to purchase Units without having a source of repayment of the borrowed funds other than the Units being purchased.
- The subscriber has the financial ability to bear the high degree of economic risk of an investment in the Units, including, but not limited to, the possibility of the complete loss of the subscribers entire investment and the limited transferability of the Units, which may make the liquidation of this investment impossible for the indefinite future.

ADDITIONAL INFORMATION

You may ask questions and receive answers concerning the terms and conditions of the Fund Offering and obtain any additional information that the Fund possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of information provided in this Memorandum. Prospective Upon written request of the Managing Member, you may review copies of the organizational documents and material contracts or organizational documents relating to the Fund.

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EXHIBIT A

SUBSCRIPTION AGREEMENT

INSTRUCTIONS

How to Subscribe

If you wish to subscribe for Units in the Offering, you should take each of the following steps:

- Print, complete and sign the Subscription Agreement, including the Registration Form appearing at the end of the Subscription Agreement.
- Prepare a check payable to “Distressed Realty Fund 2, LLC” for the purchase price of the Units.
- Obtain written verification that you are an accredited investor, as described below under “How to Verify That You Are an Accredited Investor.”
- Deliver the completed Subscription Agreement, check and accredited investor verification to the following address:

Distressed Realty Fund 2, LLC
c/o Realty Fund Management 2, Inc.
3960 Howard Hughes Parkway, Suite 500
Las Vegas, Nevada 89169
Attention: David Zussman, CEO
Email: zussman@cox.net
Phone: (714) 342-0785 Fax: (949) 640-2814

All subscription funds when received by the Fund will be deposited in the Fund’s corporate bank account at Chase Bank in Las Vegas. The Managing Member may accept or reject any subscription in its sole discretion. The Managing Member may close the Offering at any time, and from time to time, without any requirement to raise a minimum amount before the first closing. At the time of each closing, all deposited subscription funds will become available to the Managing Member to use for the Fund’s operations as described in the Offering Memorandum. If the Managing Member elects not to accept your subscription, the Managing Member will promptly remit to you, without interest or deduction, the purchase price you paid to the Fund.

If the Managing Member accepts your subscription, in whole or in part, the Managing Member will list you as a party to the Operating Agreement and a Member of the Fund, and will record that you are the owner of the purchased Units on the Unit holder register for the Fund. No physical certificates representing the purchased Units will be issued or delivered to Members; all Units will be issued in uncertificated form.

How to Verify That You Are an Accredited Investor

When subscribing for Units, you must provide the Managing Member with written verification of your status as an accredited investor. You may do this by utilizing any qualified accredited investor verification service. Such services charge investors a fee for their verification services. Those fees can vary, so you should consider different vendors and select one whose fees and services best meet your needs.

You need to obtain your accredited investor verification within three months before your purchase of Units in the Offering, so if you have previously obtained a verification that is more than three months old, you will be required to obtain a new one.

If you have any questions about the accredited investor verification process, please review the information provided by the different verification services on their websites.

If you have difficulty understanding this process, please do not hesitate to contact David Zussman, CEO of the Managing Member, at zussman@cox.net or (714) 342-0785.

Neither the Fund nor the Managing Member, nor any of their respective affiliates, has any interest in or affiliation with any investor verification service, guarantees their services, or will receive any portion of the fees paid to use their services.

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SUBSCRIPTION AGREEMENT

I, the undersigned subscriber, understand that Distressed Realty Fund 2, LLC, a Nevada limited liability company (the “**Fund**”), is offering for sale on a best-efforts basis up to 1,000 Units at the purchase price of \$5,000 per Unit, upon the terms and conditions set forth in this subscription agreement (“**Agreement**”) and in the Fund’s Confidential Private Placement Memorandum dated May 31, 2015 (together with all exhibits, amendments, and supplements thereto, the “**Offering Memorandum**”).

1. Subscription for Units. Subject to the terms and conditions of this Agreement, I hereby irrevocably subscribe for and agree to purchase from the Fund that number of Units which is set forth on the signature page of this Agreement, at a purchase price of \$5,000 per Unit with a check payable to “Distressed Realty Fund 2, LLC” for the full purchase price of the Units in immediately available funds. I understand that the minimum number of Units I may purchase is one (1), for the minimum purchase price of \$5,000.

2. Acceptance of Subscription; Use of Proceeds.

a. I understand and acknowledge that Realty Fund Management 2, Inc., a Nevada corporation, is the managing member of the Fund (the “**Managing Member**”) and has the right to accept or reject my subscription, in whole or in part, and that my subscription shall be deemed to be accepted by the Fund only if and when this Agreement is accepted and executed by a duly authorized representative of the Fund.

b. I understand that all subscription funds received by the Fund hereunder shall be deposited in the Fund’s bank account at Chase Bank in Las Vegas, Nevada. The Managing Member will determine whether to accept my subscription. If the Managing Member elects not to accept my subscription, in whole or in part, the Managing Member shall promptly remit to me, without interest, all or the balance (in the case of a partial acceptance) of the purchase price tendered herewith. If the Managing Member accepts my subscription, in whole or in part, I agree to become a Member of the Fund upon the terms and conditions of this Agreement and the Operating Agreement and will be deemed to have signed and become a party to the Operating Agreement.

c. The Managing Member shall record in the Fund’s membership registry my name and address and the number of Units I have purchased. The Fund shall issue the Units in uncertificated form.

d. I understand that the Fund will use the net proceeds from this Offering for the purposes that are described in the Offering Memorandum.

3. Representations, Warranties and Covenants of the Subscriber. By executing this Agreement, I am making the following representations, warranties, and covenants in order to induce the Fund to accept my subscription for Units: I acknowledge that the Fund and the Managing Member and its officers, directors, employees, consultants, counsel and agents will rely upon the following representations, warranties and covenants in determining whether I am qualified to participate in the Offering and whether the Offering is exempt from registration under the Securities Act of 1933, as amended (the “**Securities Act**”), and from registration and qualification under all applicable state laws. I agree that such representations and warranties shall survive my purchase of Units.

a. I am the sole and true party in interest, am acquiring the Units as principal for my own account for investment, am not purchasing the Units for the benefit of any other person, and have no present intention of or view to acquiring, holding or managing the Units for or with others or of selling, distributing or otherwise disposing of all or any portion of, or interest in, the Units.

b. I am (i) if a natural person, at least 21 years of age, and (ii) a bona fide permanent

resident of and am domiciled in the state or jurisdiction set forth as my residence or business address on the Registration Form at the end of this Agreement.

c. I understand that the Fund is offering the Units under the exemption for non-public Offerings provided by Section 4(a)(2) of the Securities Act and Rule 506(c) of Regulation D thereunder. By initialing one of the accredited investor categories listed on the Accredited Investor Questionnaire at the end of this Agreement, I represent and warrant that I qualify as an “accredited investor” as defined in Rule 501(a) of Regulation D (“**Accredited Investor**”).

d. I agree to provide the Managing Member with written verification of my status as an accredited investor in a manner that is compliant, in the sole judgment of the Managing Member, with the requirements of Rule 506(c)(2)(ii) of Regulation D and demonstrates that the Managing Member has taken reasonable steps to verify my status as an accredited investor, by utilizing a qualified accredited investor verification service. I further represent and warrant that the information I have provided and the representations I have made to the party verifying my status as an accredited investor are accurate, complete and truthful.

e. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Units, of making an informed investment decision with respect thereto, and of protecting my interests in connection with an investment therein. I have significant prior investment experience, including such experience investing in securities that has allowed me to make an informed investment decision with respect to an investment in the Fund and to protect my interests in connection with that investment.

f. I am aware that an investment in the Units is highly speculative and subject to substantial risks. I recognize that the Fund, its business and my investment in the Fund will be subject to numerous investment, business and operating risks, many of which will be beyond the control of the Managing Member and the Fund. Neither the Managing Member nor the Fund nor any of their affiliates can guarantee the return of my capital or that I will derive any income or profit from my investment. I have adequate means of providing for my current financial needs and possible contingencies and have no need for liquidity in this investment. I have not borrowed funds to purchase my interest without having a source of repayment of the borrowed funds, other than the Units being purchased. I have the financial ability to bear the high degree of economic risk of this investment, including, but not limited to, the possibility of the complete loss of my entire investment and the long-term limited transferability of the Units, which could make the liquidation of this investment impossible for the indefinite future.

g. I have been informed of and understand the risk factors set forth in the Offering Memorandum under “Risk Factors” relating to an investment in the Fund. I acknowledge that the Offering Memorandum contains forward-looking statements that involve risks and uncertainties and that due to, among other things, the risk factors set forth in the Offering Memorandum, the Fund’s actual results may differ significantly from the results discussed and projected in such forward-looking statements. I also acknowledge that the list of risk factors set forth in the Offering Memorandum may not be exhaustive and that other factors may cause the actual results and the future financial condition of the Fund to differ significantly from the projections reflected in any forward-looking statements set forth in the Offering Memorandum.

h. I acknowledge that my personal legal, financial and tax advisers and I have carefully read this entire Agreement and have read and evaluated the entire Offering Memorandum, including, without limitation, the exhibits thereto. I acknowledge and confirm that I have had a reasonable opportunity to ask questions of and receive answers from the Managing Member concerning the Units, the Fund, the Offering and this subscription and that all questions have been answered to my full satisfaction. I acknowledge and confirm that all documents, books, records and materials that I have requested from the Managing Member have been

made available to me for my review and that I have been supplied with all additional information concerning the Units and the Fund that I have requested.

