PRIVATE PLACEMENT MEMORANDUM
of
STRATEGIC DIVERSIFIED REAL ESTATE HOLDINGS, LLC,

a California Limited Liability Company
4550 E. Thousand Oaks Blvd.,
Suite 200
Westlake Village, CA 91362
Tel: (805) 764-5128
E-Mail: InvestorRelations@StrategicHoldings.com
Website: www.StrategicHoldings.com

$100,000,000
Limited Liability Company Membership Interests

October 1, 2015

OFFERING SERIES	OFFERING STATUS	PREFERRED RETURN	PRICE PER UNIT	MINIMUM PURCHASE (25, 50 or 100 UNITS)[1]	MAXIMUM OFFERING UNITS[2]	MAXIMUM OFFERING RAISED	MINIMUM OFFERING RAISED[3]
1-A Membership	**AVAILABLE**	8.50%	$1,000	$25,000	25,000	$25,000,000	$25,000,000
1-B Membership	**AVAILABLE**	10.00%	$1,000	$50,000	25,000	$25,000,000	$25,000,000
1-C Membership	**AVAILABLE**	12.00%	$1,000	$100,000	28,000	$28,000,000	$28,000,000
1-D Membership	**AVAILABLE**	10.00% + 25% of A.N.P. [5]	$1,000[4]	$100,000	20,000	$20,000,000	$20,000,00
1-M Manager	FUNDED/ Manager Only	NONE	$1,000	$2,000,000	2,000	$2,000,000	$2,000,000

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1. Membership Interests will be offered and sold directly by the Manager or through one or more broker-dealers and finders at the sole cost of the Manager or, as more fully set forth herein, proceeds generated from the sale of Series 1-D Membership Interests (see herein "Plan of Distribution"). There is no firm commitment to purchase or sell any of the Membership Interests.
2. The minimum purchase is $25,000 for 1-A; $50,000 for 1-B; $100,000 for 1-C and 1-D, however, the Manager reserves the right, in its sole discretion, to accept subscriptions in a lesser amount or require a higher amount. Investors will be admitted to the LLC on a first-in first-out basis when their subscription funds are required by the LLC to acquire assets or to create appropriate reserves or to pay LLC expenses.
3. Series 1-M (Manager) is required to fund $2 million of 1-M Membership Interests. The offering will continue until (i) the Maximum Offering Amount of $100,000,000 is sold, (ii) the Offering Period expires, or the offering is withdrawn by the LLC.
4. The LLC reserves the right to adjust the Membership Interest value for new Series 1-D purchases after April 1, 2016 to reflect the intrinsic value of the LLC˘s underlying assets as determined by the Manager and its Credit Committee.

STRATEGIC DIVERSIFIED REAL ESTATE HOLDINGS, LLC (the "LLC") is organized as a California limited liability company. The manager of the LLC is STRATEGIC DIVERSIFIED MANAGEMENT, INC., a California corporation (the "Manager"). The primary objective of the LLC is to attempt to generate steady cash returns through real property investments, while seeking to achieve capital appreciation as a secondary objective. To that end, the LLC intends to acquire real estate and real estate loans. The LLC intends to acquire individual and pools of undervalued residential and commercial real estate with the intent to either reposition and seek to sell them for profit or retain the assets for potential cash flow and/or appreciation. The LLC may acquire individual and pools of performing, sub-performing, and non-performing mortgage loans secured by residential and commercial real estate. The LLC will also make loans secured by residential property, commercial property, multi-unit property, and loans secured by other mortgage loans. The focus of the LLC may change as market conditions warrant.

The objective of the LLC is to seek to generate cash yields and potential capital appreciation from holding and operating real estate assets.

Investors will have the choice of investing in four types of Membership Interests (hereinafter also referred to as "Interests" or "Units"). Purchasers of Membership Interests will become Members of the LLC. The salient features of the Membership Interests are summarized below. Please review the entirety of this Memorandum for further details.

MEMBERSHIP INTERESTS

(Collectively, the "Membership Interests")

a) **1-D Membership Interests** have priority over the 1-M Manager Interest (formerly called the 1-D Membership Interest) owned by the Manager both in terms of liquidation and the 10% preferred return. In addition, the holders of 1-D Membership Interests (as a class of 20,000 units) will receive 25% of the gain realized by the LLC upon the sale of assets along with 25% of annual Adjusted Net Profits[5]. Specifically, each unit of Series 1-D will receive 1/20,000th of 25% of the gain and annual Adjusted Net Profits. The Manager, through its 1-M Membership Interests, will receive the other 75% of the gain and annual Adjusted Net Profits. The LLC reserves the right to adjust the unit value for new Series 1-D purchases after April 1, 2016 to reflect changes in the value of the LLC's underlying assets as determined by the Manager and its Credit Committee.

b) **1-C Membership Interests** have priority over the 1-D Membership Interests and the 1-M Manager Interest owned by the Manager both in terms of liquidation and income.

c) **1-B Membership Interests** have priority over the 1-C Membership Interests, the 1-D Membership Interests, and the 1-M Manager Interest owned by the Manager both in terms of liquidation and income.

d) **1-A Membership Interests** have priority over the 1-B Membership Interests, the 1-C Membership Interests, the 1-D Membership Interests, and the 1-M Manager Interest owned by the Manager both in terms of liquidation and income.

Investors in 1-A Membership Interests, 1-B Membership Interests, 1-C Membership Interests, and 1-D Membership Interests ("Investors") will become Members in the LLC, and will have the option, exercisable upon subscription for Membership Interests, to receive any potential monthly distributions from the LLC's eligible capital paid directly to them, or to allow all or a portion of their proportionate share of any potential LLC distributions to be retained and reinvested. In all other respects, however, an investment in the LLC is not

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5 Adjusted Net Profits shall be computed by GAAP Net Profits plus any positive difference between GAAP depreciation on all assets and any mortgage lender required stabilized Capital Improvement Reserves (a per housing unit monthly reserve for replacement of capital improvements) on stabilized assets. In other words, because the LLC anticipates that its real estate assets will be worth more than the cost of those assets minus the depreciation required by GAAP accounting, the LLC anticipates giving its Members a cash return more commensurate with the real value of its underlying real property assets.

liquid and is subject to substantial restrictions on withdrawal. (See herein `Withdrawal, Redemption Policy, and Other Events of Dissociation_).

It is anticipated that any income received by 1-A, 1-B, and 1-C Members will be taxable as ordinary income. It is anticipated that any income received or profits allocated by the LLC to 1-D and 1-M Members will be treated as either ordinary income or capital gains. This offering involves tax and other risks. (See herein "Investment Risks," "Business Risks," and "Income Tax Considerations and ERISA Considerations"). Please refer to the Table of Contents.

THIS OFFERING INVOLVES SIGNIFICANT RISKS THAT ARE DESCRIBED IN DETAIL IN THIS MEMORANDUM. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. THE INVESTMENTS MADE BY THE LLC ARE NOT GUARANTEED BY ANY GOVERNMENT AGENCY, ENTITY OR OTHER INSTRUMENTALITY.

CERTAIN NOTICES

No person has been authorized to provide any information or make any representations regarding the LLC except as contained in this Private Placement Memorandum. Statements in this Memorandum are made as of the date hereof unless stated otherwise. Neither the delivery of this Memorandum at any time, nor any sale hereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof.

This Memorandum is being furnished to selected accredited investors, as defined in the Securities Act, on a confidential basis and, by accepting the Memorandum, the recipient agrees to keep confidential the information contained herein. The information contained in the Memorandum may not be provided to persons who are not directly involved in an investor˘s decision regarding the investment offered hereby. This Memorandum may not be reproduced or redistributed.

Investment in the LLC is suitable only for sophisticated investors for whom such investment does not constitute a complete investment program and who fully understand and are willing to assume the substantial risks involved in the LLC˘s specialized investment program. See `Risk Factors._ Prospective investors should not construe the contents of this Memorandum or any supplemental or related literature as legal, business or tax advice. Each investor should consult their own advisors concerning this investment before investing in the LLC.

The sale, transfer or disposition of the Membership Interests offered hereby will be subject to significant contractual restrictions. In addition, an organized market for the Membership Interests is not expected to develop at any time. Investors should be aware that they would be required to bear the financial risks of this investment for an indefinite period.

No action has been or will be taken in any jurisdiction outside the United States of America that would permit an offering of the Membership Interests, or possession or distribution of offering material in connection with the issuance of the Interests, in any country or jurisdiction where action for that purpose is required. It is the responsibility of any investor wishing to purchase Membership Interests to satisfy itself as to full observance of the laws of any relevant territory outside the United States of America in connection with any such purchase, including obtaining any required governmental or other consents or observing any other applicable formalities.

PAST RESULTS OF THE MANAGER MAY NOT BE INDICATIVE OF FUTURE PERFORMANCE. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED OR THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED.

For Residents of All States:

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ENTITY CREATING THE MEMBERSHIP UNITS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE MEMBERSHIP UNITS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE MEMBERSHIP UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD.

THIS OFFERING INVOLVES SIGNIFICANT RISKS, DESCRIBED IN DETAIL HEREIN. FEES WILL BE PAID TO THE MANAGER AND ITS AFFILIATES, WHO ARE SUBJECT TO CERTAIN CONFLICTS OF INTEREST. (SEE HEREIN "RISKS FACTORS") PROSPECTIVE PURCHASERS OF MEMBERSHIP UNITS SHOULD READ THIS MEMORANDUM IN ITS ENTIRETY.

THERE IS NO PUBLIC MARKET FOR MEMBERSHIP UNITS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED IN THE LIMITED LIABILITY COMPANY ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER (SEE HEREIN `WITHDRAWAL, REDEMPTION POLICY, AND OTHER EVENTS OF DISSOCIATION_), AND THE MEMBERSHIP UNITS OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM THE LIMITED LIABILITY COMPANY AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS, HER, OR ITS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND OTHER PROFESSIONALS WITH RESPECT TO THE LEGAL AND TAX ASPECTS OF THIS INVESTMENT AND WITH SPECIFIC REFERENCE TO HIS, HER, OR ITS OWN TAX SITUATION, PRIOR TO SUBSCRIBING FOR MEMBERSHIP UNITS IN THE LLC.

THE PURCHASE OF LIMITED LIABILITY COMPANY MEMBERSHIP UNITS BY AN INDIVIDUAL RETIREMENT ACCOUNT ("IRA"), KEOGH PLAN OR OTHER QUALIFIED RETIREMENT PLAN INVOLVES SPECIAL TAX RISKS AND OTHER CONSIDERATIONS THAT SHOULD BE CAREFULLY CONSIDERED. INCOME EARNED BY QUALIFIED PLANS AS A RESULT OF AN INVESTMENT IN THE LIMITED LIABILITY COMPANY MAY BE SUBJECT TO FEDERAL INCOME TAXES, EVEN THOUGH SUCH PLANS ARE OTHERWISE TAX EXEMPT. (SEE HEREIN "INCOME TAX CONSIDERATIONS AND ERISA CONSIDERATIONS")

THE MEMBERSHIP UNITS ARE OFFERED SUBJECT TO PRIOR SALE, ACCEPTANCE OF AN OFFER TO PURCHASE, AND TO WITHDRAWAL OR CANCELLATION OF THE OFFERING WITHOUT NOTICE. THE MANAGER RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTIONS IN WHOLE OR IN PART.

THE MANAGER WILL MAKE AVAILABLE TO ANY PROSPECTIVE INVESTOR AND HIS, HER, OR ITS ADVISORS THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE LIMITED LIABILITY COMPANY OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE

EXTENT THE MANAGER POSSESSES SUCH INFORMATION.

THE INFORMATION CONTAINED IN THIS MEMORANDUM HAS BEEN SUPPLIED BY THE MANAGER. THIS MEMORANDUM CONTAINS SUMMARIES, BELIEVED BY THE MANAGER TO BE ACCURATE, OF CERTAIN AGREEMENTS AND OTHER DOCUMENTS, BUT ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCES TO SUCH AGREEMENTS AND OTHER DOCUMENTS. COPIES OF DOCUMENTS REFERRED TO IN THIS MEMORANDUM, BUT NOT INCLUDED HEREIN AS AN EXHIBIT, WILL BE MADE AVAILABLE TO QUALIFIED PROSPECTIVE INVESTORS UPON REQUEST.

Certain State Notices

FOR RESIDENTS OF FLORIDA:

THE SECURITIES BEING OFFERED HAVE NOT BEEN REGISTERED WITH THE FLORIDA DIVISION OF SECURITIES AND INVESTOR PROTECTION. THE FLORIDA ACT PROVIDES THAT SALES MADE TO FIVE OR MORE PERSONS IN THIS STATE MAY BE VOIDABLE BY THE PURCHASER IN SUCH SALE EITHER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER, OR AN ESCROW AGENT, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THIS PRIVILEGE IS COMMUNICATED TO THE PURCHASER, WHICHEVER OCCURS LATER.

FOR RESIDENTS OF CALIFORNIA:

THE SALE OF THE MEMBERSHIP INTERESTS WHICH ARE THE SUBJECT OF THIS SUBSCRIPTION AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH MEMBERSHIP INTERESTS OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF MEMBERSHIP INTERESTS IS EXEMPT FROM THE QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS SUBSCRIPTION AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

FOR RESIDENTS OF PENNSYLVANIA:

EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE THE SECURITIES OFFERED HEREBY HAS A RIGHT TO WITHDRAW HIS ACCEPTANCE PURSUANT TO SECTION 207(L.C.) OF THE PENNSYLVANIA SECURITIES ACT OF 1972 (70 P.S. 1-207(M)). SUCH PERSON MAY ELECT, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF HIS WRITTEN BINDING CONTRACT OF PURCHASE (OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT TO PURCHASE, WITHIN TWO BUSINESS DAYS AFTER HE MAKES THE INITIAL PAYMENT FOR THE SECURITIES), TO WITHDRAW FROM HIS PURCHASE AGREEMENT AND RECEIVE A FULL REPAYMENT OF ALL MONIES PAID. SUCH A WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON TO ACCOMPLISH THIS WITHDRAWAL, A LETTER SHOULD BE SENT TO THE FUND, INDICATING THE INTENTION TO WITHDRAW SUCH LETTER SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY.

FOR RESIDENTS OF NEW JERSEY:

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BUREAU OF SECURITIES OF THE STATE OF NEW JERSEY NOR HAS THE BUREAU PASSED ON OR ENDORSED

THE MERITS OF THIS OFFERING. THE FILING OF THE WRITTEN OFFERING DOES NOT CONSTITUTE APPROVAL OF THE ISSUE OR SALE THEREOF BY THE BUREAU OF SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. PURCHASERS WHO HAVE NOT RECEIVED A COPY OF THIS MEMORANDUM AT LEAST 48 HOURS PRIOR TO PAYMENT, RECEIPT OF CONFIRMATION OR RECEIPT OF SECURITY, WHICH EVER OCCURS FIRST, SHALL HAVE THE RIGHT TO RESCIND THE PURCHASE WITHIN 48 HOURS AFTER RECEIVING THE MEMORANDUM. NO BROKER-DEALER, SALESMAN OR ANY OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED EXPRESSLY IN THE MEMORANDUM.

FOR RESIDENTS OF NORTH DAKOTA:

THESE SECURITIES HAVE NOT BEEN APPROVED BY THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR RESIDENTS OF VERMONT:

EACH VERMONT PURCHASER WHO ACCEPTS AN OFFER TO PURCHASE THESE SECURITIES DIRECTLY FROM THE ISSUER OR AN AFFILIATE OF THE ISSUER SHALL HAVE THE RIGHT TO WITHDRAW SUCH ACCEPTANCE WITHOUT INCURRING ANY LIABILITY TO THE ISSUER OR ANY OTHER PERSON WITHIN THREE CALENDAR DAYS OF THE FIRST TENDER OF CONSIDERATION TO THE ISSUER, AN AFFILIATE OF THE ISSUER, OR AN ESCROW AGENT.

FOR RESIDENTS OF NEW YORK:

THIS CONFIDENTIAL OFFERING MEMORANDUM HAS NOT BEEN REVIEWED BY THE STATE OF NEW YORK, THE NEW YORK STATE DEPARTMENT OF LAW OR THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE NOR HAS ANY OF THE FOREGOING PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Forward Looking Statements

This Memorandum contains `forward-looking statements_ within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of investing in the LLC, future financial and operating results, the LLC˘s plans, objectives, expectations and intentions with respect to future operations; and other statements identified by words such as `anticipate,_ `believe,_ `plan,_ `expect,_ `intend,_ `will,_ `should,_ `may,_ or words of similar meaning. Such forward-looking statements are based on the current beliefs and expectations of the LLC and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and beyond the LLC˘s control. Actual results may differ materially from the results anticipated in these forward-looking statements.