i. I acknowledge that I have not relied upon the Managing Member or the Fund or their respective advisers for legal, financial or tax advice, and have been advised to consult with my own attorney and financial and tax advisers concerning this investment, the risks associated with it, and its suitability to my current financial and tax situation and investment objectives. I have made such inquiries and investigations as my advisers and I determined to be appropriate for the purpose of deciding whether to invest in the Fund and my advisers and I have determined that an investment in the Units is suitable for me.

j. I have received no representation, written or oral, from the Fund, the Managing Member, or any officer, director, employee or agent of the Managing Member or any of their affiliates or representatives, other than those contained in this Agreement. In making my decision to purchase the Units, I have relied solely upon my review of this Agreement and the Offering Memorandum and independent investigations made by me or by my representatives without assistance from the Fund, the Managing Member or any officer, director, employee or agent of the Managing Member.

k. I understand that the Offering of the Units will not be registered under the Securities Act or registered or qualified under any state securities laws, in reliance upon exemptions from registration under Section 4(a)(2) of the Securities Act and Rule 506(c) of Regulation D thereunder. I acknowledge that the Units have not been approved or disapproved by the Securities and Exchange Commission or the securities commissioner of any state, and neither the Securities and Exchange Commission nor any other authority has passed upon or endorsed the adequacy or merits of the Offering or the Offering Memorandum. I understand and agree that neither the Units nor any interest therein may be sold, pledged, hypothecated or otherwise transferred by me without registration under the Securities Act and registration or qualification under applicable state securities laws or unless an exemption from such registration and qualification requirements is available, as evidenced by a written opinion of counsel satisfactory to the Managing Member and its counsel, as well as prior written approval of the Managing Member.

l. I realize that there currently is no market for the sale of the Units for which I am subscribing, that there is no expectation or guarantee that such a market will ever develop, that I may have to hold my Units indefinitely, and that I may be unable to sell my Units under any circumstances, including any emergency.

m. None of the following information has ever been represented, guaranteed or warranted to me, expressly or by implication, by any person: (i) the amount or percentage of profit or loss that will be realized, if any, as a result of an investment in the Units, or (ii) the expectation that that the past performance or experience on the part of any officer, director, employee, agent or affiliate of the Fund or its Managing Member will accurately predict the results of ownership of the Units or the potential success of the Fund's operations for the future results.

n. This Agreement is valid and binding, enforceable against me in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights generally and by principles of equity regarding the availability of remedies.

o. I covenant to notify the Fund immediately of any change in any of the information provided by me to the Fund in connection with this Agreement, or of the occurrence of any event which would render inaccurate any of my representations or warranties made in this Agreement, upon the occurrence of such change or event prior to the acceptance of my subscription hereunder.

4. Representations and Warranties of the Fund. By accepting this Agreement, the Fund makes the following representations and warranties. Unless otherwise indicated, the representations and warranties are made as of the date of the Fund's acceptance of this subscription.

a. The Fund is a duly organized Nevada limited liability company in good standing.

b. The Fund has the legal right and power and all authority necessary to accept and execute this Agreement, to issue the Units (in uncertificated form) and to perform fully its obligations hereunder.

c. The Fund's intended use of proceeds of the Offering is as described in the Offering Memorandum.

d. This Agreement has been duly authorized and, upon proper acceptance and execution by a duly authorized representative of Realty Fund Management 2, Inc., the Managing Member of the Fund, will constitute a valid and binding agreement of the Fund, enforceable against it in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights generally and by principles of equity regarding the availability of remedies.

5. Non-Transferability. I acknowledge and agree that neither this Agreement nor any of my interest in it is transferable or assignable without the Managing Member's written approval.

6. Acceptance of Subscription and Operating Agreements.

a. My execution and delivery of this Agreement shall constitute an offer to purchase the number of Units set forth herein, which offer may be accepted or rejected in whole or in part by the Fund in its sole discretion, for any reason or for no reason and without liability to the Fund. The Fund shall indicate acceptance of this Agreement only by executing as indicated on the Signature Page of this Agreement.

b. My execution and delivery of this Agreement shall, upon the Fund's acceptance hereof, constitute an agreement to be bound as a "Member" by and under the terms of the Operating Agreement between the Fund and all purchasers of Units in the Offering, in the form attached to the Offering Memorandum. I confirm that I have read the entire Operating Agreement.

7. Binding Agreement. Upon delivery of this Agreement, signed by me, to the Fund, I agree that I may not cancel, terminate or revoke any obligation made hereunder or under the Operating Agreement and that all representations, warranties, covenants and duties contained in this Agreement and the Operating Agreement shall be binding upon me and my heirs, successors, assigns, executors, administrators, guardians, conservators and personal representatives and shall survive (a) the acceptance of this Agreement by the Fund and (b) my disability or death. I agree that the delivery to the Fund or its agents of my facsimile signature to this Agreement shall be effective to create a valid agreement, which is binding against me in accordance with its terms.

8. Entire Agreement. This Agreement and the Operating Agreement constitute the entire agreement and understanding between myself and the Fund pertaining to the subject matter hereof and supersede any and all prior agreements and contemporaneous understandings of the parties pertaining to the subject matter hereof, whether written or oral, and may be amended only by a writing executed by all parties. No representation, promise, inducement, covenant, agreement or condition, whether written or oral, that is not embodied or referenced in this Agreement or the Operating Agreement shall be valid or binding or shall be deemed to interpret, change or restrict the express provisions of this Agreement or the Operating Agreement.

9. Further Assurances. I agree to execute and deliver all such further documents, agreements and instruments and take such other and further actions as the Managing Member may reasonably require in order to carry out the full intent of this Agreement.

10. Construction. All statements, representations and other information set forth on the signature page to this Agreement and the Registration Form and Accredited Investor Questionnaire attached at the end of this Agreement are incorporated herein as integral terms of this Agreement. Words in any gender are deemed to include the other genders. The singular is deemed to include the plural and vice versa. Personal pronouns are deemed to include both individuals and entities of every kind. All headings and titles are for convenience of reference only and are not to be considered in construing this Agreement. If any provision of this Agreement is judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired.

11. Waiver. The waiver by any party of a breach of this Agreement must be in writing, signed by the party giving the waiver. No waiver by a party shall operate, or be construed as a waiver by that party of any subsequent breach.

12. Arbitration; Attorneys' Fees. Any controversy or claim arising out of or relating to this Agreement or the Operating Agreement, or breach thereof, including without limitation claims against any party, its directors, officers, employees, affiliates or agents, shall be settled solely by binding arbitration before a single arbitrator in Clark County, Nevada, in accordance with the Commercial Rules of the American Arbitration Association. The parties shall select the arbitrator in the manner prescribed by the American Arbitration Association. In the proceeding, the arbitrator shall apply Nevada substantive law and the rules of evidence in Title 4 of the Nevada Revised Statutes, except that the arbitrator's authority in awarding damages shall be interpreted under New York law. The parties understand and agree that New York law precludes the awarding of punitive damages. The arbitrator shall prepare an award in writing, which shall include factual findings and any legal conclusions on which the decision is based. Judgment upon any award rendered by the arbitrator(s) may be entered in a Nevada District Court (or a Nevada Justice Court, if appropriate) in Clark County, Nevada, or a Federal District Court in Clark County, Nevada, and those courts shall be the sole venue for the resolution of any non-arbitral dispute, including related to this arbitration provision or enforcement of any award upon any judgment rendered in arbitration. In the event of any arbitration or other action arising out of or related to this Agreement, the prevailing party in such arbitration or other action shall be entitled to receive an award of all costs and expenses of such arbitration or other action, including reasonable attorneys' fees and costs, and all other expenses in connection therewith, in addition to any other award or remedy provided in such arbitration or action, and the same shall be included in the award and any judgment.

13. Indemnification. I, the undersigned subscriber, covenant and agree to indemnify and hold the Fund, the Managing Member, and all directors, officers, affiliates and brokers, and agents of the Managing Member and each of their respective affiliates free and harmless from and against any loss, damage or liability arising from or due to any false statement, representation or omission I have made in this Agreement (including on the signature page and the Registration Form and Accredited Investor Questionnaire) or any breach of the representations, warranties or covenants I have made in this Agreement.

(Signature Page, Registration Form and Accredited Investor Questionnaire Follow)

SIGNATURE PAGE

I, the undersigned subscriber, declare under penalty of perjury that the information I have supplied in this Subscription Agreement (including on this Signature Page and the Registration Form and Accredited Investor Questionnaire) for the purpose of subscribing for Units from the Fund in the Offering is true, correct and complete in all respects.

IN WITNESS WHEREOF, I have executed this Agreement as of the date indicated below.

Date: _____, 20____

Print name of subscriber

By: _____
Signature of subscriber (or signature of the individual authorized to sign on behalf of the entity that is the subscriber)

Number of Units subscribed for

\$ _____
Total purchase price tendered for Units subscribed for, at \$5,000 per Unit (make check payable to Distressed Realty Fund 2, LLC)

Subscriber's street address

Telephone number

City State Zip Code

Cell number

Email address

Fax number

ACCEPTANCE

The undersigned hereby accepts the foregoing subscription for Units as of the date set forth below.

Distressed Realty Fund 2, LLC

By Realty Fund Management 2, Inc., Its Manager

Date: _____

By: _____
David Zussman, President

REGISTRATION FORM

(Must be completed in full)

1. Form of ownership.

If my subscription is accepted, please register ownership of my Units as follows:

- Joint tenants
- Tenants in common
- Husband and wife, as community property
- Married (man) (woman) as sole and separate property
- Single (man) (woman)
- Other (specify, e.g., corporation, partnership, trust, estate, limited liability company, etc.

2. Name in which my Units are to be registered:

Please print: _____

3. Registered address for delivery of notices and other Fund communications (including telephone number, cell phone number, fax number and email address):

Street address

City

State

Zip Code

Telephone number

Cell phone number

Fax number

Email address

4. My Social Security Number or Taxpayer ID Number: _____

Note: You must also complete the Accredited Investor Questionnaire on the next page.

ACCREDITED INVESTOR QUESTIONNAIRE

(Must be completed in full)

- 1. Representation of Accredited Investor Status.** I hereby represent, warrant and certify that I am an accredited investor, as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”), by reason of the fact that I am [**CHECK EACH OF THE FOLLOWING CATEGORIES THAT APPLY TO YOU**]:

Accredited Investor Categories for Individuals

- A natural person who had an individual income in excess of \$200,000 in each of the two most recent years, or joint income with my spouse in excess of \$300,000 in each of those years, and I have a reasonable expectation of reaching the same income level in the current year.
- A natural person and my individual net worth, or joint net worth with my spouse, at the time of my purchase is in excess of \$1,000,000. (**Instruction:** For purposes of calculating net worth: (1) your primary residence shall not be included as an asset; (2) indebtedness that is secured by your primary residence, up to the estimated fair market value of your primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of your primary residence, the amount of such excess shall be included as a liability); and (3) indebtedness that is secured by your primary residence in excess of the estimated fair market value of your primary residence shall be included as a liability.)

Accredited Investor Categories for Entities

- An organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the Units, with total assets in excess of \$5,000,000.
- A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Units, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment.
- A bank as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in an individual or fiduciary capacity.
- A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.
- An insurance company as defined in Section 2(a)(13) of the Securities Act.
- An investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940.
- A Small Business Investment Company licensed by the U.S. Small Business Administration under

Section 301(c) or (d) of the Small Business Investment Act of 1958.

- A plan established and maintained by a state of the United States of America, its political subdivisions, or any agency or instrumentality of a state of the United States of America or its political subdivisions, for the benefit of its employees that has total assets in excess of \$5,000,000.
- An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.
- An entity in which all of the equity owners are accredited investors as defined by any of the above categories. (If you check this category, you must also provide a list of all of the equity owners of the entity and their written certifications that they are each accredited investors, identifying the category of accredited investor of each.)

2. Purpose for forming the subscribing entity. If the subscriber is an entity, was the entity formed, organized, or reconstituted for the specific purpose of investing in the Units?

Yes No Not applicable

3. Verification of Accredited Investor Status. Before the Managing Member can accept your subscription for Units, you must also provide the Managing Member with written verification of your status as an accredited investor, as described in the Offering Memorandum under “How to Verify That You Are an Accredited Investor.” On the space below, write the name of the accredited investor verification service you intend to use to verify your status as an accredited investor:

Name of Accredited Investor Verification Service

EXHIBIT B

OPERATING AGREEMENT

FOR

DISTRESSED REALTY FUND 2, LLC

a Nevada Limited Liability Company

The Units of Membership Interests of Distressed Realty Fund 2, LLC have not been registered under the Securities Act of 1933, as amended, are being privately offered, and cannot be transferred without the consent of the Managing Member and compliance with applicable securities law exemptions.

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**OPERATING AGREEMENT
OF
DISTRESSED REALTY FUND I, LLC**

This Operating Agreement (this “**Agreement**”) of Distressed Realty Fund 2, LLC (the “**Fund**”) is made and entered into effective as of June 15, 2015 by and among those persons or entities (and such other persons or entities) who execute this Agreement or otherwise agree to become parties to this Agreement pursuant to the provisions of their respective Subscription Agreements (as defined below) (such persons or entities also sometimes collectively being referred to in this Agreement as the “**Members**” and each individually as a “**Member**”), with reference to the following facts:

WHEREAS, the Fund was organized as a limited liability company in accordance with the laws of the State of Nevada through the filing of Articles of Organization (the “**Articles**”) with the Nevada Secretary of State on and as of October 23, 2014;

WHEREAS, the parties desire to establish and adopt a written operating agreement for the administration and regulation of the affairs of the Fund;

NOW, THEREFORE, in consideration of the premises, the provisions and the respective agreements hereinafter set forth and for other good and valuable consideration, the parties hereto do hereby agree to the following terms and conditions of this operating agreement for the administration and regulation of the affairs of the Fund.

ARTICLE I

DEFINITIONS

Section 1. Defined Terms

“**Accounting Fees**” shall have the meaning set forth below in the definition for Operating Expenses.

“**Affiliated Funds**” shall have the meaning set forth below in the definition for Operating Expenses.

“**Business Day**” shall mean any day except for a Saturday, Sunday and any other day on which banks are required or authorized to close in the State of Nevada.

“**Capital Account**” shall have the meaning set forth in Section 4 of Article III.

“**Capital Contribution**” shall mean the dollar amount contributed to the capital of the Fund by a Member through the cash purchase of one or more Units from the Fund for \$5,000 per Unit, as described in the Offering Memorandum.

“**Code**” shall have the meaning set forth in Section 4 of Article III.

“**Fund**” shall mean Distressed Realty Fund 2, LLC, a Nevada limited liability company.

“**Loans**” shall have the meaning set forth in Section 2(b) of Article VI.

“**Managing Member**” shall mean Realty Fund Management 2, Inc., a Nevada corporation.

“**Member**” shall mean a person who has a Membership Interest in the Fund through the ownership of Units.

“**Member Registry**” shall mean the record kept by the Managing Member that lists the names of all Members of the Fund, the number of Units purchased by each of them, the date of each such purchase, and the amounts of the Capital Contributions made at the time of the purchase of their Units from the Fund.

“**Membership Interest**” shall mean, with respect to a Member, the percentage of ownership interest in the Fund of such Member (may also be referred to as Interest). Each Member’s percentage of Membership Interest in the Fund shall be based on the relative Capital Contributions to the Fund made with respect to the Units owned by the Member as recorded by the Managing Member on the Member Registry.

“**Net Profit Split**” shall have the meaning set forth in Section 4 of Article IX.

“**Offering Memorandum**” shall mean the Confidential Private Placement Memorandum of the Fund dated June 15, 2015, as amended and supplemented from time to time.

“**Operating Expenses**” of the Fund are expected to consist primarily of quarterly accounting fees (“**Accounting Fees**”), which are expected to total on average approximately 0.5% of the Fund’s Prior Year-End Total Assets (i.e., on average approximately 2.0% of the Prior Year-End Total Assets annually). However, Accounting Fees will not be a fixed percentage and will vary throughout the business year. The Fund will also incur other Operating Expenses related to operation of the Fund’s business, such as office rent, phones, postage, shipping, Internet service, supplies, furniture, equipment and necessary business travel costs. These expenses are expected to total on average approximately \$2,000 to \$5,000 per month. The Fund will share many of these types of expenses with other distressed real estate funds managed by Mr. Zussman and his affiliates (“**Affiliated Funds**”), and the Fund will pay its pro rata share of all such costs. The biggest variance is expected to be from travel expenses and unexpected operating expenses.

“**Prior Year-End Total Assets**” shall mean total assets as recorded on the annual balance sheet for the Fund’s most recent Fiscal Year ended December 31.

“**Securities Act**” shall mean the Securities Act of 1933, as amended, including all rules and regulations thereunder.

“**Subscription Agreement**” shall mean the subscription agreement pursuant to which a Member subscribes for and purchases Units, a copy of which is included in the Offering Memorandum.

“**Substituted Member**” shall have the meaning set forth in Section 3(b) of Article VIII.

“**Treasury Regulations**” shall have the meaning set forth in Section 4 of Article III.

“**Units**” shall mean the units of Membership Interests sold by the Fund to its Members in the Fund’s private offering pursuant to the Offering Memorandum. Each Unit represents a Capital Contribution of \$5,000 to the Fund. Units shall be issued by the Fund in uncertificated form.

ARTICLE II

ORGANIZATIONAL MATTERS

Section 1. Formation

The Managing Member has formed the Fund under the limited liability company provisions in Chapter 86 of the Nevada Revised Statutes (the “**Act**”) by filing the Articles and entering into this Agreement. The rights and liabilities of the Members shall be determined pursuant to the applicable provisions of the Act and of this

Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

Section 2. Name

The name of the Fund is Distressed Realty Fund 2, LLC. The business of the Fund may be conducted under that name or, upon compliance with applicable laws, any other name that the Managing Member deems appropriate or advisable. The Managing Member shall file any fictitious name certificates and similar filings, and any amendments thereto, that the Managing Member considers appropriate or advisable. The Managing Member can open, transfer and close Fund bank accounts as the Managing Member deems necessary or advisable.