You should understand that the following factors and assumptions, among others, could affect the LLC˘s future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- general economic and business conditions,
- changes in foreign, political, social and economic conditions,
- regulatory initiatives and compliance with governmental regulations, and
- other matters, many of which are beyond the Manager˘s control.

Other factors and assumptions not identified above, including those described under `Risk Factors_ below, were also involved in the derivation of these forward-looking statements, and the failure of such assumptions to be realized as well as other factors may cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and many are beyond the LLC˜s control.

This Memorandum has been furnished on a confidential basis for use only by the person to whom it has been provided. Any reproduction or distribution of this Memorandum, in whole or in part or the divulgence of any of its contents, to any person other than the person to whom this Memorandum is delivered, without the prior written consent of the LLC, is prohibited. This Memorandum supersedes any other offering materials previously made available to prospective investors. In considering whether to invest, prospective investors should not rely on any documents previously received.

Additional Questions

The sole purpose of this Memorandum is to assist prospective investors in deciding whether to proceed with an investment in the LLC. No one has been authorized to give any information or to make any representation with respect to the LLC that is not contained in this Memorandum. Prospective Investors should not rely on any information not contained in this Memorandum. Prospective Investors should not construe the contents of this Memorandum as legal, tax, investment or other advice. Each prospective Investor should conduct its own inquiry into the LLC, this Offering and any related matters. Before making an investment, each prospective investor has an opportunity to direct all questions to:

STRATEGIC DIVERSIFIED REAL ESTATE HOLDINGS, LLC
751 E. Daily Drive, Suite 116
Camarillo, CA 93010
Tel: (805) 436-3446
E-Mail: InvestorRelations@StrategicHoldings.com Website: www.StrategicHoldings.com

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EXHIBITS

Exhibit A: Limited Liability Company Operating Agreement
Exhibit B: Current Fund Portfolio
Exhibit C: Subscription Agreement and Investor Questionnaire

SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum. This Memorandum, together with the exhibits attached including, but not limited to, the Sixth Amended Limited Liability Company Operating Agreement of the LLC (the `Operating Agreement_), a copy of which is attached hereto as Exhibit A, should be read in their entirety before any investment decision is made. If there is a conflict between the terms contained in this Memorandum and the Operating Agreement, the Memorandum shall prevail.

The LLC	STRATEGIC DIVERSIFIED REAL ESTATE HOLDINGS, LLC (the `LLC_) is a California limited liability company formed for the purpose of acquiring real estate and real estate loans. The LLC intends to acquire individual and pools of undervalued residential and commercial real estate with the intent to either reposition and seek to sell them for profit or retain the assets for potential cash flow and/or appreciation. The LLC may acquire individual and pools of performing, sub-performing, and non-performing mortgage loans secured by residential and commercial real estate. The LLC intends to also make loans secured by residential property, commercial property, multi-unit property, and loans secured by other mortgage loans. The focus of the LLC may change as market conditions warrant.
Membership Interests	The LLC will have five series of members (the `Membership Interests_ and the holder thereof a `Member_) who will hold units of Membership Interest in the LLC. The initial issue price of each unit is $1,000 but the value of a 1-A, 1-B, 1-C and 1-D Members˘ interest in the LLC will be determined by the value of the Member˘s capital account. It is the intent of the LLC that capital accounts of Series 1-A, 1-B, and 1-C Members are impacted solely by Adjusted Net Profits [6] for monthly distributions, calculation of capital accounts, and in determining taxable income. For income tax purposes, the LLC will treat all payments of the preferred returns to the Class 1-A, Class 1-B and Class 1-C Interests as `guaranteed payments_ for the use of such Members˘ capital, as described in Section 707(c) of the Internal Revenue Code of 1986, as amended (the `Code_); and, as such, all such payments shall be treated as ordinary income to such Members. It is the intent of the LLC that capital accounts of Series 1-D and 1-M Members are subject to Adjusted Net Profits for monthly distributions and calculation of capital accounts, but GAAP will be utilized in determining taxable income. The unit price of Class 1-D Equity Interest is $1,000 but may increase after April 1, 2016 based upon a review of the intrinsic value of the LLC˘s underlying assets by the Manager and its Credit Committee. Capital accounts may go up as Adjusted Net Profits and any gain is allocated to the capital account and decreased by distributions to Members, any losses or gains, and the loss reserves. The Manager will use reasonable discretion in manually adjusting capital accounts by reason of anticipated loss reserves

[6] Adjusted Net Profits shall be computed by GAAP Net Profits plus any positive difference between GAAP depreciation on all assets and any mortgage lender required stabilized Capital Improvement Reserves (a per housing unit monthly reserve for replacement of capital improvements) on stabilized assets. In other words, because the LLC anticipates that its real estate assets will be worth more than the cost of those assets minus the depreciation required by GAAP accounting, the LLC anticipates giving its Members a cash return more commensurate with the real value of its underlying real property assets.

and other events.

All allocations of Net Profits 1-D and 1-M Membership Interests shall comply with Generally Accepted Accounting Principles (“GAAP”). However, the calculation of profits solely for the purpose of determining cash distributions to Members (such as the Preferred Returns) (the “Adjusted Net Profits”) shall be computed by GAAP Net Profits plus any positive difference between GAAP depreciation on all assets and any mortgage lender required stabilized Capital Improvement Reserves (a per housing unit monthly reserve for replacement of capital improvements) on stabilized assets. In other words, because the LLC anticipates that its real estate assets will be worth more than the cost of those assets minus the depreciation required by GAAP accounting, the LLC anticipates giving its Members a cash return more commensurate with the real value of its underlying real property assets. For income tax purposes, the distribution of Adjusted Net Profits may be treated as a return of capital to the 1-D and 1-M Members to the extent the distributions exceed GAAP Net Profits.

Prior to October of 2015, the Manager invested in the LLC by way of a $2MM purchase of Class 1-D Membership Interests. Those interests are renamed the Class 1-M Membership Interests. The Class 1-D Interests, now the 1-M Membership Interests were entitled to 100% of profits after payment of the preferred returns to the senior classes, 1-A, 1-B, and 1-C. With the October 2015 revision of the Operating Agreement and this Memorandum, a new class of interests is created, the Class 1-D. The new Class 1-D Interests will carry a 10% preferred return but also are entitled (as a class of 20,000) to 25% of the LLC’s gain realized when it sells assets, along with 25% of Adjusted Net Profits, after payment of all Preferred Returns to the senior classes. Specifically, each unit of Series 1-D will receive 1/20,000th of 25% of gains and excess Adjusted Net Profits. The Manager, as holder of the 1-M Interests shall be entitled to the remainder. For income tax purposes, any income received or profits allocated by the LLC to 1-D and 1-M Members shall be treated as either ordinary income or capital gains.

Membership Interest Series 1-M (formerly 1-D) have been purchased by the Manager. Series 1-A, Series 1-B, Series 1-C, and Series 1-D (sometimes called Series 1-A Membership Interest, Series 1-B Membership Interest, Series 1-C Membership Interest, or Series 1-D Membership Interest) are available for sale. Series 1-A will have priority over Series 1-B, Series 1-B will have priority over Series 1-C, Series 1-C will have priority over Series 1-D, and Series 1-D will have priority over Series 1-M in terms of liquidation, withdrawal and Adjusted Net Profit distributions. Series 1-B will have priority over Series 1-C and Series 1-D in terms of liquidation, withdrawal and Adjusted Net Profit distributions. Series 1-C will have priority over Series 1-D in terms of liquidation, withdrawal and Adjusted Net Profit distributions. Series 1-D will have priority over Series 1-M in terms of liquidation, withdrawal, and payment of the Preferred Return. Series 1-D to the extent such Series 1-D Membership Interests are outstanding (as to 25% as a class of 20,000 units) after distribution of 10% Preferred Return, is on par with Series 1-M (75%) as to the distribution of any gains realized upon the sale of real property assets and excess Adjusted Net Profits.

	Specifically, in the event of liquidation of the LLC, the capital accounts of Series 1-A must be paid back to the holders thereof in full prior to the distribution of the capital accounts of Series 1-B, Series 1-C, Series 1-D, and Series 1-M (Manager Capital) along with accrued unpaid interest. Thereafter, in the event of liquidation of the LLC, the capital accounts of Series 1-B must be paid back to the holders thereof in full prior to the distribution of the capital accounts of Series 1-C, 1-D, and Series 1-M (Manager Capital) along with accrued unpaid interest. Thereafter, in the event of liquidation of the LLC, the capital accounts of Series 1-C must be paid back to the holders thereof in full prior to the distribution of the capital accounts of Series 1-D and Series 1-M (Manager Capital) along with accrued unpaid interest. Thereafter, in the event of liquidation of the LLC, the capital account of Series 1-D must be paid back to the holders thereof in full prior to the distribution of the capital account of Series 1-M (Manager Capital). In the case of withdrawal prior to liquidation, Series 1-A has priority over all other Series; Series 1-B has priority over Series 1-C, 1-D and Series 1-M, and Series 1-C has priority over Series 1-D and 1-M; Series 1-D has priority over Series 1-M. By `priority_ it is meant that the senior series withdrawal request must be paid in full prior to payment to a junior series. After payment of the expenses of the LLC and an allocation to the Loss Reserve, all Adjusted Net Profits, if any, will be distributed to Series 1-A until the holders thereof have received their applicable preferred return of 8.5% per annum then to Series 1-B until the holders thereof have received their applicable preferred return of 10% per annum, then to holders of Series 1-C until they have received their applicable preferred return of 12% per annum, then to holders of Series 1-D until they have received their applicable preferred return of 10% per annum, and the balance of the Adjusted Net Profits , if any, will be distributed 25% to the holders of Series 1-D and 75% to the Manager as owner of Series 1-M Interests. Specifically, each unit of Series 1-D will receive 1/20,000th of 25% of the gains and Adjusted Net Profits. This is only likely to occur upon the sale of assets. (The 8.5% per annum preferred return to Series 1-A, the 10% per annum preferred return to Series 1-B, the 12% per annum preferred return to Series 1-C, and the 10% per annum preferred return to Series 1-D are collectively referred to as the `Preferred Return_). The LLC will treat the Preferred Return with respect to Series 1-A Units, Series 1-B Units, and Series 1-C Units as a `guaranteed payment_ under Section 707(c) of the Code, which will be taxed to the Members receiving the Preferred Return as ordinary income, while any income received or Adjusted Net Profits allocated by the LLC to 1-D and 1-M Members shall be treated as either ordinary income or capital gains. At the inception of the offering the Manager purchased $1,000,000 of Series 1-M Interests. The Manager purchased an additional $1,000,000 of Series 1-M in December 2013. Series 1-M Interests are subordinate to all other Interests of the LLC as to withdrawal, cash distribution and liquidation preference. If the Manager˜s capital account is depleted, the Manager is not required to contribute additional capital.
	The Manager is Strategic Diversified Management, Inc., located at: 751 E. Daily Drive, Suite 116

The Manager	Camarillo, CA 93010 Tel: (805) 436-3446 E-Mail: InvestorRelations@StrategicHoldings.com Website:www.StrategicHoldings.com
Term of the LLC	Until December 31, 2023 (with provisions for extension at discretion of the Manager or majority vote of the Members), unless sooner terminated. (See herein "Summary of LLC Operating Agreement ‾ Term of LLC")
Suitability Standards	Membership Interests are offered exclusively, to certain individuals, Keogh plans, IRAs and other qualified investors who are accredited investors as defined under the Rules of the Securities & Exchange Commission. (See herein "Investor Suitability"). If the LLC elects to be governed by Rule 506(c) of the Securities and Exchange Commission, new investors will be required to verify they are accredited.
Capitalization	Maximum of $25,000,000 (25,000 units) of Series 1-A Membership Interests. Maximum of $25,000,000 (25,000 units) of Series 1-B Membership Interests. Maximum of $28,000,000 (28,000 units) of Series 1-C Membership Interests. Maximum of $20,000,000 (2,000 units) of Series 1-D Membership Interests. Minimum of $2,000,000 (2,000 units) of Series 1-M Manager Only Interests. The Manager reserves the right to increase the size of the offering at any time.
Selling Commissions	While the LLC or its Manager may engage a broker-dealer, no portion of the gross proceeds from 1-A, 1-B, or 1-C Interests of this offering will be used for the purpose of paying selling commissions and fees incurred in the sale of Membership Interests. Proceeds from the sale of Series 1-D Interests may be used to pay selling commissions and fees incurred in the sale of Membership Interests through the services of a Broker-Dealer or Registered Investment Advisor, which may charge a service fee or commission of up to ten percent (10%).
Credit Committee	The Credit Committee will approve the acquisition and divesture of all investments and the monthly evaluation of assets owned by the LLC. The Credit Committee consists of the Chief Finance Officer, President, and the Chief Investment Officer. A quorum requires a minimum of two Credit Committee members.
	Each month, after payment of credit facilities, and other expenses of the LLC, the Manager will distribute, to the extent of Adjusted Net Profits, the preferred returns to the Series 1-A Members up to their Preferred Return of 8.5%, then to the Series 1-B Members up to their Preferred Return of 10%, then to the Series 1-C Members up to their Preferred Return of 12%, and then to the Series 1-D Members up to their Preferred Return of 10%. Excess Adjusted Net Profits after payment of all accrued but unpaid

Cash Distributions	Preferred Return, if any, will first restore the capital accounts of Series 1-A Members, if required, then restore the capital accounts of Series 1-B Members. Excess Adjusted Net Profits after payment of all accrued but unpaid Preferred Return, if any, will thereafter restore the capital accounts of Series 1-C Members, if required, then restore the capital accounts of Series 1-D Members, if required, then restore 1-M (Manager˘s Interest), if required. Any remaining Adjusted Net Profits will be allocated 25% to the Series 1-D Members (as a class of 20,000 units) and 75% to the Series 1-M Member. Specifically, each unit of Series 1-D will receive 1/20,000th of 25% of the gain. In other words, it is the intent of the LLC that capital accounts of Series 1-A, 1-B, and 1-C Members are impacted solely by Adjusted Net Profits for monthly distributions, calculation of capital accounts, and in determining taxable income, while the capital accounts of Series 1-D and 1-M Members are subject to Adjusted Net Profits for monthly distributions and calculation of capital accounts, but GAAP will be utilized in determining taxable income. Because distributions ignore most of GAAP required depreciation, the actual GAAP Net Profits, if any, of the LLC may be less than the Preferred Return that is distributed. To the extent the payment of the Preferred Return is not out of accrued Adjusted Net Profits, payment first shall be taken from the Manager˘s 1-M capital account, then from the Series 1-D Members˘ capital accounts, and then from the Series 1-C Members˘ capital accounts. The Manager contributed $2 million in capital to the LLC in the form of Series 1-M Manager Interests (formerly 1-D Interests). The Manager˘s capital is subordinate to the right of Members to receive their Preferred Return distributions for Series 1-A Membership, Series 1-B Membership, Series 1-C Membership, and Series 1-D Membership. If distributions to Members out of the Manager˘s Series 1-M, the Members Series 1-D, and the Members Series 1-C, exceed the sums contributed, it is unlikely the LLC will be able to make Preferred Return distributions to the Series 1-A, Series 1-B, Series 1-C, and Series 1-D Membership Interests until such profits are earned and exceed the amount necessary to make the distributions or the Manager contributes additional capital for the purpose of supporting distributions to Members. If both fail to occur, Members could receive a lower rate of return or a loss of principal. The Manager is under no legal obligation to contribute additional capital. The Manager shall inform existing Members at least quarterly (and new Members before they purchase) as to the size of the Manager˘s capital account. The Manager shall make distributions to Members solely out of Adjusted Net Profits accrued by the LLC, the Manager˘s 1-M capital account, the Series 1-D Members˘ capital accounts, or the Series 1-C Members˘ capital accounts. By the end of the LLC's fiscal year and after completion of its annual audit, the Manager will make every effort to have distributed to each Member the amount allocated to that Member on the Schedule K-1 that he, she, or it receives for income tax reporting. With respect to the Preferred Return received by Series 1-A, Series 1-B and Series 1-C Members, the LLC will not report any income to such Members in excess of the Preferred Return

	received, however, the Preferred Return will be treated as a `guaranteed payment_ for income tax purposes. In addition, the Series 1-D Member may be allocated on his, her, or its Schedule K-1 an amount of residual income that may differ somewhat from the actual cash distributions made during the fiscal year covered by the Schedule K-1 due to, among other things, calculation of the LLC˘s taxable income, loss reserves, contributions out of the Manager˘s capital account and factors unique to the tax accounting of LLCs, such as the treatment of investment expense.
Reinvestment Election	Members must elect to (i) receive cash distributions from the LLC or (ii) allow the distributions to be reinvested by increasing the value of Membership Interests held by a Member, or (iii) a combination of (i) or (ii) above. An election to reinvest all or a portion of the monthly distributions, if any, is revocable at any time, upon a written request to revoke such election. Such election shall become effective on the first (1st) day of the month following receipt of the election but in no event sooner than 15 days after receipt of notice. If no election is made, then the monthly distribution, if any, will be a cash distribution. If a Member elects to reinvest his, her or its distributions, the Member will nevertheless be subjected to income tax liability as if such Member actually received such distribution and then contributed the cash back to the LLC.
Member Withdrawal (1-A, 1-B, & 1-C Only)	Series 1-A, Series 1-B, and Series 1-C Members may withdraw as a Member of the LLC and may receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least six (6) months; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts (not guaranty) to honor requests for a return of capital subject to, among other things, the LLC˘s then existing cash flow, financial condition, and prospective investment opportunities. Each request for a return of capital will be limited to twenty-five percent (25%) of such Member˘s capital account balance such that it will take four (4) quarters for a Member to withdraw his, her, or its total investment in the LLC; provided, however, that the maximum aggregate amount of capital that the LLC will return to the Members each year is limited to twenty percent (20%) of the total outstanding capital of the LLC. Series 1-A has withdrawal priority over all other Series, Series 1-B over Series 1-C and 1-D and Series 1-C over 1-D. `Priority_ means that the senior series withdrawal request must be paid in full prior to payment to the junior series. No holder of a Series 1-M Membership Interest (Manager) may withdraw while there are pending and unpaid withdrawal requests by holders of Series 1-A, Series 1-B, Series 1-C, or Series 1-D or the amount withdrawn would reduce what remained in the Manager˘s capital account to less than $2MM. The Manager may, in its absolute discretion, accelerate Series 1-A, Series 1-B, Series 1-C and Series 1-D withdrawal payments but it has no legal or fiduciary duty to do so. Otherwise withdrawal requests will be considered on a pro-rata basis. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a Member is experiencing undue hardship.
	Series 1-D Members may withdraw as a Member of the LLC and may