Section 3. Purpose and Business of the Fund

The purpose of the Fund is to engage in any lawful activity for which a limited liability company may be organized under the Act. Notwithstanding the foregoing, without the consent of the Members pursuant to the provisions of this Agreement, the Fund shall not engage in any business other than that described in the Offering Memorandum.

ARTICLE III

CAPITAL CONTRIBUTIONS

Section 1. Capital Contributions

The amount of each Member's Capital Contribution is set forth on the Member Registry. Capital Contributions are made in cash, at a price of \$5,000 per Unit, on the terms and conditions stated in the Offering Memorandum. Members may purchase Units from time to time during the Fund's offering of Units, subject to the terms and conditions set forth in the Offering Memorandum. The Managing Member and its directors, officers, employees, affiliates and agents are also permitted to purchase Units in the offering.

Section 2. No Additional Capital Contributions

After purchasing Units, no Member shall (1) be required to make any further contribution to the capital of the Fund; (2) be required to lend any money to the Fund; or (3) be liable for any of the debts of the Fund over and above the original Capital Contribution paid for their Units.

Section 3. No Interest

No Member shall be entitled to receive any interest on the Member's subscription price for Units or on the Member's Capital Contribution to the Fund.

Section 4. Capital Accounts

The Fund shall establish and maintain an individual capital account ("**Capital Account**") for each Member in accordance with the Internal Revenue Code (the "**Code**") and the Treasury Regulations promulgated thereunder (the "**Treasury Regulations**").

ARTICLE IV

OFFICES AND RECORDS

Section 1. Registered Office and Registered Agent

The Fund shall have and maintain a resident agent and a registered office in the State of Nevada for delivery of service of process. The resident agent may be a natural person of said state whose business office is identical with the registered office, or a domestic corporation, or a corporation authorized to transact business within said State which has a business office identical with the registered office, or itself which has a business office identical with the registered office and is permitted by said state to act as a registered agent/office within said state.

As of the date of this Agreement, the Managing Member has appointed Nevada Corporate Headquarters, Inc. as the Fund's resident agent. The address of the resident agent, which shall serve as the registered address of the Fund and the Managing Member, is currently 4730 S Fort Apache Rd, Suite 300, Las Vegas, Nevada 89147. The name of the current resident agent and location of the Fund's registered office shall be kept on file in the appropriate office within the State of Nevada pursuant to applicable provisions of law.

Section 2. Fund Business Offices

The Fund may have such offices, anywhere within and without the State of Nevada, as determined by the Managing Member from time to time. The "principal place of business" or "principal business" or "executive" office or offices of the Fund may be fixed and designated from time to time by the Managing Member. The executive office of the Fund as of the date of this Agreement is located at 3960 Howard Hughes Parkway, Suite 500, Las Vegas, Nevada 89169. The Fund's telephone number is (714) 342-0785, and its fax number is (949) 640-2814.

Section 3. Records

The Fund shall continuously maintain at its registered office, or at such other place as may be authorized pursuant to applicable provisions of law of the State of Nevada the following records:

- (a) A current list of the full name and last known business address of each member and manager, separately identifying the Members in alphabetical order and the Managing Member in alphabetical order;
- (b) A copy of the filed Articles and all amendments thereto, together with signed copies of any powers of attorney pursuant to which any document has been signed;
- (c) Copies of any then effective operating agreement of the Fund;
- (d) Copies of the Fund's federal income tax returns and reports, if any, for the three (3) most recent years;
- (e) Copies of any financial statements of the Fund for the three (3) most recent years;
- (f) Such other or additional records, statements, lists, and information as applicable law may require from time to time.
- (g) If any of the above records are not kept within the State of Nevada, they shall be at all times in such condition as to permit them to be delivered to any authorized person within three (3) days.

Section 4. Availability of Records to Members

Each Member shall be entitled to obtain from the Fund, from time to time upon reasonable demand, for any purpose reasonably related to the interest of the Member as a Member of the Fund:

- (a) The records required to be maintained pursuant to Section 3 of this Article;
- (b) True and, in light of the Member's stated purpose, complete records regarding the activities and the status of the business and financial condition of the Fund;
- (c) Promptly after becoming available, a copy of the Fund's federal, state and local income tax returns for each year;
- (d) True and complete records regarding the amount of cash and a description and statement of the agreed value of any other property or services contributed by each Member and which each Member has agreed to contribute in the future, and the date on which each became a member; and
- (e) Other records regarding the affairs of the Fund as is just and reasonable under the circumstances and in light of the Member's stated purpose for demanding such records.

The right to obtain records under this Section includes, if reasonable, the right to make copies or abstracts by photographic, xerographic, electronic or other means.

Records kept pursuant to this Article are subject to inspection and copying at the reasonable request, and at the expense, of any Member, in person or by attorney or other agent. Such inspection shall be during the usual hours of business and shall only be for a proper purpose. A proper purpose shall mean a purpose reasonably related to such person's interest as a Member. In every instance where an attorney or other agent shall be the person who seeks the right of inspection, a power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the Member shall accompany the demand under oath. Each Member's right of privacy will be protected and the personal information will not be released without the Member's written consent.

ARTICLE V

MEMBER MEETINGS AND COMMITTEES

Section 1. Place of Meetings

All meetings of the Members shall be held, upon notice thereof as hereinafter provided, at such place or places, within or without the State of Nevada, as the Managing Member shall determine, and shall be stated in such notice.

Section 2. Meetings

Meetings of the Members may be held for any purpose stated in Section 7 of this Article. Meetings may be called by the Managing Member or by Members holding not less than eighty percent (80%) of the voting power of the Fund or such other maximum number as may be required by the applicable law of the State of Nevada.

Section 3. Action in Lieu of Meeting

Any action required to be taken or which may be taken at any meeting of the Members may be taken

without a meeting if consents in writing setting forth the action so taken shall be signed and approved by Members holding the requisite percentage of Membership Interests who are entitled to vote with respect to the subject matter thereof.

Section 4. Notice

Written notice of each meeting of the Members, stating the place, day and hour of the meeting and the purpose or purposes thereof, shall be given to Members entitled to vote thereat, not less than ten (10) nor more than sixty (60) days prior to the meeting, unless, as to a particular matter, other or further notice is required by law, in which case such other or further notice shall be given.

Notice upon the Members may be delivered or given either personally or by express or first class mail, or by email or telegram or other electronic transmission, with all charges prepaid, addressed to each Member at the address of such Member appearing on the books of the Fund or more recently given by the Member to the Fund for the purpose of notice.

If no address for a Member appears on the Fund's books, notice shall be deemed to have been properly given to such Member if sent by any of the methods authorized herein to the Fund's principal executive office to the attention of such Member, or if published, at least once in a newspaper of general circulation in the county of the principal executive office and the county of the Registered Office in the State of formation of the Fund.

If notice addressed to a Member at the address of such Member appearing on the books of the Fund is returned to the Fund by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Member at such address, all future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the Member upon written demand of the Member at the principal executive office of the Fund for a period of one (1) year from the date of the giving of such notice. It shall be the duty and responsibility of each Member to provide the manager and/or the Fund with an official mailing address. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by email or telegram or other means of electronic transmission.

An affidavit of the mailing or other means of giving any notice of any Member meeting shall be executed by the Management and shall be filed and maintained in the Minute Book of the Fund.

Section 5. Waiver of Notice

Whenever any notice is required to be given under the provisions of this Agreement or the Articles of the Fund or any law, a waiver thereof in writing signed by the Member or Members entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent to the giving of such notice.

To the extent provided by law, attendance at any meeting shall constitute a waiver of notice of such meeting except when the Member attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened, and such Member so states such purpose at the opening of the meeting.

Section 6. Presiding Officials

Every meeting of the Fund, whether convened by the Managing Member or by Members who called the meeting by notice as above provided for whatever reason, shall be presided over by the Managing Member acting as the Chairman and Secretary of such meeting or any session thereof.

Section 7. Business That May Be Transacted at Meetings

Members shall have the right to cast one vote for each Unit owned.

(a) The Members, by a vote of holders of a majority of all outstanding Units, shall have the right to vote upon any matter that the Managing Member may propose, in its sole discretion.

(b) The Members, by a vote of 80% of all outstanding Units, shall have the right to vote in favor of removing and replacing the Managing Member, provided that all of the requirements of Article VI, Section 4, are satisfied.

(c) The Members, by a vote of 100% of all outstanding Units, shall have the right to vote in favor of termination and dissolution of the Fund.

Business transacted at all meetings shall be confined to the purposes stated in the notice of such meetings.

Section 8. Quorum

At all meetings of the Members, Members holding a majority of all outstanding Units shall constitute a quorum for the transaction of business, unless a greater or smaller number as to any particular matter is required by law, the Articles or this Agreement, and the act of a majority of the outstanding Units shall, except as may be otherwise specifically provided by law, by the Articles, or by this Agreement, be the act of the Members.

Less than a quorum may adjourn a meeting successively until a quorum is present, and no notice of adjournment shall be required.

Section 9. Proxies

At any meeting of the Members, every Member having the right to vote shall be entitled to vote in person, or by proxy executed in writing by such Member or by his duly authorized attorney-in-fact. No proxy shall be valid after one year from the date of its execution, unless otherwise provided in the proxy.