Member Withdrawal (1-D Only)	receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least three (3) years; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts (not guaranty) to honor requests for a return of capital subject to, among other things, the LLC˘s then existing cash flow, financial condition, and prospective investment opportunities. Upon the member˘s written request for the return of capital, the repurchase price of the Member˘s 1-D Interests in the LLC shall be the Member˘s then capital account balance subject to adjustment for: (1) the quick sale liquidation value of the LLC˘s assets, (2) the then estimated quick sale value of the LLC˘s assets and (3) general economic conditions. The Manager shall first use best efforts to obtain a buyer through the services of a Broker-Dealer or Registered Investment Advisor, which may charge a service fee of up to ten percent (10%). Notwithstanding the foregoing, the Manager may, in its sole discretion, offer to repurchase the Member˘s Membership interests at a mutually agreed upon value or otherwise waive such withdrawal requirements if a Member is experiencing undue hardship. In lieu of accepting the purchase price determined by the Manager, a Member may offer his or her Membership Interests to another Member for sale. (See `Operating Agreement ¯ Withdrawal, Redemption Policy, and Other Events of Dissociation_ and `Restrictions on Transfer._)
No Liquidity	There is no public market for Membership Interests and none is expected to develop. Additionally, there are substantial restrictions on transferability of Membership Interests. (See herein "Investment Risks-Limited Transferability of Membership Interests ") Investors should not purchase Membership Interests unless they reasonably intend to hold them for substantially the full term of the Offering.
Reports to Members	Audited financial statement reports concerning the LLC˘s business affairs will be provided to Members no later than 120 days after the end of the fiscal year. As soon as is practicable, each Member will receive a copy of the LLC˘s annual income tax return. At least quarterly, the LLC will issue a report and spreadsheet as to the portfolio of real estate and other assets that it then holds. In addition, the Manager will issue a five year pro forma of its Core real estate portfolio on a quarterly basis.

THE STRATEGY OF THE LLC

- The Architecture of LLC. The LLC has been formed by Strategic Diversified Management, Inc., Manager of the LLC, to provide investors with a real estate investment vehicle that seeks to deliver steady cash flow returns. Investors in the LLC will be admitted as Members of the LLC and will receive Units of Membership Interests in the LLC. The LLC was designed to deny the Manager any share of the Adjusted Net Profits of the LLC unless and until it achieves the Preferred Return for Series 1-A, the Preferred Return for Series 1-B, the Preferred Return for Series 1-C and the Preferred Return for Series 1-D. This structure is intended to motivate the Manager to focus

on the bottom line.

- Tiered Risk Structure. The Manager believes that the LLC is unique among real estate funds by its equity choices. Holders of Series 1-A, Series 1-B, and Series 1-C have a higher preferred return but no secured lien or promise of payment. Series 1-D has a Preferred Return and 25% Adjusted Net Profit participation (as a class of 20,000 units) in annual excess Adjusted Net Profits along with a25% Adjusted Net Profit participation upon the liquidation of the real estate in the LLC˘s portfolio. Junior to all of the forgoing is an investment by the Manager of $2,000,000 in Series 1-M that will serve as a cushion to Investors in 1-A, 1-B, 1-C, and 1-D Membership Interests. The Manager may never voluntarily reduce its Series 1-M investment below $2 million. If the Manager˘s initial capital contribution of capital is reduced below $2 million, the Manager has no obligation to replenish it except out of the Allocation of Adjusted Net Profits, if earned.

- No Load. The Manager is seeking to capitalize the LLC with up to $100 million of capital commitments, which amount may be exceeded in the discretion of the Manager. The LLC was designed with no `front end load,ˍ meaning other than cash reserves, and operating expenses, 100% of invested capital will be deployed in real estate or real estate secured acquisitions. However, money raised by the LLC by sales of Series 1-D interests may be used to pay brokerage commissions and operating expenses of the LLC.

- Low Overhead. The LLC was also designed to keep expenses at a minimum. Other than the Asset Management Fee, the Construction Management Fee, expense of accounting, audit, tax return preparation and LLC taxes, the Manager will bear all other overhead expenses such as rent and personnel costs. The LLC must pay any expenses related to its portfolio of real property and mortgages (including but not limited to real estate sales commissions upon the sale of real property).

- Opportunity. The Manager believes that the recession that began in late 2007 has resulted in a level of residential and multifamily foreclosures last seen during the Great Depression. Banks have been flooded with foreclosed properties they must liquidate. Many of the properties have deferred maintenance. An entire industry has prospered in acquiring foreclosed residential and commercial real estate, cosmetically improving them, repositioning them, and immediately reselling (so-called, `flippingˍ) them or holding them for cash flow and appreciation.

  The Manager believes that the banks will continue to foreclose on residential and commercial real estate at higher than historical rates and will continue to resell the foreclosed real estate they hold in inventory. As a result, the Manager believes the business of acquiring and financing undervalued assets is likely to continue for some period of time. These and other very human situations should create the need for investors such as the LLC.

- Holding Title. When the LLC acquires real estate, it will hold record title to the property. It is anticipated that most of the properties will be multi-family properties (apartments), but the LLC may consider other types of properties that it deems capable of producing favorable cash flow. In some cases involving a joint venture, the LLC may record a first position deed of trust instead of holding title. In some cases, the LLC will seek to acquire performing, sub-performing or non-performing mortgages on an individual or bulk basis with a view toward either foreclosing on the mortgages to contribute to the LLC˘s inventory or modifying the loan on terms acceptable to the LLC, with the anticipation that this will provide the borrower time to rehabilitate the property or their credit so the borrower can refinance and repay the LLC at what the LLC seeks to be a profit above the purchase price paid for the mortgage.

- Competition. Private individuals and investment pools are engaged in similar business as competitors.

- Leverage to Lower Cost of Funds. The LLC may seek to secure a line of credit to lower its cost of funds, generate leverage and improve the profitability of the LLC, but there is no guarantee it will be successful in doing so. If a credit line is obtained, the LLC will secure the line with a collateral assignment of mortgages and/or real estate it owns. The LLC may utilize structured financing or securitization to lower the cost of funds. To that end, in April of 2014 the LLC obtained a $10MM line of credit secured by all of its assets. In April 0f 2015, the LLC increased

the credit limit to $15MM. The loan has an interest rate of 9.5% and is due in full in April 2017. As of September 25, 2015, the LLC owed $10MM on the credit facility.

- Rental Portfolio. The LLC intends to acquire undervalued properties and reposition them. The Manager has a team in place to locate and rehabilitate properties. It is expected in some cases the properties will be sold within a few months with the intent of achieving a quick gain. If the property is attractive as a long term investment and the rents are sufficient to generate a yield to the LLC, the property may be retained for income and possible capital appreciation and a mortgage may be obtained on it to lower the cost of funds to the LLC. With real estate prices at what the Manager believes to be historical lows, this gives the LLC the potential of an upside should properties appreciate. In the meantime, with expected rents, the LLC is `being paid_ to hold the asset.

- Credit Committee. The Credit Committee will consist of the Chief Financial Officer, the President, and the Chief Investment Officer. The Credit Committee will approve the acquisition and disposition of all assets acquired or sold by the LLC. The Credit Committee will prepare a rolling five year pro forma value of all assets owned by the LLC and update it quarterly.

- Borrowers. The LLC will employ criteria to ensure the borrower and property meets the LLC˘s lending criteria. Many borrowers will be non-prime, meaning they would not qualify for financing from a conventional lending source such as a bank. The LLC˘s emphasis will be on the current and pro forma loan-to-value of the property, primarily, and cash flow, secondarily. Much less emphasis will be placed on the creditworthiness, liquidity and income of the borrower. Initially, most loans will be secured by first deeds of trust or mortgages, but that may change as market conditions change.

- Experienced Loan Servicing. Some of the loans the LLC will make have a period of prepaid interest and therefore it may not be necessary to collect payments (`servicing_ a loan) for some time. When payments are being collected, the LLC intends to employ a professional loan servicer as its servicer, which may be an Affiliate of the Manager. The fees of the servicer will be paid by the Manager.

TERMS OF THE OFFERING

This offering is made to a limited number of accredited investors to purchase Membership Interests of the LLC. The minimum subscription from each Investor is $25,000 for 1-A, $50,000 for 1-B, $100,000 for 1-C, and $100,000 for 1-D, however, the Manager reserves the right, in its sole discretion, to accept subscriptions in a lesser amount or require a higher amount.

The Offering will continue until (a) the Maximum Offering Amount is raised, or (b) the Offering is withdrawn by the LLC. A capital account will be established for each Member on the books and records of the LLC. Each Member will share in distributions of the LLC˘s Adjusted Net Profits allocated to Members based upon such Member˘s capital account balance compared to the capital account balances of other Members.

INVESTOR SUITABILITY

To purchase Membership Interests, an Investor must meet certain eligibility and suitability standards, some of which are set forth below, and must execute a Subscription Agreement and Power of Attorney ("Subscription Agreement") in the form attached as Exhibit B. By executing the Subscription Agreement, an Investor makes certain representations and warranties upon which the Manager will rely in accepting subscriptions.

Read and complete the Subscription Agreement carefully.

After it commences operations, the composition of the LLC˘s current asset portfolios will be attached as Exhibit `C_ to this Memorandum. It will be updated periodically. Attached as Exhibit `B_ is a copy of the LLC˘s most recent

financial statement. It too will be updated periodically. Investors are encouraged to review these documents before investing. <u>If you receive a copy of this Memorandum and Exhibit C is older than 60 days, insist upon an updated report before investing.</u>

The Membership Interests are being offered to sophisticated individuals who qualify as `accredited investors_ within the meaning of Regulation D under the Securities Act. An `accredited investor_ is defined in Rule 501 of Regulation D of the Securities Act as:

1. A bank, insurance company, registered investment company, business development company, or small business investment company;
2. an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of $5 million;
3. a charitable organization, corporation, or LLC with assets exceeding $5 million;
4. a director, executive officer, or Manager of the company selling the securities;
5. a business in which all the equity owners are accredited investors;
6. a natural person who has individual net worth, or joint net worth with the person˘s spouse, that exceeds $1 million at the time of the purchase (not including home equity);
7. a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year; or
8. a trust with assets in excess of $5 million, not formed to acquire the securities offered whose purchases a sophisticated person makes.

See the Subscription Agreement for details on how the LLC will verify your accredited investor status.

Contribution of Real Property.

The LLC reserves the right to receive real property and mortgage loans as a capital contribution to the LLC. The Manager will appraise the real estate and determine its fair value for contribution purposes. Loans will generally be valued at the same price the LLC would acquire them from an independent third party.

Admission of Investors: Maximum Offering

The maximum gross proceeds of this offering will be One Hundred Million Dollars ($100,000,000) (`Maximum Offering Amount_) or 100,000 Interests that will comprise, subject to adjustments as described elsewhere in this Memorandum, the total capitalization of the LLC. This offering may, however, be terminated at the option of the Manager at any time before the Maximum Offering Amount is received. The Manager may increase the Maximum Offering Amount at any time.

Subscription Agreements: Admission to the LLC

Subscription Agreements from prospective Investors will be accepted or rejected by the Manager within thirty (30) days after their receipt. The Manager reserves the right to reject any subscription tendered for any reason, or to accept it in part only. Investors will be admitted into the LLC when their subscription funds are required by the LLC to acquire real estate or to create appropriate reserves or to pay LLC expenses. (See herein "Use of Proceeds").

Investors will only be admitted to the LLC as of the first business day of the month after their subscription is accepted. For the short month prior to admission, investors will be paid interest on their investment at the monthly distribution rate then being paid to Members and such investors will receive an IRS Form 1099 for the partial months˘ interest payment. All funds will be deposited into the LLC bank account.

If the LLC has received more Subscription Agreements than exceed its properties to be acquired, it may retain the Subscription Agreements and execute them only when the funds are needed. Investors may withdraw a Subscription Agreement at any time before the Manager has accepted it.

By executing the Subscription Agreement, an Investor agrees to purchase the value of Membership Interests shown thereon. Accordingly, executing the Subscription Agreement does not in itself make a person an owner of the Membership Interests for which he, she or it has subscribed. Membership Interests will be issued when the sums representing the purchase of the same are transferred into the LLC. After the Minimum Offering Amount is received, the Manager anticipates that the delay between delivery of a Subscription Agreement and admission to the LLC will be less than thirty (30) days, though there can be no assurance that such delay will not be more than thirty (30) days. After execution by the Manager, Subscription Agreements are non-cancelable and subscription funds are non-refundable for any reason, except with the consent of the Manager. After having subscribed for the minimum amount of Membership Interests, a purchaser may at any time, and from time to time subscribe to purchase additional Membership Interests in the LLC so long as the offering remains open. Each purchaser is liable for the payment of the full purchase price of all Membership Interests for which he or she has subscribed. Re-verification of accredited investors˘ status may be required.

Election to Receive Cash Distributions or Reinvest

Upon subscription for Membership Interests, holders of Membership Interests must elect to either (i) receive cash distributions, if any, from the LLC in the amount of that Member's share of cash available for distribution, (ii) allow the distributions, if any, to be reinvested by purchasing additional Membership Interests, or (iii) split their investment into two accounts with one account receiving monthly cash distributions, if any, and the other reinvesting distributions, if any, in Membership Interests. Splitting an investment will require the use of two account numbers for bookkeeping purposes. An election to reinvest all or a portion of the monthly distributions is revocable at any time, upon a written request to revoke such election. Cash distributions reinvested by Members who make such an election will be used by the LLC to acquire real estate or for other proper LLC purposes. The effect on reinvesting the distributions of some Members will be to increase their capital accounts, entitling them to a proportionate increase in their relative share of future earnings or losses of the LLC. In addition, since the LLC will adjust the Membership Interests held by each Member to correspond to their capital accounts, those Members who elect to reinvest their share of distributions will have their Membership Interests increased in proportion to their capital accounts, thereby increasing their voting power relative to Members who receive monthly distributions of cash. However, a Member who elects to reinvest such Member˘s share of cash available for distribution will be treated, for income tax purposes, as having received the cash and then contributed such cash back to the LLC as an additional capital contribution.

Restrictions on Transfer

As a condition to this Offering of Membership Interests, restrictions have been placed upon the ability of Investors to resell or otherwise dispose of any Membership Interests purchased, including but not limited to, the following:

(1) No member may resell or otherwise transfer any Membership Interests without the satisfaction of certain conditions designed to comply with applicable tax and securities laws, including (without limitation) the requirement that certain legal opinions be provided to the Manager with respect to such matters. The transferee must meet the same Investor qualifications as the Members admitted during the Offering Period. (See herein "Summary of LLC Operating Agreement - Restrictions on Transfer")

(2) The Membership Interests have not been registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemptions provided for under Regulation D, Rule 506. Membership Interests may not be sold or otherwise transferred without registration under the Act or pursuant to an exemption therefrom.

A legend will be placed upon all instruments evidencing ownership of Membership Interests in the LLC stating that the Membership Interests have not been registered under the Act, and set forth the foregoing limitations on resale. Notations regarding these limitations shall be made in the appropriate records of the LLC with respect to all

Membership Interests offered hereby. The foregoing steps will also be taken in connection with the issuance of any new instruments for any Membership Interests that are presented for transfer, to the extent the Manager deems appropriate, and specifically in connection with instruments presented for transfer during the nine-month period described in subparagraph (3) above.