Section 10. Voting

Every Member shall have one vote for each Unit registered in the Member's name on the books of the Fund.

Section 11. Meeting by Telephonic Conference or Similar Communications Equipment.

Unless otherwise restricted by the Articles, this Agreement or by law, the Members of the Fund may participate in a meeting of such Members by means of telephonic conference, Internet video conference, or similar communications media whereby all persons participating in the meeting can hear and speak to each other, and participation in a meeting in such manner shall constitute presence in person at such meeting.

ARTICLE VI

MANAGEMENT AND CONTROL OF THE FUND

Section 1. Exclusive Management by Managing Member

Only the Managing Member shall have authority to manage the business, property and affairs of the Fund. Except for situations in which the approval of the Members is expressly required by this Agreement, the Managing Member shall have full, complete and exclusive authority, power, and discretion to manage and control the business, property and affairs of the Fund, to make all decisions regarding those matters and to perform

any and all acts and activities customary or incident to the management of the Fund's business, property and affairs.

Section 2. Rights, Powers, and Obligations of the Managing Member

The Managing Member shall have all the rights and powers as are conferred by law or are necessary, desirable or convenient to the discharge of the Managing Member's duties under this Agreement.

Without limiting the generality of the rights and powers of the Managing Member, the Managing Member shall have the following rights and powers, which the Managing Member may exercise in its sole discretion at the cost, expense and risk of the Fund:

(a) To deal in any Fund asset, whether an interest in real estate or personal property or chose in action, to sell (for cash or for debt assets held by the Fund), to rent, exchange or convey title to, and to grant options for sale of all or a portion of the Fund's assets;

(b) To borrow money for the Fund and as security therefor to encumber all or any part of the Fund's assets. The Managing Member may establish business lines of credit for the benefit of the Fund and may arrange for short-term loans to the Fund, including loans from the Managing Member or any of its affiliates for the purposes stated in the Offering Memorandum ("**Loans**");

(c) To prosecute, defend and settle lawsuits and claims and to handle matters with governmental agencies;

(d) To open, maintain and close bank accounts and banking services for the Fund and designate and change signatories on such accounts or services;

(e) To incur and pay all legal, accounting, independent financial consulting, litigation and other fees and expenses, including mortgage and insurance payments, property taxes, and repairs and renovations, as the Managing Member may deem necessary or appropriate for carrying on and performing its responsibilities on behalf of the Fund;

(f) To negotiate and make any disposition of the Fund's asset on such terms and conditions as the Managing Member deems appropriate;

(g) To execute and deliver any contracts, agreements, instruments or documents necessary, advisable or appropriate in the sole judgment of the Managing Member to evidence any of the transactions specified above or contemplated hereby and on behalf of the Fund, to exercise Fund rights and perform Fund obligations under any such agreements, contracts, instruments or documents;

(h) To exercise for and on behalf of the Fund all the general powers granted by law to the Fund; and

(i) To take such other actions as the Managing Member deems necessary and appropriate to carry out the purposes of the Fund or this Agreement.

Section 3. Management Fees

The Fund shall pay a quarterly management fee ("**Management Fee**") to the Managing Member in an amount equal to 0.5% of the Fund's Prior Year-End Total Assets, for a total annual Management Fee of 2.0% of the Prior Year-End Total Assets.

During the Fund's first year (or partial year) of operations, the Management Fee will be calculated based on the total Capital Contributions of all Members through the end of the quarter to which the Management Fee relates. Thereafter, the annual 2% Management Fee will be based on the Fund's Prior Year-End Total Assets, i.e., the prior year's balance sheet valuation of all Fund owned assets.

Section 4. Removal of Managing Member

The Members, by a vote of 80% of all outstanding Units in accordance with Article V, Section 7, shall have the right to remove and replace the Managing Member, provided that all of the following requirements are satisfied:

- (a) All principal and interest then owed on all outstanding Loans made or guaranteed by the Managing Member and/or any of its directors, officers or other affiliates to the Fund, specifically including, but not limited to, David Zussman shall be paid in full;
- (b) All unpaid Management Fees then due and payable to the Managing Member shall be paid in full;
- (c) All Management Fees that would have thereafter become due and payable to the Managing Member through the end of a ten-year term of the Fund shall be paid in full;
- (d) All Operating Expenses paid by the Managing Member shall be reimbursed in full.

Section 5. Conflicts of Interest

The following conflicts of interest are expressly permitted by the terms of this Agreement:

- (a) The Managing Member and its officers, directors, employees, affiliates and agents may purchase and own Units of the Fund and thereby become Members of the Fund. This may present a conflict of interests for them that could affect the judgments they make on behalf of the Fund.
- (b) The Managing Member and its affiliates may own interests in and participate in the management of businesses, private investment funds, real estate and other investments, other than the Fund. Although the Managing Member and its affiliates believe that they will be able to devote sufficient time to the business of the Fund, there is a potential conflict of interests between the amount of time the Managing Member and its affiliates will have available for the Fund and the time to be spent on other business and investment activities that they undertake.
- (c) The Managing Member and its affiliates may manage private investment funds that invest in the same types of assets that the Fund does, potentially creating competition and a conflict of interests and competition in determining which investments will be made by the Fund and which will be made by the other private investment funds.
- (d) The Fund will pay quarterly Management Fees to the Managing Member and may, if there is sufficient net income available, also pay an annual Net Profit Split to the Managing Member, on the terms and conditions provided for in this Agreement. The Managing Member and its affiliates stand to benefit personally from this compensation. The determination of these types and amounts of compensation to be received by the Managing Member was arbitrarily established by the Managing Member and was not the result of arm's length negotiations.
- (e) The Managing Member and its affiliates are responsible for selecting real estate agents, property managers and other service providers to provide local real estate services with respect to the real estate to be acquired and managed by the Fund. Under certain circumstances, affiliates of the Managing Member may elect to provide such local services themselves when qualified to perform those services. Such affiliates therefore stand to benefit from real estate commissions, property management fees, out-of-state referral fees and other similar compensation that they may receive from the Fund and from third parties when providing local real estate services in connection

with the Fund's real estate transactions. The Managing Member shall seek to ensure that any compensation paid to its affiliates by the Fund is on terms comparable to what the Fund would expect to pay to an unrelated party in an arm's length transaction.

(f) Other private investment funds managed by affiliates of the Managing Member may, from time to time, seek to sell properties owned by them, including rental homes. The Fund will be permitted to purchase such properties from those other funds in the sole discretion of the Managing Member. The Managing Member will be subject to a conflict of interests in such transactions because its affiliates will have an interest in obtaining a favorable sales price for the seller while the Managing Member and its affiliates will also have an interest in obtaining a favorable purchase price for the Fund. The Managing Member shall address this conflict by using recent sales prices of comparable properties listed on the local Multiple Listing Service to determine the sales price for the transaction.

(g) The Managing Member and/or any of its directors, officers and other affiliates may, but are not required, to make short-term Loans to the Fund. For making such a Loan, they will charge the Fund a front-end flat fee of 4% of the amount of the Loan as compensation for the first 60 days that the Loan is outstanding, and if the Loan is not repaid within 60 days, they will charge an additional flat fee of 1% as compensation for each additional month or any part of a month that the Loan remains outstanding, up to a maximum of 10% per year and subject to any limitations under applicable usury laws. Management of the Managing Member believes that this rate of compensation is at least as favorable as the Fund would be able to negotiate with any third party lender in an arm's length transaction. However, because the Managing Member and its affiliates stand to receive a benefit from making such short-term Loans, they are subject to a conflict of interests that could affect their judgment in deciding whether to make such Loans to the Fund. Any Loans made by banks will require the personal guarantee of the officer making the Loan for the Fund.

(h) The Fund and the Managing Member are not represented by separate counsel, and it is not anticipated that they will be represented by separate counsel in the future. However, should a dispute arise between the Fund and the Managing Member, the Managing Member will cause the Fund to retain separate counsel for such matters.

Section 6. Limitation of Liability

Unless otherwise provided in this Agreement, the Managing Member is not liable for breach of duties, if any, to the Fund or to any Member for conduct undertaken in the Managing Member's good faith reliance on the provisions of this Agreement.

ARTICLE VII

INDEMNIFICATION OF THE MANAGING MEMBER, AGENTS AND EMPLOYEES

Section 1. Members and Managing Member

The Fund shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Fund, by reason of the fact that such person was the Managing Member of the Fund or is or was serving at the request of the Fund as a director, manager, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with the defense or settlement of such action, suit or proceeding, including attorneys' fees, to the full extent permitted by law.

Section 2. Employees and Agents

The Fund may, at the discretion of the Managing Member, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Fund, by reason of the fact that such person is or was an employee or agent of the Managing Member or the Fund, or is or was serving at the request of the Fund as a manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with the defense or settlement of such action, suit or proceeding, including attorneys fees, to the full extent permitted by law.

Section 3. Expenses

The Fund shall pay the Managing Member, or such person or entity as the Managing Member may designate, on a continuing and current basis, and in any event not later than thirty (30) Business Days following receipt by the Fund of the Managing Member's request for reimbursement, all expenses, including attorneys' fees, costs, settlements, fines and judgments incurred by or levied upon the Managing Member in connection with any action, suit or proceeding referred to in Article VII, Section 1.

To the extent that an employee or agent of the Managing Member or the Fund has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Article V, Section 2, or in defense of any claim, issue or matter therein, he/she may be indemnified against expenses actually and reasonably incurred by such person in connection therewith, including attorneys' fees.

Expenses incurred by a Managing Member in defending a civil or criminal action, suit, or proceeding may be paid by the Fund in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of the Managing Member to repay such amount if it is ultimately determined that the Managing Member is not entitled to be indemnified by the Fund as authorized in this Agreement. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Managing Member deems appropriate.

Section 4. Authorization

Any indemnification of the Managing Member or of employees or agents pursuant to this Article, unless ordered by a court, shall be made by the Fund only as authorized in the specific case upon a determination that such indemnification is proper in the circumstances because such Managing Member, employee or agent has met the applicable standard of conduct set forth by law. The Managing Member shall make that determination.

Section 5. Notification and Defense of Claim

Promptly after receipt by the Managing Member, an employee or an agent of notice of the commencement of any action, suit or proceeding, the Managing Member, employee or agent will, if a claim in respect thereof is to be made against the Fund, notify the Fund of the commencement thereof. The failure to promptly notify the Fund will not relieve the Fund from any liability that it may have to the Managing Member, employee or agent thereunder, except to the extent the Fund is prejudiced in its defense of such claim as a result of such failure. With respect to any such action, suit or proceeding as to which the Managing Member, employee or agent notified, or is deemed to have notified, the Fund of the commencement thereof, the following shall apply:

- (a) The Fund is entitled to participate therein at its own expense, and
- (b) Except as otherwise provided below, to the extent that it may wish, the Fund, jointly with any

other indemnifying party similarly notified, will be entitled to assume the defense thereof with counsel reasonably satisfactory to the Managing Member. After notice from the Fund to the Managing Member, employee or agent of its election so to assume the defense thereof, the Fund will not be liable to the Managing Member, employee or agent in connection with the defense thereof other than reasonable costs of investigation or unless:

(1) the employment of separate counsel by the Managing Member, employee or agent has been authorized by the Managing Member on behalf of the Fund,

(2) the Managing Member reasonably concludes that there may be a conflict of interest between the Fund and the Managing Member, employee or agent in the conduct of the defense of such action and that such conflict may lead to exposure for the Managing Member, employee or agent, or

(3) the Fund fails to employ counsel to assume the defense of such action.

(c) The Fund shall not be liable to indemnify the Managing Member, employee or agent for any amount paid in settlement of any action or claim effected without its written consent. The Fund shall not settle any action or claim in any manner that would impose a penalty or limitation on the Managing Member, employee or agent. Neither the Fund nor the Managing Member, employee or agent shall unreasonably withhold their consent of any proposed settlement.

Section 6. Not Exclusive

The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Articles, as amended from time to time, or any agreement, vote of disinterested Members, or otherwise, both as to action in a person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be the Managing Member and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 7. Further Indemnity

The Fund shall have the power to give any further indemnity, in addition to the indemnity authorized or contemplated under this Article, to any person who is or was a Managing Member, employee or agent or to any person who is or was serving at the request of the Fund as a manager, director, officer, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise; provided, however, that no such indemnity shall be given with respect to any person whose conduct was finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct, or if it is determined by a final judgment or other final adjudication by a court of competent jurisdiction considering the question of Indemnification that such payment of indemnification is or would be in violation of applicable law. The Fund may enter into indemnification agreements with the Managing Member and other persons in the Managing Member's sole discretion.

Section 8. Insurance

The Fund may purchase and maintain errors and omissions insurance and liability insurance or make other financial arrangements on behalf of any person who is or was the Managing Member or an employee or agent of the Managing Member or the Fund, or is or was serving at the request of the Fund as a manager, director, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by them in any such capacity, or arising out of such person's status as such, whether or not the Fund would have the power to indemnify such person against such liability under the provisions of this Article. If and when the Fund obtains such insurance coverage or makes such other financial arrangements, the Fund shall not be required to maintain such insurance coverage or other financial

arrangements in effect. The Managing Member may also purchase key man insurance at the Fund's expense and for the benefit of the Fund.

The maintenance of such insurance or other financial arrangements by the Fund shall not diminish, relieve or replace the Fund's liability for indemnification under the provisions hereof. A claim for reimbursement of expenses shall not be denied on the basis that such amount may or will be covered by such insurance policy or other financial arrangements, if such payment from the insurance company or other financial arrangements will not be made to the covered person within ten Business Days of the claim for reimbursement.

The other financial arrangements made by the Fund pursuant to this Article may include:

- (a) Creation of a trust fund;
- (b) Establishment of a program for self-insurance;
- (c) Securing of its obligation or indemnification by granting a security interest or other lien on any assets of the Fund;
- (d) Any other financial arrangements permitted by law; or
- (e) Any combination of the above.

Section 9. Additional Definitions

For the purpose of this Article, references to the "Fund" shall be deemed to include all constituent entities absorbed in any consolidation or merger as well as the resulting or surviving entity, so that any person who is or was a manager, director or officer of such a constituent entity or is or was serving at the request of such constituent entity as a manager, director or officer of another limited liability company, corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation or entity as such person would if they had served the resulting or surviving entity in the same capacity.

For purposes of this Article, the following definitions shall apply:

- (a) The term "other enterprise" shall include employee benefit plans;
- (b) The term "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan;
- (c) The term "serving at the request of the Fund" shall include any service by the Managing Member of the Fund which imposes duties on, or involves services by, the Managing Member with respect to an employee benefit plan, its participants, or beneficiaries;
- (d) A person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Fund;" and
- (e) The Managing Member shall include any officer, director, employee or affiliate of the Managing Member.

ARTICLE VIII

MEMBERSHIP INTEREST

Section 1. Membership and Contribution to Capital

The Capital Contribution of the original Members of the Fund shall be \$5,000 for each Unit of Membership Interests purchased, paid in cash.

The Managing Member's contribution to the capital of the Fund shall be in the form of past services in forming and organizing the Fund.

Section 2. Valuation of Services Rendered

Unless required or recommended by any law or any governmental regulation or court decision or administrative ruling applicable to this Fund, the value to be assigned to a contribution to capital of the Fund for services rendered shall be the amount the Managing Member determines is the fair market value for such services.

Section 3. Transfer or Assignment of Membership Interest

(a) A Member's Units of Membership Interests in the Fund are personal property. Units may not be sold except in compliance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. In addition, Units may not be transferred without the prior written consent of the Managing Member. Furthermore, a transfer fee of \$250 must be paid to the Managing Member in advance by a transferring party to cover the costs of any permitted transfer and record changes.

(b) A Substituted Member is a person admitted to all the rights of a Member who has died or has assigned his or her Membership Interest in the Fund in a permitted transfer. The Substituted Member shall have all the rights and powers and be subject to all the restrictions and liabilities of his or her assignor, except that the substitution of the assignee does not release the assignor from liability to the Fund under this Agreement. The new owner of the assigned Units must complete the same Subscription Agreement as the original Member and satisfy all requirements for investing in the Units, including providing appropriate verification that the Substituted Member is an accredited investor, as provided in the Offering Memorandum and the Subscription Agreement.

(c) If any Member sells his or her Units, that person shall not, for a minimum period of one (1) year, file for bankruptcy.

(d) To the extent any of the following restrictions is not necessary to the Fund, in the sole discretion of the Managing Member, the Managing Member may eliminate or modify any restriction. Subject to the immediately preceding sentence, no assignee of the whole or any portion of a Member's Units shall have the right to become a Substituted Member in place of his assignor, unless the following conditions are first met:

(1) The assignor shall state its intention in a written instrument of assignment, which shall be in a form and substance reasonably satisfactory to the Managing Member;

(2) The transferring Member shall first obtain written consent of the Managing Member to the substitution. The Managing Member shall not unreasonably withhold its consent, but the Managing Member will withhold its consent to the extent necessary to prohibit transfers that could cause the Fund to be classified as a publicly traded partnership. The Managing Member will also withhold consent if it determines that the sale or transfer will otherwise jeopardize the continued ability of the Fund to qualify as a "partnership" for federal income

tax purposes or that the sale or transfer may violate any applicable federal or state securities laws (including any investment suitability standards);

(3) The assignor and assignee named therein shall execute and acknowledge any other instruments as the Managing Member may deem necessary or desirable to effect the substitution, including, but not limited to, a power of attorney. The new owner of the Units must complete and submit a new Subscription Agreement, including confirmation and verification that they are an accredited investor, before the Managing Member will complete the transfer.

(4) 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;

(5) The assignee shall pay all reasonable expenses connected with the substitution, including but not limited to reasonable attorneys' fees associated therewith and a \$250 transfer fee to the Managing Member; and

(6) The Managing Member may require a legal opinion satisfactory to the Managing Member that the transfer will not violate the registration provisions of the Securities Act of 1933, as amended, or any applicable state securities laws, which opinion shall be furnished at the transferring Member's expense.

(e) Notwithstanding any provision to the contrary contained in this Agreement, the following restrictions shall also apply to any and all proposed sales, assignments and transfers of Units, and any proposed sale, assignment or transfer in violation of same shall be void and of no effect:

(1) No Member shall make any transfer or assignment of all or any part of his Units if said transfer or assignment would, when considered with all other transfers during the same applicable twelve month period, cause a termination of the Fund for federal or Nevada state income tax (if any) purposes.