The LLC will charge a transfer fee of One Hundred Dollars ($100) per transfer of ownership to a third party. If a Member transfers Membership Interests to more than one person, except transferees who will hold title together, the transfer to each person will be considered a separate transfer.

PLAN OF DISTRIBUTION

The units of Membership Interests will be offered and sold by the LLC, with respect to which no commissions or fees will be paid to the Manager. The LLC intends to engage a broker-dealer to distribute the Membership Interests. In addition, the Manager may retain the services of other third parties to locate prospective Investors, who may receive LLC paid finder fees on a case-by-case basis.

USE OF PROCEEDS

In general, it is anticipated that the proceeds from the sale of Membership Interests will be used to acquire real estate and performing, sub-performing and non-performing real estate mortgages and to invest in joint ventures with other entities engaged in the same endeavor. Proceeds from the sale of Series 1-D units may be used to pay broker-dealer commissions and costs. In addition, the amended operating agreement gives the Manager the right to borrow up to $2MM from the LLC to pay personnel costs and other operating expenses.

A summary of the LLC˘s asset portfolios and performance is attached as Exhibit `C_ and will be updated from time to time.

COMPENSATION TO MANAGER AND AFFILIATES

The following discussion summarizes the forms of compensation to be received by the Manager, in its capacity as Manager. All of the amounts described below will be received regardless of the success or profitability of the LLC. None of the following compensation was determined through arm's-length negotiations.

Form and Recipient of Compensation	*Estimated Amount or Method of Compensation*
Commissions to Manager, Affiliate or Third Party in Connection with the Dispositions of Properties	The Manager does not anticipate that the LLC will pay the Manager real estate listing or sales commissions. However, the LLC may pay commissions to third parties in connection with the disposition of properties (`Property Commissions_). Such commissions will be reasonable and competitive within the industry and will be approximately 5% of the principal amount for commercial properties and residential properties. The Manager anticipates earning commissions in limited circumstances.
Commissions to employees of Manager in Connection with Sales of Interests to Investors	Certain employees of the Manager are registered representatives of the Managing Broker-Dealer and may receive commissions in connection with the sale of Interests to Investors for whom such employees are the registered representatives.
Asset Management Fee	The Manager will be entitled to an Asset Management Fee equal to 1.5% of all real estate under management (payable in monthly installments). The Asset Management Fee does not apply to loans owned by the LLC.
Loan Servicing Fee Collected by the LLC and retained by the Manager or Paid Directly to Manager	The Manager or an affiliate will act as loan servicer of the LLC for a fee of 1% per annum (payable in monthly payments) of the loans serviced. The Manager may retain a sub-servicer.
Allocation of Adjusted Net Profits 25% to Series 1-D Interests and 75% to Manager as owner of 1-M Interests	After payment of all Preferred Returns, the Manager, as holder of Series 1-M Interests, shall be entitled to 75% of the Adjusted Net Profits of the LLC, and the holders of the Series 1-D Interests (as a class of 20,000) shall be entitled to 25% of the Adjusted Net Profits of the LLC.
Property Management Fees	If the Manager or one of its affiliates elects to serve as the property manager of the LLC˘s portfolio of real estate, it may be paid a fee that is reasonable and customary.
Definition of Manager's Fees	The Asset Management Fee, Property Management Fees, and Allocation of Adjusted Net Profits are collectively referred to herein as the `Manager˘s Fees._
Loan to Manager	The Manager shall be entitled to borrow from the LLC up to $2MM for working capital and personnel expense. The Manager must repay any borrowing from any distributions it receives of Adjusted Net Profits.

FIDUCIARY RESPONSIBILITY OF THE MANAGER

The Manager is accountable to a LLC as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to LLC affairs and sound business judgment. This is a rapidly developing and changing area of the law, and Members should consult with their own counsel in this regard. The fiduciary duty of the Manager is in addition to the other duties and obligations of, and limitations on, the Manager set forth in the Operating Agreement.

The LLC Operating Agreement attached as Exhibit A provides that the LLC shall indemnify the Manager for any liability or loss (including attorneys' fees, which shall be paid as incurred) suffered by it, and shall hold the Manager harmless for any loss or liability suffered by the LLC, so long as the Manager determined, in good faith, that the course of conduct which caused the loss or liability was in the best interest of the LLC, and such loss or liability did not result from the gross negligence, fraud or criminal act of the Manager. Any such indemnification shall only be recoverable out of the assets of the LLC and not from Members.

It is the position of the U.S. Securities and Exchange Commission that indemnification for liabilities arising from, or out of, a violation of federal securities law is void as contrary to public policy. The California Department of Corporations takes the same position with respect to liabilities arising from any violation of the securities laws of this state. However, indemnification will be available for settlements and related expenses of lawsuits alleging securities law violations if a court approves the settlement and indemnification, and also for expenses incurred in successfully defending such lawsuits if a court approves such indemnification.

Members may have a more limited right of action than they would have absent these provisions in the Operating Agreement. A successful indemnification of the Manager could deplete the assets of the LLC. Members who believe that a breach of the Manager's fiduciary duty has occurred should consult with their own counsel.

RISK FACTORS

Although the LLC will attempt to honor requests for the withdrawal of eligible Membership Interests (even though there is no obligation for the LLC to do so) (See herein `Withdrawal, Redemption Policy, and Other Events of Dissociation_), any investment in the Membership Interests involves a significant degree of risk and is suitable only for Investors who have NO NEED FOR LIQUIDITY in their investments. When analyzing this offering, prospective Investors should carefully consider each of the following risks and should also carefully consider the matters discussed herein under the captions "Compensation to Manager and Affiliates," "Conflicts of Interest," and "Income Tax Considerations and ERISA Considerations."

RISKS RELATED TO PURCHASING AND SELLING REAL PROPERTY

The principals of the Manager have extensive experience in purchasing and selling residential and commercial real estate. The LLC anticipates it will engage in business as a buyer and seller of real estate, including 1-4 family residential property, multi-family residential property, and commercial property (`Acquired Property_), for the purpose of seeking to generate both rental income and appreciation from the Acquired Property. The LLC may also engage in joint venture arrangements with companies and individuals engaged in the rehabilitation and resale of real properties.

The LLC is subject to risks associated with the acquisition and ownership of real properties.

The economic performance and value of the LLC˘s Acquired Properties will be subject to all risks incident to the acquisition and ownership of real estate. Real estate values are affected by numerous factors, including, among others:

- federal, state and local laws and regulations (such as environmental, rent stabilization and zoning laws) and potential liabilities under such laws;
- changes in federal, state or local tax laws;
- fluctuations in maintenance and operations costs;
- changes in the supply of and demand for a specific property or type of property;
- changes in local, national or international economic conditions, such as interest rates, the availability of long- term mortgage funds and employment conditions;
- the ability of the property-owning entity to provide for adequate maintenance and insurance of its properties; and
- deterioration of and other changes in the area in which a property is located or in the market for space in which it is located.

Real Estate Business Standards and Policies

Any Acquired Property purchased by the LLC may be subject to a loan directly secured by a security instrument encumbering such Acquired Property. Acquired Property will be purchased by the LLC pursuant to a strict set of guidelines designed to set standards for the quality of property acquired by the LLC. Such standards are summarized in the paragraphs that follow.

Financial Reporting

The LLC will maintain separate financial records with respect to each Acquired Property, including a statement of net income, a balance sheet and a determination of fair market value as set by the Manager. The Manager will provide an updated determination of the fair market value of an Acquired Property from time to time, but no less often than once per year. With respect to Acquired Property, `fair market value_ means the appraised value of the Acquired Property as determined by an independent written appraisal, Broker˘s Opinion, or the Manager at the time the LLC purchases the property (or the time the Manager updates its determination of fair market value, as applicable), which is `current_ at the time the LLC purchases the property (or the time the Manager updates its determination of fair market value, as applicable). An appraisal will be considered to be `current_ if the Manager has inspected the Acquired Property and made a reasonable determination that the value of the Acquired Property has not declined since the date of the appraisal. Fair market value does not take into account the historical price of the property or any amounts spent to remodel or improve the property prior to its purchase by the LLC. The Credit Committee will prepare a rolling five year pro forma value of all assets owned by the LLC and update it quarterly.

Holding Period of Acquired Property

The LLC anticipates holding a given Acquired Property for no longer than ten (10) years, although the LLC may sell Acquired Property sooner or later depending upon market conditions and demand for real estate like the Acquired Property. In many cases, Acquired Property will not be held but will be immediately resold.

Purchase of Acquired Property from Third Parties

Acquired Property will be purchased from third parties, such as auctions, financial institutions or private individuals. The price at which existing real property changes hands is normally a function of then existing rental income, potential rental income, overall property condition, vacancy rates, changes in the general economic market conditions that will affect the value of the Acquired Property, zoning restrictions, neighborhood values and other factors that might affect the market value of each property.

Purchase of Acquired Property from Affiliates

Acquired Property may be purchased from an affiliate at a purchase price equal to the fair market value of such property as determined by the Manager. Such Acquired Property must meet the standards for quality of the LLC as set forth herein. Before selling Acquired Property to the LLC, the Manager will have remodeled or improved such

property and such property will have little or no deferred maintenance.

Diversification

Generally, Acquired Property will be between Five Hundred Thousand Dollars ($500,000) and Twenty Million Dollars ($20,000,000). After the LLC raises Twenty Million Dollars ($20,000,000), no single Acquired Property will exceed twenty percent (20%) of the LLC˘s capital unless determined by the Manager to be in the best interest of the LLC. However, the LLC is not presently and is unlikely to be adequately diversified which makes it subject to localized risks.

Joint Ventures

The LLC may engage in joint ventures with companies and individuals involved in the rehabilitation and resale of real estate or the acquisition of performing, sub-performing, and non-performing mortgages, or the financing, structure financing, or securitization of mortgage loans. Typically the LLC will hold title to the real estate or a deed of trust on the real estate and share in any gain, if any, on the resale of the property. The LLC may participate in a joint venture by funding the acquisition of real estate and securing its investment with a first deed of trust. There is the risk of non- performance by joint ventures of the LLC, resulting in losses.

Uninsured losses could adversely affect the LLC's asset value of the affected property.

The LLC intends to obtain comprehensive liability and casualty insurance of the type that is customarily obtained for the kind of real estate in which the LLC acquires an interest. There will be occasions, however, when the LLC will be exposed to loss in connection with damage to or a hazard on an Acquired Property. For example, the LLC may not procure insurance coverage for Acquired Properties that will be immediately resold. Further, there may be lapses or gaps in coverage on other Acquired Properties from time-to-time.

In addition, there may be certain types of losses (such as losses arising from earthquakes, hurricanes, floods or acts of war or terrorism) that are not generally insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur with respect to a property, the LLC could suffer a loss of the capital invested and any profits that might be anticipated from that property. The LLC may also be obligated to repay any indebtedness or other obligations related to the property. In addition, inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may make it infeasible to use insurance proceeds to replace a Portfolio Asset if it is damaged or destroyed.

Liability for environmental matters could adversely affect the LLC's financial condition.

Prior to its acquisition of an Acquired Property, the LLC will not have an opportunity to conduct an environmental study of the site and further will not have an opportunity to require the previous owner to undertake remediation or indemnify the LLC against any future obligations arising out of any contamination at the site. No assurances can be given that no prior owner created any material environmental condition not known to the LLC, that no environmental liabilities may have developed, or that future uses or conditions will not result in the imposition of environmental liability. The cost of defending against claims of liability or remediating contaminated property and the cost of complying with environmental laws (including changes in environmental laws) could materially adversely affect the LLC˘s financial condition.

Liability for title defects could adversely affect the LLC's financial condition.

In acquiring an Acquired Property, the LLC intends to purchase title insurance as a protective measure. The title insurer will therefore bear the risk of liens and/or liabilities associated with that property, such as tax or construction debts or liens and title defects. Such obligations and/or liabilities may be unpredictable, and may not be within the LLC˘s control. The cost and or delays caused by curing any title defects or other liabilities and obligations associated with the Acquired Properties could materially adversely affect the LLC˘s financial performance.

The illiquidity of real estate investments could adversely affect the LLC's financial condition.

Real estate investments tend to be illiquid. Consequently, the ability of the LLC to sell the LLC˘s Acquired Properties to generate revenue in response to changing economic, financial and investment conditions is limited. In addition, some significant expenditures, such as real estate taxes, and operating and maintenance costs, generally are not reduced in circumstances resulting in a reduction in income from the investment. Factors or events that impede the ability of the LLC to respond to adverse changes in the performance of its investments, including the disposition of properties, could have an adverse effect on the LLC˘s financial condition and operating results.

RISKS RELATED TO MORTGAGE LENDING

There will be no assurance of returns to the Members of the LLC.

All real estate lending investments, including investments in debt secured by real property, are speculative in nature and the possibility of partial or total loss of capital will exist. There is no assurance that the LLC will be successful in producing any profits or even in returning any capital to any investor. Investors should not subscribe to or invest in the LLC unless they can readily bear the consequences of such loss.

The LLC will be subject to general risks associated with real property lending.

The LLC˘s profitability depends on the ability of our borrowers to repay their loans. Most of the LLC˘s borrowers are not prime borrowers qualified to secure bank financing. Some borrowers will be new entities with no history of operations or profitability. The ability of a borrower to repay may also be affected by local, regional, and national real estate market and economic conditions beyond the control of the LLC. Delinquencies and defaults are sensitive to local and national business and economic conditions. Favorable real estate and economic conditions may not necessarily enhance a borrower˘s ability to repay due to circumstances specific to a borrower and are beyond the LLC˘s control.

There are also special risks associated with particular sectors of real estate property in which the LLC may acquire mortgages:

- *Fix and Flip Properties*: Properties recently acquired in foreclosure are usually acquired and financed with little opportunity to fully inspect the property. Frequently, the properties have deferred maintenance. There may be delays in evicting occupants, claims by the foreclosed property owner that could delay resale, unknown property defects and numerous laws now on the books, and new ones have been regularly issued, that make it more difficult to foreclose and evict. In addition, there is no assurance the inventory of homes will be sufficient to sustain the fix and flip market as it exists today. There is also the risk that lenders may take it upon themselves to improve and directly resell their foreclosed inventory.
- *Multifamily Properties:* The value and successful operation of a multifamily property may be affected by a number of factors such as the location of the property, the ability of the property manager, the presence of competing properties, adverse local economic conditions, oversupply and rent control laws or other laws affecting such properties. All of these factors may adversely affect a borrower˘s ability to pay.
- *Retail Properties:* Retail properties are affected by the overall health of the economy and a borrower˘s ability to pay a loan on retail property may be adversely affected by, among other things, the growth of alternative forms of retailing, bankruptcy, departure or cessation of operations of a tenant, a shift in consumer demand due to demographic changes, changes in spending patterns and lease terminations.
- *Office Properties:* Office properties and a borrower˘s ability to pay a loan on an office property are affected by the overall health of the economy and other factors such as a downturn in the business operated by their tenant, obsolescence and non-competitiveness.

- *Industrial Properties:* Industrial properties are affected by the health of the economy and the particular industry of the borrower. A borrower˘s ability to pay a loan on an industrial property may be adversely affected by, among other things, competition within the industry, growth of competing industries, bankruptcy and government regulation with respect to the industry.
- *Distressed Performing, Sub-Performing, and Non-Performing Residential and Commercial Loans:* A borrower˘s ability to repay a loan secured by non-performing loans will be affected by liquidity (or lack thereof) in the real estate market in general and the other real estate risk factors described herein. In addition, the underlying loan collateral may not generate sufficient interest income to sustain the loan from the LLC secured by those loans, requiring the borrower to continue to feed capital into the loan acquisition in order to make payments. As mentioned above, many borrowers will not be prime quality borrowers of the type a bank would finance.
- *Construction:* Loans for ground-up construction are subject to these risks: builder performance, cost overruns, unforeseen site condition, environmental and social obstacles, defective construction, availability and cost of construction materials, subcontractor default, difficult to get take-out financing and delay in resale. If the LLC takes back a partially finished construction project it will have to advance funds to finish construction at a cost that will be higher than if the owner had contracted for the same work.

Lack of Diversification

The LLC intends to fund new loans on all property types, generally commercial/industrial/residential, located in the United States. As a result, the LLC˘s investments will not have the geographic diversification present in some other types of investment programs and such lack of diversification will increase the LLC˘s exposure to adverse local real estate, economic and market conditions and other risk factors, including natural disasters and acts of terrorism. Therefore, the LLC lacks diversification.