(2) No Member shall make any transfer or assignment of all or any of his Units if the Managing Member determines that the transfer or assignment would result in the Fund being classified as a "publicly traded partnership" with the meaning of Section 7704(b) of the Code or Treasury Regulations. To prevent that:

- (i) The Managing Member will not permit trading of Units on an established securities market within the meaning of Section 7704(b);
- (ii) The Managing Member will prohibit any transfer of Units that would cause the sum of percentage interest in Fund capital or profits represented by Units that are sold or otherwise disposed of during any taxable year of the Fund to exceed two percent (2%) of the total Units in Fund capital or profits; and
- (iii) The Managing Member will not permit any withdrawal of Units except in compliance with the provisions of this Agreement.

Section 4. No Withdrawal of Members; Death; Legal Incompetency

(a) No Right of Withdrawal of Members. The Members shall have no right to withdraw from membership in the Fund.

(b) Effect of Death or Legal Incompetency of a Member on the Fund. The death or legal incompetency of a Member shall not cause a dissolution of the Fund or entitle the Member or his estate to a return of his Capital Account.

Section 5. Addition of New Members

An investor may be admitted as a new Member of the Fund only if (1) the investor meets the requirements and suitability standards for investment, including the requirement to be an accredited investor (as defined in Rule 501(a) of Regulation D under the Securities Act) and to provide written verification of the investor's status as an accredited investor; (2) tenders the full Capital Contribution of \$5,000 per Unit; and (3) enters into a Subscription Agreement with the Fund, which is signed and accepted by the Managing Member on behalf of the Fund; and (4) is otherwise accepted by the Managing Member in its subjective discretion. By entering into the Subscription Agreement, the investor shall be deemed to become a party to this Agreement and a Member of the Fund when the Managing Member signs and accepts the Subscription Agreement.

ARTICLE IX

DISTRIBUTIONS

Section 1. Qualifications and Conditions

Whenever any Property or Tax Certificate owned by the Fund is sold, the portion of the net proceeds from the sale that represents invested capital must be reinvested by the Fund into a new asset. Except as otherwise provided in this Agreement, any of the Fund's net income which is available for distribution will be distributed to the Members in the manner set forth in this Article below, in all cases. However, the distribution of net income available for distribution will be subject to the maintenance of reasonable reserves (as determined by the Managing Member) for the payment of all Fund expenses, liabilities and other amounts (including renovations, rehabilitation and other similar amounts relating to any of the Fund's property and assets). In addition to the foregoing, the Managing Member shall (subject to the provisions of this Article) have the authority, in its sole discretion, to reserve any otherwise distributable amounts for reinvestment by the Fund in connection with the acquisition of additional Properties and/or Tax Certificates, as it determines in its discretion to be in the best interests of the Fund and its Members from time to time.

Section 2. Calculation of Net income Available for Distribution

Net income from rental income from Properties (as defined in the Offering Memorandum), net income from interest paid to the Fund on redeemed Tax Certificates (as defined in the Offering Memorandum), and net income from the sale of Properties will be calculated based on revenues received minus expenses incurred. Thus, net income from rental income from Properties will be calculated based on total rents received minus the total costs incurred in managing and repairing the related rental properties, including the costs of paying home owner association dues, property taxes and fire, liability and loss of rent insurance. Net income from interest on Tax Certificates will be calculated based on total interest received from Tax Certificates minus the cost of the related Tax Certificates and minus all expenses related to the purchase of the Tax Certificates. Net income from the sale of Properties will be calculated based on the total sales price of a Property minus the purchase price of the Property, minus all direct costs and expenses associated with the Property that have been incurred by the Fund in connection with the purchase, renovation, management and sale of the Property, as well as an annual charge on the financial statements of the Fund for depreciation on rental Properties. The annual depreciation charge is equal to the value of the building portion of the rental Property divided by 27.5 years. The net income from the sale of any Property will be recognized and distributed in the business year in which the escrow for the sale of that Property closed.

All such costs, fees, commissions and expenses will be paid directly by the Fund or reimbursed by the Fund to the person or entity providing the service for the Fund. Such expenses include, among others, the cost of selecting, inspecting and purchasing Properties, foreclosure costs, attorney fees, renovation material and labor costs, repair costs, local property management fees, advertising costs, buyer and seller commissions, property taxes, insurance costs, advertising expenses, closing costs including escrow, title insurance, recording and other fees, gardening, trash removal, utilities, eviction and travel costs to properties.

In some situations, the sale of a Property may produce losses, particularly in the event of another drop in real estate values, and in that event there would probably be no net income produced from the sale of Property to distribute.

The book value of a Member's investment in the Fund may decrease over time because of the Fund's annual charge for depreciation against the value of rental Properties owned by the Fund and because the Fund plans to distribute all net income on a current basis, rather than retaining net income. The value of a Member's investment could also decrease significantly and lose value if there is another slowdown in the economy and in residential property values.

Section 3. Quarterly Distributions

Each quarter, within 30 days after the end of the quarter, the Managing Member will distribute to Members, pro rata, up to 1% of the Fund's Prior Year-End Total Assets ("**Quarterly Distributions**") out of available net income from rental income from Properties, net income from earned interest received from redeemed Tax Certificates, and net income from the sale of Properties (after payment of Management Fees, Operating Expenses and short-term Loans). Thus, the aggregate total of all Quarterly Distributions paid to the Members for any year could be up to 4% of the Fund's Prior Year-End Total Assets (1% for each quarter).

However, Quarterly Distributions are not guaranteed and will be made only if, and to the extent, that net income is available for distribution as described. The Managing Member anticipates that the first Quarterly Distribution will not be made to any Member until at least six months after their investment in the Offering, to allow time for the Fund to begin making investments and generating rents and net income.

During the Fund's first year (or partial year) of operations, any Quarterly Distribution will be calculated based on each Member's total Capital Contribution through the end of the quarter to which the Quarterly Distribution relates.

Section 4. Annual Distributions

On or before March 31 of each year, the Managing Member will make an annual distribution ("**Annual Distribution**") of a fifth income check to Members, pro rata, of any undistributed net income for prior year ended December 31, as follows:

If the Members received Quarterly Distributions during the prior business year totaling less than 4% of the Prior Year-End Total Assets from all three sources (received rents, interest from redeemed Tax Certificates and net income from sold Properties), then that is all the Members will receive for that business year and no Annual Distribution will be made.

However, if, during the prior business year, Members received 4% from all three sources listed above, then an Annual Distribution will be made of any additional net income available for distribution, with 75% being distributed to the Members, pro rata, and 25% being distributed to the Managing Member (the "**Net Profit Split**"). A Net Profit Split will thus be the fifth income check that Members will receive for that business year.

Annual Distributions are not guaranteed and will be made only if, and to the extent, that net income is available for distribution as described.

Section 5. Distributions Upon Dissolution

Any cash available when the Fund is to be dissolved shall be applied and distributed in the following order or priority:

First, to the payment of debts and liabilities of the Fund, including payment of any Management Fees and outstanding Loans, and to the expense of liquidation;

Next, to the establishment of any reserve which the Managing Member may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Fund. Such reserve may be paid over by the Managing Member to any attorney at law or bank, as escrow agent, to be held for disbursement in payment of any such liabilities and obligations, at the expiration of such period as shall be deemed advisable by the Managing Member for distribution of the balance in the manner herein above provided.

Finally, the balance, if any, to the Members to the extent of the positive balances in their respective Capital Accounts (determined after giving effect to all contributions, distributions and allocations for all fiscal year periods ending prior to the dissolution and all contributions, distributions and allocations made for all fiscal years ending after the dissolution).

Section 6. Limitation on the Amount of Any Distribution of Net Profit

In no event shall any distribution of net profit result in the assets of the Fund being less than all the liabilities of the Fund or be in excess of that permitted by law.

ARTICLE X

ALLOCATION OF NET INCOME, NET LOSS, TAX CREDITS AND OTHER ITEMS

The following allocations from operations and dissolution or termination are for purposes of income tax allocations and not for distributions of cash, if any.

Section 1. Allocations of Taxable Income, Gains and Losses

In general, taxable income and losses of the Fund will be allocated among the Members according to the number of Units they own in such a manner as to effectuate, to the extent possible, the distribution of cash available for distribution described in Article IX. Also, certain special allocations may be required to comply with “minimum gain chargeback” and other requirements of Section 704 of the Code and the Treasury Regulations thereunder, as described in Section 2 below.

Section 2. Special Allocation Rules

For purposes of this Agreement, a loss or allocation (or item thereof) is attributable to non-recourse debt which is secured by Fund property to the extent of the excess of the outstanding principal balance of the debt (excluding any portion of the principal balance which would not be treated as an amount realized under Section 1001 of the Code and Treasury Regulation Section 1.1001-2 if the debt were foreclosed upon) over the adjusted basis of the property. This excess is called “Minimum Gain” (whether taxable as capital gain or as ordinary income) as more explicitly set forth in Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d). Notwithstanding any other provision of this Agreement, the allocation of loss or deduction (or item thereof) attributable to nonrecourse debt which is secured by Fund property will be allowed only to the extent that the allocation does not cause the sum of the deficit Capital Account balances of the Members receiving the allocations to exceed the Minimum Gain determined at the end of the Fund’s taxable year to which the allocations relate. The balance of the losses shall be allocated to the Managing Member. 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 Fund 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 the deficit Capital Account balances. This section is intended and shall be interpreted to comply with the requirements of Treasury Regulation Section 1.704-2(f).