Loan Defaults and Foreclosures

The LLC is in the business of owing mortgages secured in whole or in part, directly and indirectly, by real estate and therefore bears the risks of defaults by borrowers. Many LLC loans will be interest-only loans providing for monthly interest payments with a large "balloon" payment of principal due at the end of the term. Many borrowers are unable to repay such balloon payments out of their own funds and are compelled to refinance. Fluctuations in interest rates and the unavailability of mortgage funds could adversely affect the ability of borrowers to refinance their loans at maturity.

The LLC will rely primarily on the property securing the loans to protect its investment. It will, to a lesser extent rely upon the creditworthiness of a particular borrower. There are a number of factors that could adversely affect the value of such real property security, including, among other things, the following:

(1) The Manager will determine the fair market value of the real property used to secure loans acquired by the LLC; provided, however, that the Manager may obtain an appraisal or BPO if it deems such necessary as determined in its sole discretion. If the LLC obtains an appraisal or BPO, no assurance can be given that such appraisals or BPOs will, in any or all cases, be accurate. Moreover, since an appraisal or BPO is based upon the value of real property at a given point in time, subsequent events could adversely affect the value of real property used to secure a loan. Such subsequent events may include general or local economic conditions, neighborhood values, interest rates, new construction and other factors.

(2) If the borrower defaults, the LLC may have no feasible alternative to repossessing the property at a foreclosure sale. If the LLC cannot quickly sell such property, and the property does not produce any significant income, the cost of owning and maintaining the property will directly affect the LLC's profitability.

(3) Subsequent changes in applicable laws and regulations may have the effect of severely limiting the permitted uses of the property, thereby drastically reducing its value.

(4) Due to certain provisions of California law applicable to real property secured loans, generally if the real property security proves insufficient to repay amounts owing to the LLC, it is unlikely that the LLC would have any right to recover any deficiency from the borrower.

(5) In some cases the LLC's loans will be secured (either as primary or secondary collateral) by junior deeds of trust, which are subject to greater risk than first deeds of trust. In the event of foreclosure, the debt secured by the senior deed of trust must be satisfied before any proceeds from the sale of the property can be applied toward the debt owed to the LLC that are in junior positions. Furthermore, to protect its junior security interest, the LLC may be required to make substantial cash outlays for such items as loan payments to the senior lienholder to prevent their foreclosure; property taxes; all insurance and repairs. The LLC may not have adequate cash reserves on hand at all times to protect its security for a particular loan, in which event the LLC could suffer a loss of its investment in that loan.

(6) The recovery of sums advanced by the LLC in making loans and protecting its security may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the loan was made. Any borrower has the ability to delay a foreclosure sale for a period ranging from several months to several years simply by filing a petition in bankruptcy, which automatically stays any actions to enforce the terms of the loan. It can be assumed that such delays and the costs associated therewith may reduce the LLC's profitability.

Since the LLC will be relying on its property security to protect its investment to a greater extent than the creditworthiness of its borrowers, the LLC is likely to experience a borrower default rate higher than would be experienced if its loan portfolio was more heavily focused on borrower creditworthiness. Because of the LLC's underwriting criteria, the LLC may acquire loans to borrowers who would not qualify for secured loans from institutional lenders (i.e., banks and savings and loan associations).

The LLC will be subject to risks associated with volatile interest rates.

The level and volatility of short-term and long-term interest rates significantly affect the lending industry. For example, a decline in interest rates may require the LLC to offer loans at lower interest rates or may hinder the LLC˘s ability to close loans at the targeted interest rates. A rise in interest rates could affect the LLC˘s cost of drawing on a line of credit to bridge finance amounts that the LLC has called or expects to call as capital contributions with no guarantee that there will be an offsetting increase in interest rates charged on such loans. Increased interest rates may also harm a borrower˘s ability to refinance a loan at maturity. A rise in interest rates may also cause the LLC to achieve lower returns or carry more risk than alternative investments. Accordingly, volatility in interest rates could harm the LLC˘s ability to achieve its profitability objectives or cause the LLC to achieve less favorable results than other investments. Moreover, interest rates are influenced by a number of factors that are beyond the LLC˘s control and are difficult to predict.

The LLC faces substantial competition, and if it fails to compete effectively, its operating results will suffer.

The business of real estate lending and investing in real estate within the LLC market area is highly competitive, and the LLC may be competing with a number of other lenders, investors and developers. There are a number of funds and many experienced individuals in this area who specialize in equity-based financing. Many of these other investors have greater financial resources than the LLC and more experience in making the types of loans and investments that the LLC intends to make. The LLC may not be able to compete successfully against existing or new competitors. If the LLC does not respond adequately to competitive challenges, its business and results of operations would be harmed.

The LLC will be subject to the risk of uninsured losses.

Although the LLC intends to require borrowers to maintain customary insurance coverage for the properties serving as

collateral, such as comprehensive insurance, including title, liability, fire and extended coverage, there are certain types of losses (generally of a catastrophic nature, such as wars, terrorism, earthquakes and floods) that are either uninsurable or not economically insurable. Should any such uninsured risk occur or cause the destruction or damage of any property, or should a hazard insured against occur where the loss is in excess of insurance limits or should the insurance company be unable to pay the claim, both invested capital and potential profits could be lost. Without limiting the foregoing, the existence of an uninsured loss on a property could adversely affect a borrower˘s ability to repay a loan, especially if the borrower was relying on income generated with respect to such property that suffered the loss to repay principal and interest on such loan. In addition, the existence of an uninsured loss on a property could adversely affect the value of such property, thereby reducing the LLC˘s recovery in the case of a default on such loan.

The LLC may be subject to the risks associated with disposing of real property.

If a borrower defaults on a loan held by the LLC, the LLC may seek to foreclose upon the real property serving as collateral for such loan. In such event, the LLC generally will seek to sell or otherwise dispose of such property.

The marketability and profitability of any property may be adversely affected by local, regional, and national economic conditions beyond the control of the Manager. Favorable changes may not necessarily enhance the marketability or profitability of a property. Even under the most favorable marketing conditions, there is no guarantee that a property can be sold by the LLC, or if sold, that such sale will be made upon a price and terms favorable to the LLC, including at a price sufficient to cover all of a borrower˘s obligations to the LLC under the defaulted loan.

No assurance can be given that there will be a ready market for the sale of any real property acquired by the LLC pursuant to a foreclosure. The sales prices of such properties will depend on a variety of factors, including the value of a particular property in relation to similar properties in the market area, the property˘s history and condition, the availability of tax benefits associated with such properties, the then projected economic and demographic trends for the immediate area in which the properties are located, the availability of purchasers and the availability and terms of credit and financing for a purchaser of a particular property. The LLC may provide financing in connection with the sale of any property and therefore receive as partial payment a purchase money obligation of the purchaser, thereby decreasing the cash immediately available for distribution to the Members and subjecting the Members to the risk of default on the purchaser˘s debt obligation and certain potential adverse tax consequences.

Due to certain provisions of state laws applicable to certain types of real estate loans, including anti-deficiency provisions under California law, the LLC may have no ability to recover any deficiency should the property prove insufficient to repay a loan. The LLC˘s ability to foreclose and dispose of a property may be delayed or impaired by the operation of the federal bankruptcy laws, which may delay disposition of a property for a period ranging from several months to several years. The length of such a delay and the costs associated therewith may have an adverse impact on the LLC˘s profitability.

When the LLC acquires any property by foreclosure or otherwise, the LLC is exposed to the risks of liability incidental to property ownership. Owners of property may be subject to taxation with respect to the property, liability for injury to persons and property occurring on the property or in connection with the activity conducted thereon, liability related to environmental contamination, and liability for non-compliance with governmental regulations.

The LLC may be subject to the risks associated with environmental contamination.

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

There can be no assurance that the LLC would not incur full recourse liability for the entire cost of any contamination removal and cleanup, or that the cost of such removal and cleanup would not exceed the value of the property. In addition, the LLC could incur liability to tenants and other users of the affected property, or users of neighboring property, including liability for consequential damages. The LLC would also be exposed to risk of lost revenues during any cleanup and the risk of lower lease rates or decreased occupancy if the existence of such substances or sources on the property become known. If the LLC fails to remove the substances or sources and clean up the

property, it is possible that federal, state or local environmental agencies could perform such removal and cleanup, and impose and subsequently foreclose liens on the property for the cost thereof. The LLC may find it difficult or impossible to sell the property prior to or following any such cleanup. The LLC could also be liable to the purchaser of such property if the LLC knew or had reason to know that such substances or sources existed. In such a case, the LLC could also be subject to the costs described above. The owner may also incur liability to users of the property or users of neighboring property for bodily injury arising from exposure to such substances. If the LLC is required to incur such costs or satisfy such liabilities, this could have a material adverse effect on the LLC˘s profitability. Additionally, if a borrower is required to incur such costs or satisfy such liabilities, this could result in the borrower˘s inability or unwillingness to repay its loan from the LLC.

Even if a mortgage lender does not foreclose on a contaminated site, the mere existence of hazardous substances on a property may depress the market value of the property such that the loan is no longer adequately secured.

A lender˘s best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan. However, environmental inspections and investigations are very expensive, and often are not financially feasible in connection with loans of the size and type to be made by the LLC. As a result, toxic contamination reports or other environmental site assessments will generally not be obtained by the LLC in connection with its loans, unless the Manager believes that such reports are necessary to evaluate known or suspected environmental risks. The Manager intends to take certain precautions to avoid environmental problems, such as requiring environmental reports to be obtained or not making or investing in loans secured by properties known or suspected to have environmental problems. However, there is no guarantee that the Manager will be successful in identifying the need to obtain environmental reports. There is also no guarantee that the Manager will be successful in identifying the existence or extent of any such environmental problems, even in cases when certain environmental reports are obtained.

The LLC is subject to the risks relating to compliance with applicable law.

Although the Manager will seek for it and the LLC to comply with all federal, state and local lending regulations, there is no assurance that the Manager or the LLC will always be compliant or that there will not be allegations of non-compliance even if the Manager and the LLC were fully compliant. Any violation of applicable law could result in, among other things, damages, fines, penalties, litigation costs, investigation costs and even restrictions on the ability of the LLC˘s ability to conduct business.

The LLC is subject to the risks of litigation.

The Manager will act in good faith and use reasonable judgment in acquiring and managing the loans for the LLC. However, as a lender, the LLC is exposed to the risk of litigation by a borrower for any allegations by the borrower (warranted or otherwise) regarding the terms of the loans or the actions or representations of the Manager or the LLC in making, managing or foreclosing on the loans. It is impossible for the Manager to foresee what allegations may be brought by a specific borrower, and the Manager will seek to avoid litigation, if, in the Manager˘s judgment, the circumstances warrant an alternative resolution. If an allegation is brought or litigation is commenced against the LLC, the LLC will incur legal fees and costs to respond to the allegations and to defend any resulting litigation. If the LLC is required to incur such fees and costs, this could have an adverse effect on the LLC˘s profitability.

The LLC may be affected by changes in legal, regulatory and legislative environments in which it operates.

The LLC is subject to lending regulations at the federal, state and local levels, and proposals for further regulation of the lending services industry are continually being introduced. The LLC is also subject to many other federal, state and local laws and regulations that affect the LLC˘s business, including those regarding taxation. Congress and state legislatures, as well as federal and state regulatory agencies and local governments, review such laws, regulations and policies and periodically propose changes or issue guidance that could affect the LLC in substantial and unpredictable ways. Such changes could, for example, limit the types and value of lending services and products the LLC can offer, alter its liability, and increase its cost to offer such services and products or hinder its ability to fund loans quickly

enough to serve its intended client base. It is possible that one or more legislative proposals may be adopted or regulatory changes may be implemented that would have an adverse effect on the LLC˘s business.

The LLC is subject to the risks related to the accuracy and completeness of information about customers, properties and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, the LLC may rely on information furnished to it by or on behalf of customers and counterparties, including financial statements and other financial information. The LLC also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. While the LLC intends to conduct due diligence regarding the value of properties and the information provided by customers and counterparties, it may rely on or be unable to identify inaccurate or fraudulent information.

The LLC˘s financial condition and results of operations could be negatively impacted to the extent it relies on or fails to identify customer, property or counterparty information that is not complete or accurate.

BUSINESS RISKS

The LLC's financial objectives may not be achieved.

The projections contained in any reports previously, contemporaneously or subsequently sent to prospective investor are based on numerous assumptions that are subject to uncertainty and over which the LLC will have no control. There is no assurance that assumed or projected returns will be achieved or maintained or that the assumed level of expenses will not be exceeded. Reduced revenue, increased expenses or a combination of both will decrease the Adjusted Net Profit on which the forecasted amounts of cash distributions are based.

In addition, facts, forecasts and other statistics in this Memorandum have been derived from various sources generally believed to be reliable. However, the LLC cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by the LLC and, therefore, the LLC makes no representations as to the accuracy of such facts, forecasts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, any statistics in this Memorandum may be inaccurate and should not be unduly relied upon.

There are risks associated with reliance on forward-looking statements.

The forward-looking statements included in this Memorandum are not historical facts, but rather are based on current expectations, estimates and projection about the LLC˘s industry, the LLC˘s beliefs and the LLC˘s assumptions. Words such as `anticipates,_ `expects,_ `intends,_ `plans,_ `believes,_ `seeks_ and `estimates,_ and variations of these words and similar expressions, are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, assumptions, uncertainties and other factors, some of which are beyond the LLC˘s control and difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements and projections. The LLC disclaims any obligation to update any such factors or to announce the result of any revisions to any of the forward-looking statements and projections.

Each prospective investor should therefore consult with such prospective investor˘s own advisers to evaluate the forward-looking statements and the associated assumptions and make such prospective investor˘s own independent determination of the feasibility of the forward-looking statements and such assumptions.

The LLC has limited prior operating history.

The current LLC is a recently formed limited liability company with limited prior operating history. While past history is no guarantee of future performance, the current LLC has been very successful in acquiring profitable investments since its inception on February 1, 2013. Identifying and making profitable investments is difficult and involves a high degree of risk, competition and uncertainty, and the availability of such investments is subject to general market conditions. In addition, please consider the comments about Forward Looking Statements.

The LLC˜s business must be considered in light of the risks, expenses and problems frequently encountered by entities with limited operating history. There is no assurance that the LLC will be able to attain profitability. The LLC˜s profitability is dependent upon many factors beyond its control. Because the LLC has little operating history, there is only a limited basis upon which to evaluate the LLC˜s prospects for achieving its intended business objectives.

The LLC faces the risks associated with the future acquisition of unspecified investments.

Members will not have an opportunity to evaluate the specific merits or risks of any prospective investment. As a result, Members will be dependent on the judgment of the Manager in connection with the investment and management of the proceeds of this offering, including the selection of the properties to be funded. There can be no assurance that determinations ultimately made by the Manager will permit the LLC to achieve its business objectives. The number of investments that the LLC makes and diversification of its investments may be dependent on the amount of proceeds raised herein and will be reduced if less than the maximum amount of the offering is raised. The LLC˜s success will depend on its ability to identify suitable investments, to negotiate and arrange the closing of appropriate transactions, to successfully manage, acquire, rehab and resell properties or service real estate loans.

The LLC will be subject to the risks of relying on the Manager and certain key personnel.

The LLC˜s ability to achieve its business objectives successfully will be largely dependent upon the efforts of the LLC˜s management team. Exclusively the Manager will make all decisions with respect to the management of the LLC as well as the selection of the real estate investments. Members will not have the opportunity to evaluate the investments that the LLC will fund and must rely on the ability of the Manager and its management team with respect to such investments. Accordingly, no person should purchase Membership Interests in the LLC unless he or she is willing to entrust all aspects of the management of the LLC to the Manager. Although the principals of the Manager have been active in various aspects of the real estate industry for many years, there can be no assurance that the Manager will be able to operate the LLC profitably or achieve the objectives of the LLC. The LLC has not entered into any employment agreements or other understandings with the members of the management team or obtained any `key man_ life insurance on their lives. The loss of the services of any principal could have a material adverse effect on the LLC˜s ability to achieve successfully its business objectives. In addition, the Manager and its principals will only devote such time as they determine, in their sole and absolute discretion is reasonably necessary to carry out the business and affairs of the LLC.

There are risks associated with indemnification of the Manager and its principals.

The Manager and its principals (`Covered Persons_) will be indemnified by the LLC from any and all claims of the third parties directly arising out of its management of the LLC, except for claims arising out of the fraud, gross negligence, bad faith or willful misconduct of a Covered Persons. The Covered Persons will have no liability to the LLC for a mistake or error in judgment or for any act or mission believed to be within its scope of authority unless such mistake, error of judgment or act or omission was made, performed or omitted by the Covered Persons fraudulently or in bad faith or constituted gross negligence. As a result, the right of any Member to bring an action against the Covered Persons may be severely limited.

There are risks related to the failing of Members to make capital contributions.

Because the success of the LLC and its ability to make investments is largely dependent upon the Members fulfilling their capital commitments, the consequences of any Member failing to contribute these amounts when called for could be severe. In addition, the failure of any Member to make a capital contribution will result in exposure to liability for that Member and may result in the implementation of various remedies set forth in the LLC Agreement.