If any Member receives any adjustments, allocations or distributions not covered by the preceding paragraph, so as to result in a deficit Capital Account, items of Fund income and gain shall be specially allocated to the Members in an amount and manner sufficient to eliminate the deficit balances in his Capital Account created by the adjustments, allocations or distributions as quickly as possible. This Section shall constitute a qualified income offset under Treasury Regulation Section 1.704-1(b)(2)(ii).

(a) Code Section 704(c) Allocations. Income, gains, losses and deductions, as determined for federal income tax purposes, for any Fund asset which has a book value that differs from its adjusted basis for federal income tax purposes shall, solely for federal income tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of the Fund asset to the Fund for federal income tax purposes and its initial book value in accordance with Code Section 704(c) and the Treasury Regulations there under. In furtherance of the foregoing, it is understood and agreed that any income, gain, loss, or deduction attributable to Code Section 704(c) property shall be allocated to the Members in accordance with the traditional method of making Code Section 704(c) allocations, in accordance with Treasury Regulation Section 1.704-3(b).

If the Gross Asset Value of any Fund asset is adjusted, subsequent allocations of income, gain, losses and deductions, as determined for federal income tax purposes, for the Fund asset shall, solely for federal income tax purposes, take account of any variation between the adjusted basis of the Fund asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Treasury Regulations there under.

Allocations under this Section are solely for purposes of federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account.

Except as otherwise set forth in this Agreement, any elections or other decisions relating to allocations under this Section shall be made by the Managing Member, with the review and concurrence of the Fund's accountants, in a manner that reasonably reflects the purpose and intention of this Agreement.

Section 3. Intent of Allocations

It is the intent of the Fund that this Agreement comply with the safe harbor test set out in Regulation Sections 1.704-1(b)(2)(ii)(d) and 1.704-2 and the requirements of those Sections, including the qualified income offset and minimum gain charge-back, which are hereby incorporated by reference. If, for whatever reasons, the Fund is advised by counsel or its accountants that the allocation provisions of this Agreement are unlikely to be respected for federal income tax purposes, the Managing Member is granted the authority to amend the allocation provisions of this Agreement, to the minimum extent deemed necessary by counsel or its accountants to effect the plan of Allocations and Distributions provided in this Agreement. The Managing Member shall have the discretion to adopt and revise rules, conventions and procedures as it believes appropriate for the admission of Members to reflect Members' interests in the Fund at the close of the years.

Section 4. Quarterly Valuation of Assets

For each of the Fund's investments, the Managing Member shall review the investments at the end of each calendar quarter and determine if a Write-down is required with respect thereto. The Managing Member shall cause the Fund's accountants, within thirty (30) days of the end of each calendar quarter, to verify that the Managing Member's determination was made in compliance with generally accepted accounting principles. Any Write-down of an asset resulting from the valuation shall be effective on the last day of the respective calendar quarter during the term of this Agreement.

ARTICLE XI

AMENDMENTS

Section 1. Amendment of Articles

Notwithstanding any provision to the contrary in the Articles or this Agreement, in no event shall the Articles be amended without the vote or written consent of Members representing at least eighty percent of the Membership Interests.

Section 2. Amendment of Operating Agreement

This Agreement may be adopted, altered, amended or repealed and a new operating agreement may be adopted by the Managing Member as long as the distributions to the Members are not reduced.

ARTICLE XII

MISCELLANEOUS

Section 1. Fiscal Year

The Managing Member shall have the sole power to fix, and from time to time, to change, the Fiscal Year of the Fund. In the absence of action by the Managing Member, the fiscal year of the Fund shall be on a calendar year basis and shall end each year on December 31.

Section 2. Quarterly Reports

Within thirty days after the end of each fiscal quarter of the Fund, the Managing Member shall mail to each Member, or make available to each Member on the Fund's website, a quarterly report providing narrative information with respect to the Fund. The Managing Member may extend that time period if additional time is necessary to furnish complete and accurate information pursuant to this Section.

Section 3. Tax Return Information

The Managing Member shall use its best efforts to issue a Schedule K-1 by March 15th of each year to each Member showing the Member's share of income, losses, deductions and credits reported by the Fund on its tax return for the prior year.

Section 4. Term of the Fund

The term of the Fund will end on December 31, 2023, subject to earlier termination in the Managing Member's sole discretion, and subject to extension beyond that date if, and for so long as, the Managing Member determines in its sole discretion that economic or other conditions make it more favorable to continue operating the Fund.

Section 5. Events Requiring Dissolution

Events requiring the Fund to be terminated and dissolved include the following:

(a) The dissolution of the Managing Member, or the filing of any petition in bankruptcy of the Managing Member, unless within 120 days thereafter, any successor Managing Member appointed by the

Managing Member elects to continue the business of the Fund;

(b) The affirmative vote or written agreement of 100% of the Members in favor of termination and dissolution of the Fund;

(c) The written notice to the Members of the Managing Member's decision to terminate and dissolve the Fund early, before the end of its term;

(d) The end of the term of the Fund, if the Managing Member has not elected to notify the Members that the term of the Fund has been extended in accordance with Section 3 of this Article;

(e) The written decision of the Managing Member to dissolve the Fund after having extended the term of the Fund; or

(f) Entry of a decree of judicial dissolution of the Fund pursuant to Nevada Revised Statutes Section 86.495.

Section 6. Choice of Law

THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, PERFORMANCE AND THE RIGHTS AND INTERESTS OF THE PARTIES UNDER THIS AGREEMENT WITHOUT REGARD TO THE PRINCIPLES GOVERNING CONFLICTS OF LAWS, UNLESS OTHERWISE PROVIDED BY WRITTEN AGREEMENT AND SUBJECT TO SECTION 12 OF THIS ARTICLE, WITH REGARD TO NEW YORK LAW.

Section 7. Severability

If any of the provisions of this Agreement shall contravene or be held invalid or unenforceable or in conflict with any provision of the Articles of the Fund, the affected provision or provisions of this Agreement shall be construed or restricted in its or their application only to the extent necessary to permit the rights, interests, duties and obligations of the parties hereto to be enforced according to the purpose and intent of this Agreement and in conformance with the applicable law or laws.

Section 8. Successors and Assigns

Except as otherwise provided, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, heirs, administrators, executors and assigns.

Section 9. Non-Waiver

No provision of this Agreement shall be deemed to have been waived unless such waiver is contained in a written notice given to the party claiming such waiver has occurred, provided that no such waiver shall be deemed to be a waiver of any other or further obligation or liability of the party or parties in whose favor the waiver was given.

Section 10. Captions

Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof.

Section 11. Counterparts, Facsimile

This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. It shall not be necessary for all Members to execute the same counterpart hereof. Signatures transmitted by facsimile or other electronic format shall be effective as originals. Members who sign a Subscription Agreement that is signed and accepted by the Managing Member are deemed to become parties to this Agreement and Members of the Fund without having to sign this Agreement.

Section 12. Membership

A corporation or other entity may be a Member of the Fund.

Section 13. Definition of Words

Wherever in this Agreement the term “he or she” is used, it shall be construed to also mean “it” as pertains to a corporation or other entity.

Section 14. Arbitration

Any controversy or claim arising out of or relating to this Agreement, or breach thereof, including without limitation claims against any party, its directors, officers, employees, affiliates or agents, shall be settled solely by binding arbitration before a single arbitrator in Clark County, Nevada, in accordance with the Commercial Rules of the American Arbitration Association. The parties shall select the arbitrator in the manner prescribed by the American Arbitration Association. In the proceeding, the arbitrator shall apply Nevada substantive law and the rules of evidence in Title 4 of the Nevada Revised Statutes, except that the arbitrator’s authority in awarding damages shall be interpreted under New York law. The parties understand and agree that New York law precludes the awarding of punitive damages. The arbitrator shall prepare an award in writing, which shall include factual findings and any legal conclusions on which the decision is based. Judgment upon any award rendered by the arbitrator(s) may be entered in a Nevada District Court (or a Nevada Justice Court, if appropriate) in Clark County, Nevada, or a Federal District Court in Clark County, Nevada, and those courts shall be the sole venue for the resolution of any non-arbitral dispute, including related to this arbitration provision or enforcement of any award upon any judgment rendered in arbitration. In the event of any arbitration or other action arising out of or related to this Agreement, the prevailing party in such arbitration or other action shall be entitled to receive an award of all costs and expenses of such arbitration or other action, including reasonable attorneys’ fees and costs, and all other expenses in connection therewith, in addition to any other award or remedy provided in such arbitration or action, and the same shall be included in the award and any judgment.

Section 15. Function of Organizer

Upon the filing and approval of the Articles by the Secretary of State, the organizer will have fulfilled and completed his or her obligation to the Fund.

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IN WITNESS WHEREOF, the undersigned have signed this Agreement as of the date first set forth above.

MANAGING MEMBER

Realty Fund Management 2, Inc.

By: _____
David Zussman, President

MEMBER

If an individual:

Name: _____

If an entity:

By: _____
Name: _____
Title: _____