The LLC is subject to operational risks.

Although the LLC intends to employ reasonable diligence in conducting its business and supervising its employees and agents, no amount of diligence can eliminate many types of operational risk, including the risk of fraud by employees, agents or outsiders, misinterpretation or misapplication of rules, regulations or other requirements, unauthorized transactions by employees or agents or operational errors, including clerical or record-keeping errors or

those resulting from faulty or disabled computer or telecommunication systems. Certain errors may be repeated or compounded before they are discovered and successfully corrected. The LLC is exposed to the risk that external parties on whom the LLC relies will be unable to fulfill their contractual obligation to the LLC (or will be subject to the same risk of fraud or operational errors by their respective employees and agents as the LLC is).

Distributions will be subject to prior payment of expenses and reserves.

Distributions will only be paid to the extent that the LLC has sufficient cash flow to make such payments. The Manager anticipates that there will be significant cash flow available during the investment term, but there is no guarantee that the LLC will be able to generate such cash flows. In addition, there will not be any cash flow available for distribution until the LLC has made all payments required under any debt obligation and all other payments required to be made for LLC expenses, and other payables, and the Manager has established a reserve for liabilities. Even if distributions are made, they may not be sufficient to satisfy a Member˘s tax obligations with respect to the LLC.

The Membership Interests are restricted securities, which limits their transferability.

The Membership Interests being sold in the offering are restricted securities under the Securities Act of 1933, as amended (the `Securities Act_), for which no public or private market presently exists. Transfers of the Membership Interests are subject to restrictions of federal and state securities laws and to the restrictions set forth in the Operating Agreement. As a result of such restrictions on transfer, it may be difficult or impossible to transfer the Membership Interests to any transferees. Accordingly, an investment in the Membership Interests should be made only if you can assume the risks of an illiquid investment.

The LLC may be adversely affected if it does not perfect an exemption from registration under federal and state securities laws.

The LLC intends to offer Membership Interests without registration under any securities laws in reliance on an exemption for `transactions by an issuer not involving any public offering._ While the Manager believes reliance on such exemption is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other companies, the scope of disclosure provided, failures to make notices, filings or changes in applicable laws, regulations or interpretations will not cause the LLC to fail to qualify for such exemptions under U.S. federal or one or more states˘ securities laws. Failure to so qualify could result in the rescission of sales of Membership Interests at prices higher than the current value of those Membership Interests, potentially materially and adversely affecting the LLC˘s performance and business. Further, even non-meritorious claims that offers and sales of Membership Interests were not made in compliance with applicable securities laws could materially and adversely affect the Manager˘s ability to conduct the LLC˘s business.

The Manager is not registered as an investment adviser and the LLC is not registered as an investment company.

The Manager believes the nature of the LLC will not subject it to, and the Manager intends for the LLC to rely on exemptions from, the registration requirements of the Investment Company Act of 1940, as amended (the `Investment Company Act_). There is no assurance that the Manager˘s belief in this regard is or will continue to be correct or that such exemptions will remain available. The Manager is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the `Advisers Act_), and accordingly is not subject to any of the recordkeeping or business practice provisions of the Advisers Act, although the Advisers Act antifraud provisions are applicable. The performance of the LLC˘s investment portfolio could be materially adversely affected if the LLC or the Manager were to become subject to the Investment Company Act or the Advisers Act because of the various burdens of compliance therewith. Neither the LLC nor its counsel can assure investors that, under certain conditions, changing circumstances or changes in the law, the LLC may not become subject to such regulation.

Neither the LLC nor the Manager has retained separate legal representation for the Members.

Attorneys represent the Manager in connection with the organization and operation of the Manager and the LLC. Those attorneys do not represent the Members, either individually or collectively, nor is it anticipated that the LLC

will engage separate counsel to represent the LLC or any of the Members with respect to these matters. The Manager˘s attorneys do not expect to furnish any Member with any legal opinion and they have not opined upon the adequacy of this Memorandum or the fairness of the disclosure herein. Prospective investors must consult with their own counsel with regard to all of these matters.

There are tax risks associated with the LLC.

Prospective investors in the LLC are subject to complex and potentially adverse tax consequences as a result of investing in the LLC. Investors, directly or indirectly through the LLC, may be subject to significant foreign taxation as well as U.S. federal, state and local taxation as a result of their investments in the LLC, including, with respect to tax-exempt organizations, the tax on unrelated business taxable income imposed under Section 511 of the Code. In addition, certain investors may be allocated a portion of taxable income of the LLC without regard to actual cash distributions. Accordingly, such investors˘ tax liability could exceed the cash distributions to them in any tax year. Furthermore, tax laws and regulations applicable to an investment in the LLC and to the management of the LLC are subject to change, and any such change may have a material adverse effect on the investors and the LLC. Prospective investors should consult their own tax advisers with reference to their specific tax situations, including any applicable federal, state, local, and foreign taxes. There is a number of additional tax risks associated with an investment in the LLC.

Risk of Using Leverage

The LLC will use borrowed funds to acquire suitable property. As of September 25, 2015 the LLC owed $10MM secured by all of its assets. The loan is due in April 2017. The Manager does not intend to use borrowed funds to acquire performing, sub-performing, and non-performing real estate loans or undervalued real estate from outside lenders in excess of four times the net worth of the LLC at the time the funds are borrowed. If prevailing interest rates rise, the LLC's cost of money could exceed the income earned from that money, thus reducing the LLC's profitability or causing losses. If the LLC is unable to repay any loan, the lender could foreclose on the collateral the LLC has pledged to them, resulting in the loss of some or all of the assets that were pledged.

Reliance on the Manager

The Manager will make virtually all decisions with respect to the management of the LLC, including the determination as to what properties to acquire for a flip or hold strategy and what performing, sub-performing, and non-performing mortgages to acquire, and the Members will not have a voice in the management decisions of the LLC and can exercise only a limited amount of control over the Manager. The Manager gives no assurance that the LLC will operate at a profit. The LLC is dependent to a substantial degree on the Manager's continued services. In the event of the withdrawal, dissolution or bankruptcy of the Manager, the business and operations of the LLC may be adversely affected.

Competition

Because of the nature of the LLC's business, the LLC's profitability will depend to a large degree upon the future availability of suitable properties. The LLC will compete with institutional investors and others engaged in the flip or buy and hold business, many of whom have greater financial resources and experience than the LLC.

Reliance on Officers of Manager

The Manager is a corporation which consists of a few key officers whose inability to manage the corporation, whether because of death, illness, incapacity or otherwise, could adversely affect the management of the Manager, and consequently, the performance of the LLC.

Manager Not Required to Devote Full-Time to the Business of the LLC

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

Competition with Clients and Affiliates of the Manager

The Manager may also sponsor the formation of other investment groups like the LLC to invest in real estate and/or mortgages. When considering each real estate investment, therefore, the Manager will have to decide which client or fund it will choose to purchase real estate investments or mortgages. This will compel the Manager to make decisions that may at times favor persons other than the LLC. The Operating Agreement exonerates the Manager from liability for investment opportunities given to other persons.

Investment Delays

There may be a delay between the time Membership Interests are sold and the time purchasers of Membership Interests are admitted to the LLC and begin to participate in the investment yield being realized by the LLC. Once the Minimum Offering Amount is achieved, funds will be transferred to the LLC as required to fund real estate and mortgage acquisitions, create appropriate reserves, or pay LLC expenses. (See herein "Use of Proceeds")

Uninsured Losses

The Manager will require title (except for properties acquired at auction), fire, and casualty insurance on the properties acquired by the LLC. However, there are certain types of losses (generally of a catastrophic nature) which are either uninsurable or not economically insurable, such as losses due to war, floods, earthquakes, mold, or mudslide and some title claims. Should any such disaster occur, the LLC could suffer a loss. The Manager is not required to have performed any environmental reports such as Phase I or Phase II or conduct any mold inspections, or other similar studies, investigations, or due diligence prior to purchasing real estate.

Lack of Regulation

The management and investment practices of the LLC are not supervised, or regulated by any federal or state authority.

ERISA Risks

Investment in the LLC involves certain tax risks of general application to all Investors, and certain other risks herein specifically applicable to Keogh accounts, Individual Retirement Accounts and other tax-exempt Investors. (See "Income Tax Considerations and ERISA Considerations").

Risk of Default by Manager on Loans from LLC.

The Manager has the right to borrow up to $2MM from the LLC to pay personnel costs and other overhead. There is no collateral for this loan. The Manager is obliged to repay this loan from its share of any profit from the sale of the LLC˘s real property assets. If the sale of assets is not sufficiently profitably, the Manager may be unable to repay the loan, meaning the LLC would bear the loss of this money. The Manager˘s net worth is very limited and other than payment from future profits from the sale of LLC assets, there is no other way the Manager could repay this loan.

Risk of Less than the Preferred Return to Series 1-A, Series 1-B, Series 1-C, and Series 1-D Membership Interests

The LLC is obligated (but does not guaranty) to pay a 8.5% per annum Preferred Return to Series 1-A Members, a 10% per annum Preferred Return to Series 1-B Members, a 12% per annum Preferred Return to Series 1-C Members, and a 10% per annum Preferred Return to Series 1-D Members out of its Adjusted Net Profits. There are four potential sources of any distribution: Adjusted Net Profits generated by the LLC, subsidies by the Manager out of its 1-M

capital account, subsidies by Series 1-D Members˘ capital account, and subsidies by Series 1-C Members˘ capital account. There are no guarantees the LLC will be able to generate sufficient Adjusted Net Profits sufficient to pay the Preferred Returns. The actual return may be less. If it is less, the Members will be relying upon the Managers and the investors˘ funded 1-M, 1-D, and 1-C limited capital to subsidize the Preferred Return to Members. The Manager has contributed $2 million to fund the 1-M Interests which funds may be used to subsidize the Preferred Return. However, the Manager has no obligation to replenish except out of the Allocation of 75% of Adjusted Net Profits due the owner of the 1-M Interests, if earned. There is no guaranty this amount will be sufficient to support the Preferred Returns and consequently, there are substantial risks that Members could receive a lesser distribution.

CONFLICTS OF INTEREST

The following is a list of some of the important areas in which the interests of the Manager will conflict with those of the LLC. The Members must rely on the general fiduciary standards which apply to a Manager of a LLC to prevent unfairness by the Manager and/or its affiliates in a transaction with the LLC. (See herein "Fiduciary Responsibility of the Manager").

Other LLCs & LLCs or Businesses

The Manager or its Affiliates may also acquire real estate to flip, or hold for cash flow and appreciation other than those that will be offered to the LLC. There accordingly exists a conflict of interest on the part of the Manager between its affiliate and the LLC, based on the availability for acquisition by the affiliate of non-LLC properties. The Manager manages the LLC. The Manager will also determine which properties are appropriate for acquisition by the LLC, or by such other sources, after consideration of factors deemed relevant by the Manager, including the type of property, location of property, current financial capacity, and disposition strategy.

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

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

Lack of Independent Legal Representation

The LLC has not been represented by independent legal counsel to date. The use of the Manager˘s counsel in the preparation of this Memorandum and the organization of the LLC may result in a lack of independent review.

Valuation of Series 1-D Equity Interest Upon Redemption

The Operating Agreement gives the Manager sole and absolute discretion to adjust the purchase price of a Member˘s investment in the LLC if a Member˘s Membership Interests are repurchased by the LLC. Since the Manager holds the residual interest in profits of the LLC, any decrease in the purchase price benefits the Manager at the expense of the Member whose interests are being repurchased.

COMPANY HISTORY

The LLC was organized in California in January 2013 and conducts its business in Ventura County, California. A copy of the LLC˘s most recent financial statements is attached hereto as Exhibit D.

THE MANAGER AND AFFILIATES

The Manager of the LLC is a California corporation. The Manager will manage and direct the affairs of the LLC. The Manager has the following officers:

JAMES W. BACKNER, President and Chief Operations Officer.

Mr. Backner is a hands-on entrepreneur and considers himself a well-disciplined leader with over twenty years of experience in the real estate industry with a specialization in real estate loans, acquiring undervalued real estate, repairing/repositioning undervalued real estate, and real estate sales. Prior to joining Strategic Diversified Management Inc., Mr. Backner was the President and Managing Member of an entity which sought to acquire undervalued real estate at substantial discounts with the strategy of either (a) fixing up and reselling for a profit, or (b) holding long term for cash flow and appreciation.

Mr. Backner has extensive experience in the real estate loan business from 1992 through 2008 as both a top producing loan officer and business owner.

Mr. Backner graduated from California State University, Northridge in 1988 with a Bachelor of Science in Business Administration with a concentration in Finance.

BRIAN ALONGE, Chief Financial Officer

Brian Alonge is an accomplished financial leader with over 20 years of experience in the hospitality and commercial real estate industry. Throughout his career, his primary focus has been on the timely and accurate reporting of financial statements in accordance with GAAP as well as debt and equity raises and highly structured financing, involving every level of the capital stack. AS CFO of Strategic Holdings, Mr. Alonge is responsible for all tax and accounting matters of the company as well as leading the company˘s growth by utilizing his experience and connections in the private equity and capital markets world.

Prior to joining Strategic Holdings, Mr. Alonge was a principal and Chief Financial Officer at Lighthouse Lodging Group, where during the economic downturn in 2009, raised $36mm of private equity to acquire and subsequently renovate the Marriott Napa Valley hotel, which was quickly repositioned and sold two years later for $72 million.

Before starting Lighthouse Lodging Group, Brian served as CFO at Windsor Capital Group (WCG), a privately held hotel and commercial real estate company. At WCG, during his 14 year tenure, Mr. Alonge oversaw an 18 member accounting team and managed the financial and tax matters for the company˘s 38 hotels, 4 commercial office buildings and numerous other properties, corporations and partnerships, which generated annual revenues in excess of $350 million. At Windsor, Mr. Alonge participated in single asset and portfolio refinancing and restructuring projects totaling over $1 billion in gross proceeds which over a five year period, saved the company tens of millions of dollars in annual interest expense.

Mr. Alonge graduated from California State University of Northridge in 1989 with a Bachelor of Science degree in Finance and earned his Master of Business Administration degree in 1995.

DERRICK GRÜNER, EVP & General Counsel

Derrick B. Grüner, Esq. is Executive Vice President & General Counsel, and a 24 year veteran of the real estate finance industry. Prior to joining the Strategic Holdings team, he was General Counsel & Chief Legal Officer at Genesis Capital, Counsel at Anchor Loans, and before that partner at a large A-V rated east coast law firm. In over a decade practicing law, he has focused on banking, finance, and real estate with broad transactional knowledge as well as a substantial litigation practice. Mr. Grüner is a recognized leader in the field, is frequently asked to moderate and present at industry conferences throughout the United States, and is published, quoted, and featured in a variety of publications and trade journals.

Mr. Grüner is a member of the Leadership Los Angeles Class of 2014. In Miami, he was a Greater Miami Chamber Board Member, Chair of the Chamber˘s influential International Consular Corps Committee, and a member of the Leadership Miami Class of 2009. He is also a 2005 Alumni of highly selective Leadership Jacksonville. He is a member of the Florida Bar, is admitted to the United States District Court, Middle District of Florida, and admitted to practice in California as Registered In-House Counsel.

He also has nearly a decade of real estate finance experience prior to the practice of law, and as a result commands an in-depth understanding of the real estate and banking industries. Mr. Grüner began his career in mortgage banking with a primary emphasis on business development, underwriting, and secondary markets. As a mortgage banker, Mr. Grüner was active in a variety of trade groups, including service as a Chair of the Georgia Association of Mortgage Brokers PAC, a participant on the Legislative Committee of the National Association of Mortgage Brokers, and a member of the Mortgage Bankers Association of Florida.

Mr. Grüner enjoys his free time mountain biking, skiing, and watching and especially attending college football games.

BARRY LEVENSON, Chief Investor Relations Officer

Barry Levenson is a visionary leader and strategist with deep expertise in financial services and a demonstrated ability to achieve high-growth objectives. He is a proven builder of successful companies with over twenty five years of hands-on experience in fast-growth organizations.

As a founding officer of Countrywide Bank (a division of publicly traded Countrywide Financial, later acquired by Bank of America), Levenson helped establish the start-up bank as the fastest organically growing depository in the history of U.S. banking, achieving a rank of the eleventh largest national bank in the United States; utilizing a low- overhead platform to deliver superior value to customers and shareholders; and responsible for a third of Countrywide Financials' pretax income.

Among other things, he was responsible for scaling deposit production from zero to over $10 billion annually with an overall annualized efficiency of 4 basis points; while amassing a 750,000 customer deposit and loan portfolio.

As a Managing Director at PennyMac, Levenson significantly reduced delinquencies and increased customer acquisition through effective promotion of HAMP, HARP, Refi Plus, FHA Streamline, and other products. He also created and launched an initiative to sell mortgage notes generating revenues of $10 million per month.

Mr. Levenson has been a Chief Officer of several companies including: Move.com/Realtor.com Knowledge Adventure; Academy123 (acquired by Discovery Communications); Enfish Technologies (acquired by Franklin- Covey); and Stern Marketing Group (acquired by NewGround), where he launched Telebank and Ameritrade.

Early in his career, Levenson was Brand Manager at The Clorox Company and a Senior Consultant at Deloitte Consulting.

Mr. Levenson is a board member of the Ziman Center for Real Estate at UCLA, has been a board member of BAI (Bank Administration Institute), Haas Business School at UC Berkeley, and the National Literacy Network; a featured speaker at BAI, ABA, and UW Graduate School of Banking; and interviewed by CNN, Bloomberg, USA Today, Fund Marketing Alert, Advertising News, US Banker and others. He earned an MBA from the Anderson Graduate School of Management, UCLA in Finance, Marketing, and Entrepreneurship and a BS from the Haas Business School at UC Berkeley, in Finance and Real Estate. While at UC Berkeley, he co-founded the Cal Berkeley Federal Credit Union.

JACKIE TROJANOWSKY, Chief Investment Officer

Jackie Trojanowsky has over 25 years of lending experience, including 17 years in commercial mortgage-backed securities (CMBS). Her CMBS experience has included sourcing, underwriting, special servicing, and asset management. Ms. Trojanowsky utilizes her CMBS experience in underwriting prospective acquisitions of multi- family residential properties and other income producing commercial properties. Prior to joining Strategic Holdings, Ms. Trojanowsky originated CMBS loans for GE Capital Real Estate for nine years, underwrote loans for an investor of sub-investment grade CMBS and underwrote new CMBS loans for a service provider. She also successfully managed almost a billion dollars of CMBS repurchase litigation while employed at a special servicer, which prevailed in jury trials in U.S. federal courts. Ms. Trojanowsky is a graduate of The University of Texas at Austin, and holds a Bachelor of Business Administration with double majors in finance and marketing.

LEGAL PROCEEDINGS

Neither the LLC, the Manager nor any of the officers or directors of the Manager are now or have within the past five years been involved as a defendant to any material litigation or arbitration with the exception of periodic eviction cases, or baseless claims from former owners of real estate that was acquired at trustee sale.

SUMMARY OF LLC OPERATING AGREEMENT

The following is a summary of the LLC Operating Agreement, and is qualified in its entirety by the terms of the Operating Agreement itself. Potential Investors are urged to read the entire LLC Operating Agreement, a copy of which is attached hereto as Exhibit A.

Rights and Liabilities of Members

The rights, duties and powers of Members are governed by the LLC˘s Operating Agreement and the California Limited Liability Company Act, and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to such Agreement and Act.

Investors who become Members in the LLC in the manner set forth herein will not be responsible for the obligations of the LLC. They may be liable to repay capital returned to them plus interest if necessary to discharge liabilities existing at the time of such return. Any cash distributed to Members may constitute, wholly or in part, return of capital.

Members will have no control over the management of the LLC, except that Members holding a majority of the issued and outstanding Membership Interests may, without the concurrence of the Manager, take the following actions:

(a) terminate the LLC (including merger or reorganization with one or more other LLCs);

(b) approve or disapprove a transaction involving a conflict of interest between the Manager and the LLC; or

(c) approve or disapprove the sale of all or substantially all the assets of the LLC.

Members representing ten percent (10%) of the LLC Interests may call a meeting of the LLC. The Operating Agreement only permits removal of the Manager by the Members if: (i) the Manager commits an act of willful misconduct which materially adversely damages the LLC and (ii) holders of not less than sixty six and two-thirds (66&2/3%) of the Membership Interests vote in favor of such removal. If the Manager is removed, its compensation shall continue for a period of not less than 12 months and the Manager is fully reimbursed for all out of pocket costs including any unreimbursed formation costs.

Capital Contributions
Interests in the LLC will be sold in Units of Membership Interests. Other than the purchase of Series 1-M Manager Interest, the Manager is not required to contribute any funds to the LLC, but may do so. With respect to any Membership Interests other than Series 1-M it may purchase, the Manager will have the same rights as any other Member.

Rights, Powers and Duties of Manager
Subject to the right of the Members to vote on specific matters, the Manager will have complete charge of the business of the LLC. The Manager is not required to devote full time to LLC affairs but only such time as is required for the conduct of LLC business. The Manager has the power and authority to act for and bind the LLC. The Manager is granted the special power of attorney of each Member for the purpose of executing any document which the Members have agreed to execute and deliver.

Profits and Losses
The LLC's Profit or Loss for a Taxable Year, including the Taxable Year in which the LLC is dissolved, will be allocated among the Series 1-D Members and the Manager in proportion to their interests in the LLC.

Distributions
The LLC will make all distributions as described in the `Summary of the Offering ¯ Distributions._

Compensation to Manager and Affiliates
The LLC will compensate the Manager and its affiliates as described in the `Compensation to Manager and Affiliates._

Adjustment of Membership Interest Holdings
Allocations of Adjusted Net Profit, gain and loss in the LLC may be made in proportion to the Members' Interests of Membership Interest within each Series. Voting rights are based on the number of Membership Interests each Member owns. Once the Minimum Offering Amount has been achieved by the LLC, the Manager, at its discretion, may set the unit value of membership interest value for additional Membership Interests.

Meetings
The Manager, or Members representing ten percent (10%) of the LLC Interests, may call a meeting of the LLC on at least ten (10) days, but not more than sixty (60) days, written notice. Unless the notice otherwise specifies, all meetings will be held at 2:00 p.m. at the office of the Manager of the LLC. Members may vote in person or by proxy at the LLC meeting. A majority of the outstanding LLC Interests will constitute a quorum at LLC meetings.

Accounting and Reports
The Manager will cause to be prepared and furnished to the Members an annual report of the LLC's operation, which will be prepared by an independent accounting firm. Within ninety (90) days after the close of the year covered by the report, a copy or condensed version will be furnished to the Members. The Members shall also be furnished such detailed information as is reasonably necessary to enable them to complete their own tax returns within ninety (90) days after the end of the year.

The Manager presently intends to maintain the LLC's books and records on the accrual basis for bookkeeping and accounting purposes, and also intends to use the accrual basis method of reporting income and losses for federal and state income tax purposes. The Manager reserves the right to change such methods of accounting, upon written notice to Members. Any Members may inspect the books and records of the LLC at all reasonable times.

Withdrawal, Redemption Policy, and Other Events of Dissociation

A Member may resign as such at any time subject to certain conditions. A Member will also cease to be a Member upon, (i) such Members' expulsion from the LLC; or (ii) when Member no longer owns any Membership Interests (any, an event of "Dissociation").

Upon the occurrence of an event of Dissociation: (i) the Member's right to participate in the LLC's governance, receive information concerning the LLC's affairs and inspect the LLC's books and records will terminate; and (ii) unless the Dissociation resulted from the Transfer of the Member's Membership Interests, the Member will be entitled to receive the Distributions to which the Member would have been entitled as of the effective date of the Dissociation had the Dissociation not occurred. The Member will remain liable for any obligation to the LLC that existed prior to the effective date of the Dissociation, including any costs or damages resulting from the Member's breach of this Agreement. Under most circumstances, the Member will have no right to any return of his or her capital prior to the termination of the LLC unless the Manager elects to return capital to a Member.

Members in Series 1-A Membership Interests, Series 1-B Membership Interests, and Series 1-C Membership Interests may withdraw as a Member of the LLC and may receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least six (6) months; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts to honor requests for a return of capital subject to, among other things, the LLC˘s then existing cash flow, financial condition, and prospective acquisitions. Each request for a return of capital will be limited to twenty-five percent (25%) of such Member˘s capital account balance such that it will take four (4) quarters for a Member to withdraw his, her, or its total investment in the LLC; provided, however, that the maximum aggregate amount of capital that the LLC will return to the Members each year is limited to twenty percent (20%) of the total outstanding capital of the LLC. Withdrawal requests will be considered on a pro rata basis except that Series 1-A Membership Interests requests will have priority (meaning pending withdrawal requests must first be satisfied) over all other series, Series 1-B Membership Interests will have priority over Series 1-C, 1-D, and 1-M Membership Interests, Series 1-C Membership Interests will have priority over Series 1-D and 1-M, and Series 1-D will have priority over Series 1-M. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a Member is experiencing undue hardship.

Members in Series 1-D Membership Interests may withdraw as a Member of the LLC and may receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least three (3) years; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts (not guaranty) to honor requests for a return of capital subject to, among other things, the LLC˘s then existing cash flow, financial condition, and prospective investment opportunities. Upon the member˘s written request for the return of capital, the Manager shall first use best efforts to obtain a buyer through the services of a Broker-Dealer or Registered Investment Advisor, which may charge a service fee or commission of up to ten percent (10%). Notwithstanding the foregoing, the Manager may, in its sole discretion, elect to repurchase the Member˘s Membership interests at par value or otherwise waive such withdrawal requirements if a Member is experiencing undue hardship.

Restrictions on Transfer

The Operating Agreement places substantial limitations upon transferability of LLC Interests. No Membership Interest may be transferred if, in the judgment of the Manager, a transfer would jeopardize the availability of exemptions from the registration requirements of federal securities laws, jeopardize the tax status of the LLC as a LLC or, cause a termination of the LLC for federal income tax purposes.

A transferee may not become a substitute Member without the consent of the Manager. Such consent may not unreasonably be withheld if the Transfer and the Transferee comply with all the provisions of the Operating Agreement and applicable law. A transferee who does not become a substitute Member has no right to vote in matters brought to a vote of the Members, or to receive any information regarding the LLC or to inspect the LLC books, but is entitled only to the share of income or return of capital to which the transferor would be entitled. The Manager may require an opinion of counsel prior to any transfer to be provided at the Member˘s expense.

Manager's Interest
The Manager may withdraw from the LLC at any time upon reasonable written notice to all Members, in which event the Manager would not be entitled to any termination or severance payment from the LLC, except for the return of its capital account balance, if any. Upon withdrawal or removal, the Manager shall retain its Series 1-M Membership Interest. The Manager may also sell and transfer any Membership Interests it may own for such price as it shall determine, in its sole discretion, and neither the LLC nor the Members will have any interest in the proceeds of such sale. However, a successor Manager may only be elected by the Members. However, in no event will the Manager voluntarily reduce its capital account below $2 million.

Term of LLC
The term of the LLC will continue until December 31, 2023, with a provision for two extensions of five years each at the sole discretion of the Manager and further extensions provided by majority vote of the Members, unless dissolved sooner. The LLC will dissolve and terminate sooner under any of the following circumstances:

(1) the vote of the Members to dissolve;

(2) the sale of all or substantially all of the LLC's assets;

(3) any event that makes the LLC ineligible to conduct its activities as a limited liability company under the Act; or

(4) otherwise by operation of law.

See Sections 2.3 (Term) and 7 (Dissolution) of the Operating Agreement.

Winding-Up
The LLC will not cease to exist immediately upon the occurrence of an event of dissolution, but will continue until its affairs have been wound up. Upon dissolution of the LLC, the Manager will wind up the LLC˘s affairs by liquidating the LLC's assets as promptly as is consistent with obtaining the fair market value thereof by sale to third parties. All funds received by the LLC shall be applied to satisfy or provide for LLC debts and the balance shall be distributed to Members in accordance with the terms of the Operating Agreement.

Upon dissolution and termination of the LLC, a winding-up period is provided for liquidating the LLC's assets and distributing cash to Members. Members who sell their Membership Interests prior to any such liquidation will not be exposed to this risk. (See `Summary of Offering ¯ Liquidation Distributions.)

INCOME TAX CONSIDERATIONS

Federal Income Tax Aspects
The following discussion generally summarizes the material federal income tax consequences of an investment in the LLC based upon the existing provisions of the Code, and applicable Treasury regulations thereunder, current administrative rulings and procedures and applicable judicial decisions. However, it is not intended to be a complete description of all tax consequences to the prospective Members with respect to their investment in the LLC. No assurance can be given that the Internal Revenue Service (the "IRS") will agree with the interpretation of the current federal income tax laws and regulations summarized below. In addition, the LLC or the Members may be subject to state

and local taxes in jurisdictions in which the LLC may be deemed to be doing business.

ACCORDINGLY, ALL PROSPECTIVE MEMBERS SHOULD SATISFY THEMSELVES REGARDING THE POTENTIAL FEDERAL AND STATE TAX CONSEQUENCES OF PARTICIPATION IN THE LLC AND ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS, ATTORNEYS OR ACCOUNTANTS IN CONNECTION WITH ANY INTEREST IN THE LLC. EACH PROSPECTIVE INVESTOR/MEMBER SHOULD SEEK, AND RELY UPON, THE ADVICE OF THEIR OWN TAX ADVISORS IN EVALUATING THE SUITABILITY OF AN INVESTMENT IN THE LLC IN LIGHT OF THEIR PARTICULAR INVESTMENT AND TAX SITUATION.

Federal Income Tax Matters
The federal income tax consequences of an investment in Membership Interests are complex and their impact may vary depending on each Member's particular tax situation. Potential Members should consider the following federal income tax risks, among others:

(a) The LLC may be classified as an association, taxable as a corporation, which would deprive Members of the tax benefit of operating in a limited liability company form (taxable as a LLC);

(b) A holder of a Series 1-A, Series 1-B or Series 1-C Membership Interests may be treated, for income tax purposes, as owning a debt instrument rather than equity in the LLC;

(c) A Member's share of LLC taxable income may, in any period exceed his, her or its share of cash distribution from the LLC;

(d) The allocation of the LLC's income, gain, loss, deduction and credit may lack substantial economic effect and may be reallocated among the Members in a manner different from that set forth in the Operating Agreement;

(e) The federal income tax returns of the LLC might be subject to audit, in which event any adjustments to be made in the LLC's income, gains, losses, deductions, or credits would be made in a unified audit with regard to which Members would have little, if any, control; and,

(f) Adverse changes in the federal income tax laws might occur, which could affect the LLC retroactively as well as prospectively.

EACH PROSPECTIVE MEMBER IS URGED TO SEEK CONSULTATION WITH SPECIFIC REFERENCE TO INDIVIDUAL TAX SITUATIONS AND POTENTIAL CHANGES IN THE APPLICABLE LAW.

No IRS Ruling or Opinion of Legal Counsel
The LLC will not request a ruling from the IRS with respect to any tax issues concerning the LLC, including, but not limited to, whether the LLC will be classified as a "LLC" for federal income tax purposes, or any issues concerning an investment in the LLC. Furthermore, the LLC will not obtain an opinion of counsel with respect to any of the tax issues concerning the LLC or an investment in the LLC.

LLC Tax Status
The Members will be entitled to deduct their distributive shares of any LLC tax deductions, and to include in income their distributive shares of any LLC income or gains, only if the LLC is classified as a "LLC" rather than a "corporation" for federal income tax purposes. If it is recognized as a "LLC" for tax purposes, the LLC will not be subject to federal income tax on any of its taxable income, and all LLC income, gains, losses, deductions and credits will pass through to the Members and will be taxable only once to the Members themselves. On the other hand, if the LLC were to be classified as an "association" taxable as a corporation, the LLC would be subject to federal income tax on its taxable income at the tax rates applicable to corporations, and the Members would not be allowed to claim any LLC tax credits or deduct any LLC operating losses on their individual returns. Consequently, classification of the LLC as a LLC for

federal income tax purposes will enable the Members to secure the anticipated tax benefits of their investment in the LLC.

Debt vs. Equity
Because the holders of Series 1-A, Series 1-B and Series 1-C Membership Interests are only entitled to receive their Preferred Return and, on liquidation of the Company or upon withdrawal, their capital contributions back, and do not share in any appreciation or growth in the value of the LLC assets, and because the LLC has a fixed term (which may be extended), it is possible that such Membership Interests would be treated, for income tax purposes, as debt instruments instead of equity in the LLC. In such case, the Preferred Return received by such Members would be characterized as interest. Even if such Membership Interests are treated as equity, the IRS may treat the Preferred Return as interest for all tax purposes.

Federal Taxation of Limited Liability Companies and Members
A limited liability company is treated as a LLC for tax purposes, unless, as discussed above, it is classified as an "association" taxable as a corporation. For purposes of this discussion, it is assumed the LLC will be classified as a LLC for federal income tax purposes. As such, the LLC incurs no federal income tax liability. Instead, all Members are required to report on their own federal income tax returns their distributive share of the LLC's income, gains, losses, deductions and credits for the taxable year of the LLC ending with or within each Member's taxable year, without regard to any LLC distributions, including any guaranteed payments made to the Members (as the Preferred Return).

Taxation of Undistributed LLC Income (Individual Investors)
Under the laws pertaining to federal income taxation of LLCs, no federal income tax is paid by the LLC as an entity. Generally, each individual member reports on his or her federal income tax return his or her distributive share of LLC income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Generally, each individual member may deduct his or her distributive share of LLC losses, if any, to the extent of the tax basis of his or her Membership Interests at the end of the LLC year in which the losses occurred. The characterization of an item of profit or loss will usually be the same for the member as it was for the LLC. Since individual members will be required to include LLC income in their personal income without regard to whether there are distributions of LLC income, members may become liable for federal and state income taxes on LLC income even though they have received no cash distributions from the LLC with which to pay such taxes. However, with respect to the Series 1-A, Series 1-B and Series 1-C, it is not anticipated that the LLC will allocated any item of profit or loss of the LLC to such Members, but will report the Preferred Return as a guaranteed payment described under Section 707(c) of the Code much like interest on a debt instrument.

Distributions of Income
Each Member will be required to reduce the tax basis of his, her or its Membership Interests by the amount of all cash distributions. Other than the Preferred Return, distributions generally will not be taxable to Members as ordinary income or capital gain until there is no remaining tax basis in the Member˘s Membership Interest, and, thereafter, will be taxable as gain from the sale or exchange of the Membership Interests (which may be taxed at ordinary income tax rates, in part, under the provisions of Section 751 of the Code).

LLC Allocations
A Member's distributive share of LLC income, gains, deductions, losses and credits for federal income tax purposes (if any) is generally determined in accordance with provisions of the Operating Agreement. However, the IRS may reallocate such items if an allocation in the Operating Agreement does not have "substantial economic effect" and is in accordance with the Member's respective "economic interest" in the LLC.

The IRS has issued regulations to determine whether an allocation has "substantial economic effect," or if it is in accordance with the Member's respective "economic interest" in the LLC. In general, an allocation of income, gain, loss or deduction, or an item thereof, to a Member has economic effect if, and only if:

(1) the allocation is properly reflected in that Member's capital account and such capital account is maintained in accordance with the regulations;

(2) liquidation proceeds are to be distributed in accordance with the Member's positive capital account balances; and

(3) either:

(a) any Member with a deficit in its capital account following the distribution of liquidation proceeds must restore the amount of such deficit to the LLC by the later of either the end of the taxable year of the liquidation or ninety (90) days after the liquidation, or

(b) the Operating Agreement must contain "qualified income offset" and `minimum gain charge back" provisions applicable to the Members.

The Operating Agreement does not require Members to restore deficit balances in their capital accounts. However, the Operating Agreement does contain provisions that are believed to meet the requirements for "qualified income offset" and "minimum gain charge back" provisions. (See herein Section 4.2 of the Operating Agreement.)

In order for the economic effect of an allocation to be considered substantial, the U.S. Department of Treasury regulations require that the allocations must have a reasonable possibility of substantially affecting the dollar amounts to be received by the Members, independent of tax consequences. In applying the substantiality test, tax consequences that result from the interaction of the allocation with such Members tax attributes that are unrelated to the LLC must be taken into account.

Limitations on Deduction of Losses

Adjusted Basis: The adjusted basis of a Member˘s interest in the LLC is equal to the amount of cash or the adjusted basis of any property which that Member contributes to the LLC, increased by that Member˘s share of LLC liabilities, if any,

(1) decreased (but not below zero) by distributions to the Member from the LLC (including constructive cash distributions resulting from a decrease in LLC liabilities),
(2) decreased by the Member˘s allocable share for the taxable year and prior taxable years, of the LLC's losses, and
(3) increased by that Member's allocable share for the taxable year and prior taxable years of the LLC's income.

Under certain circumstances, Members may include a portion of certain LLC liabilities in their basis. In general, LLC recourse liabilities are shared by the Members in the same manner as they share LLC losses, and LLC non-recourse liabilities are shared by the Members in the same manner as they share LLC profits. A LLC liability is a recourse liability to the extent that one or more Members bear the economic risk of loss for such liability. A LLC liability is a non-recourse liability to the extent that no Member bears the economic risk of loss for such liability. It is not known at this time if the LLC will incur any recourse liabilities or any non-recourse liabilities.

If a Member's allocable share of a LLC loss for any LLC taxable year exceeds the Member's adjusted basis in his/her interest in the LLC at the end of that taxable year, such excess may not be deducted at that time but may be carried over and deducted in any later year in and to the extent that, the Member's adjusted basis in his/her interest in the LLC at the end of the later taxable year exceeds zero.

It is anticipated that, in general, the LLC will not allocate LLC gain or loss to the Series 1-A, Series 1-B or Series 1-C Membership Interests. Holders of such Interests will be treated as receiving a `guaranteed payment_ for the use of their capital pursuant to Section 707(c) of the Code. Thus, it is not anticipated that the capital account of any such Member will change from year to year. However, the Series 1-D Members may be allocated a share of the LLC˘s income, gain, deduction or loss for the year, in the same manner as the Manager.

At-Risk Rules: In addition to the adjusted basis limitation, a Member's ability to deduct Company losses is further limited by the at-risk rules. These rules, which only apply to individuals and certain closely held corporations, allow a Member to deduct losses from an at-risk activity only to the extent of the Member's amount at-risk with respect to such activity at the close of the taxable year. Each Member will be considered at-risk with respect to that Member's initial cash capital contribution to the LLC. A Member generally is not considered to be at-risk for LLC liabilities with respect to which the Member has no personal liability.

A Member will only be considered at-risk for LLC indebtedness to the extent that the Member is personally liable for repayment of such indebtedness or the Member pledged certain property as security for the repayment of such indebtedness. Also, in case of certain real property holding activities, a Member will be considered at-risk for qualified non-recourse financing as defined in the Code. Each Member's initial amount at-risk for their interest in the LLC will be limited to such Member's initial cash capital contribution to the LLC. If a Member borrows the money to fund a capital contribution to the LLC, the Member should consult his or her own tax advisor regarding the possible tax consequences of such borrowing under the at-risk rules.

It is not anticipated that the holders of Series 1-A, Series 1-B or Series 1-C Membership Interests will be allocated any losses of the LLC, unless and until the capital accounts of the Manager and the holder of Series 1-D Membership Interests (as increased by their share of `partnership minimum gain_ and `partner nonrecourse debt minimum gain,_ as such terms are defined in Treasury Regulations Section 1.704-2) have been reduced to zero.

Passive Loss Rules: In addition to the adjusted basis limitation and at-risk rules, the ability of a Member that is an individual or a closely held corporation to deduct a share of LLC losses is further limited by the passive loss rules. These rules provide that passive activity losses can only be deducted against passive activity income and cannot be deducted against income from other sources. A passive activity is any activity which involves the conduct of any trade or business and in which the taxpayer does not materially participate. Depending on their individual situations, Members may or may not be considered to materially participate in the management of the LLC, and the income and losses from the LLC may or may not be treated as income or loss from a passive activity. Since the impact of the passive loss rules will vary from Member to Member, all Members should consult their own tax advisor regarding this matter.

Profit Objective of the LLC

Deductions will be disallowed if they result from activities not entered into for profit to the extent that such deductions exceed an amount equal to the greater of:

(1) the gross income derived from the activity; or

(2) deductions (such as interest and taxes) that are allowable in any event. The applicable Treasury regulations indicate a transaction will be considered as entered into for profit where there is an expectation of profit in the future, either of a recurring type or from the disposition of property. In addition, the Code provides, among other things, an activity is presumed to be engaged for profit if the gross income from such activity for three of the five (5) taxable years ending with the taxable year in question exceeds the deductions attributable to such activity. It is anticipated that the LLC will satisfy this test.

Property Held Primarily for Sale: Potential Dealer Status

The LLC has been organized to invest in real property to be flipped or held for up to 10 years. However, if the LLC were at any time deemed for federal tax purposes to be holding real estate primarily for sale to customers in the ordinary course of business (a "dealer"), any gain or loss realized upon the disposition of such real property would be taxable as ordinary gain or loss rather than as capital gain or loss. The federal income tax rates for ordinary income are currently higher than those for capital gains. In addition, income from sales of assets to customers in the ordinary course of business would also constitute unrelated business taxable income to any Investors which are tax-exempt entities. Under existing law, whether or not real property is held primarily for sale to customers in the ordinary course of business must be determined from all the relevant facts and circumstances. Likewise, it is possible the LLC will be treated as a `dealer_ in real estate by reason of the frequency of its trades, even if some of the properties have been held longer than

the legally minimum for long term capital gain treatment.

Unrelated Business Taxable Income

DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE THE APPLICATION OF ERISA TO HIS OR HER PROSPECTIVE INVESTMENT.

The following summary constitutes only a general discussion of certain aspects of unrelated business taxable income as it applies to Qualified Plans and other tax-exempt entities. A detailed analysis of ERISA considerations of an investment in the LLC is beyond the scope of this discussion.

Membership Interests may be offered and sold to certain tax-exempt entities (if such as qualified pension or profit sharing plans or other tax exempt entities qualified under ERISA) that otherwise meet the Investor suitability standards described elsewhere in this Memorandum. See herein "Investor Suitability Standards") Such tax exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business which generates "unrelated business taxable income," as that term is defined by Section 512 of the Code. Under the Code, tax exempt purchasers of Membership Interests may be deemed to be engaged in an unrelated trade or business by reason of activities of the LLC to generate interest or rental income or gain from the sale of real estate or real estate mortgages.

Interest income (which will constitute the primary source of income with respect to 1-A, 1-B, and 1-C Membership Interests) generally does not constitute an item of unrelated business taxable income, except to the extent it is derived from debt financed property. Rents from real property and gains from the sale or exchange of property are also generally excluded from unrelated business taxable income, unless the property is held primarily for sale to customers. If the real property is subject to a mortgage, then such rental income and gains from sales will be excluded from the calculation of unrelated business taxable income only if the LLC complies with the requirements of Section 514(c)(9) of the Code. The LLC does not anticipate that its operating agreement will comply with Section 514(c)(9) of the Code; thus, to the extent a tax-exempt organization is allocated rental income or gains from the sale of real estate, such income or gain would be characterized as unrelated business taxable income.

The trustee of any trust that purchases Membership Interests in the LLC should consult with his or her tax advisors regarding the requirements for exemption from federal income taxation and the consequences of failing to meet such requirements, in addition to carefully considering his or her fiduciary responsibilities with respect to such matters as investment diversification and the prudence of particular investments.

Sale of Member Interest in the LLC

Because the LLC may report income on the accrual basis and not distribute all earnings to Members because of cash flow considerations, the sale by Members of their Interests in the LLC generally may result in a capital gain (or loss). This is because any gain attributable to a Member's share of the LLC's unrealized receivable or inventory items (so called `hot assets_ under the rules of Section 751 of the Code) may be reflected in the value of a Membership Interest. Any deemed distributions under Section 751 of the Code as a result of events such as these will be taxed as ordinary income. In the event of a sale or transfer of an interest in the LLC by a Member, the distributive share of LLC income, gain, loss, deduction or credit for the entire interest would be allocated between the transferor and the transferee.

In the unlikely event that fifty percent (50%) or more of the total number of Membership Interests in the capital and profits of the LLC are sold or exchanged within any consecutive twelve (12) month period, the LLC would be considered terminated for federal income tax purposes. A termination of the LLC for federal income tax purposes would cause the LLC's taxable year to end with respect to all Members. The LLC is empowered, by the Operating Agreement, to prohibit any transfer of interest in the LLC that would cause such termination.

Liquidation of the LLC

Upon liquidation of the LLC, any gain or loss recognized by reason of a distribution to the Members will be considered as gain or loss from the sale exchange of a capital asset, except to the extent of unrealized receivable and substantially appreciated inventory items under Section 751 of the Code. Members will recognize gain on the distribution only to the

extent any money received, including a reduction in a Member's share of LLC liabilities for which no Member is personally liable, exceeds the Member's adjusted basis of its interest in the LLC. Generally, the basis to a Member of any property distributed in-kind is its adjusted basis for its Membership Interest, less any money received in the distribution.

Alternative Minimum Tax
Individual Members may be subject to the alternative minimum tax, which increases a Member's tax liability to the extent the Member's "Alternative Minimum Tax" exceeds his or her regular income tax (less certain credits) for the year. The amount of alternative minimum tax liability (if any) for a Member will depend on such Member's income, gain, deduction, loss, credit and tax preference from sources other than the LLC and the interaction of these items with such Member's share of LLC income, gain, loss, deduction, credit and tax preference in determining a Members alternative minimum taxable income. The passive loss limitation rules discussed above will apply to income, gain, deductions, loss and credits from LLC sources in the same manner as in determining its/his/her regular taxable income.

BECAUSE OF THE COMPLEXITY OF THE COMPUTATION OF THE ALTERNATIVE MINIMUM TAX, PROSPECTIVE MEMBERS ARE URGED TO CONSULT THEIR PERSONAL TAX ADVISORS WITH REGARD TO THE IMPACT OF THE ALTERNATIVE MINIMUM TAX ON THEIR TAX SITUATIONS.

LLC Election to Step Up the Basis of its Assets when Members Sell Their Membership Interest in the LLC
When Members sell or exchange Membership Interests, the Transferee Members may have an adjusted basis in the Membership Interests equal to their cost. The LLC does not automatically adjust the tax basis of its property to reflect the change in the Transferee Member's adjusted basis for his/her Interest. However, the LLC may elect, in its sole discretion, upon a sale or exchange of a Member's Membership Interests in the LLC, to adjust the tax basis of LLC property only for purposes of determining the Transferee Member's share of depreciation and gain or loss from the LLC. The general effect of such an election is that the Transferee Members are treated, for purposes of depreciation and gain or loss, as though they had acquired a direct Interest in the LLC assets, and therefore a new cost basis for such assets. Any such election, once made, cannot be revoked without the consent of the IRS. If the LLC chooses not to make the aforementioned election, a Transferee Member may be at a disadvantage in selling their Interest in the LLC since the Transferee ordinarily would obtain no current tax benefit for the excess, if any, of the cost of such Interest over the Transferee's share of the LLC's adjusted basis in its assets. However, with respect to a Transferee Member acquiring an interest in a Series 1-A, Series 1-B or Series 1-C Membership Interest, it is not anticipated that any such special adjustment will take place since such Members do not participate in the growth or appreciation of the assets of the LLC.

LLC Audits: The Tax Treatment of LLC Items and Penalties
The tax treatment of all LLC items of income, expense, gain or loss will be determined at the Company level in a consolidated proceeding rather than in separate proceedings with the Members. A determination by the IRS in

proceedings at the Company level is referred to as a final administrative adjustment ("FAA"). When an FAA is made, the IRS must initially send notice to a "Tax Matters Partner." The Company believes that in the context of a limited liability company, the IRS will recognize the Manager as the appropriate person to serve in that capacity. The Operating Agreement designates the Manager as Tax Matters Partner, but gives the Manager the authority to designate another person. The IRS also has such authority. Generally, notice to the Members must be mailed within sixty (60) days after the mailing of notice to the Tax Matters Partner. Every Member is entitled to participate in the IRS administrative proceedings at the LLC level. If a settlement is reached with one or more Members, it is binding on them. All other Members shall be entitled to settle on the same terms if they so request. A Member will not be bound by the Tax Matters Partner's settlement agreement if the Member files a statement, within a period to be prescribed by the Secretary of the Treasury, stating that the Tax Matters Partner does not have the authority to enter into a settlement with the IRS on his or her behalf. In general, no person other than the Tax Matters Partner may bind any Member with respect to a settlement agreement with the IRS. Also, the LLC and its Members may choose to litigate an assessment of tax made under the IRS FAA procedures.

While the IRS will ordinarily be required to initiate proceedings against the LLC and not against an Individual Member, such requirement is waived with respect to any Member whose treatment of an item on his or her individual return is inconsistent with the treatment of that item on the LLC's tax return, unless the Member files a statement with the IRS identifying the inconsistency. In the absence of such a disclosure, the IRS may, without sending the Member a deficiency notice, assess and collect the additional tax necessary to make the Members treatment of the item consistent with the LLC's treatment of the item.

If a deficiency is determined as the result of an audit, each Member will be liable for payment of his or her share of the deficiency, plus compound interest at the then applicable interest rate. Interest on tax deficiencies is generally non-deductible. If a deficiency is determined as the result of an audit, Members may be subject to the "Accuracy related penalty" on all or a portion of the deficiency. The amount of the accuracy related penalty is twenty percent (20%) of any underpayment attributable, among other things, to:

(1) negligence or intentional disregard of rules or regulations,

(2) a substantial underpayment of tax, or

(3) a substantial valuation overstatement.

This penalty does not apply if the Member can show there was reasonable cause for the underpayment and the Member acted in good faith with respect to the underpayment. In the case of a deficiency attributable to a substantial underpayment, the penalty also does not apply to the extent the Member had "substantial authority" for the position taken on the tax return or the facts relevant to that position were adequately disclosed on the Members return or in a statement attached to the return.

Tax Returns

The LLC intends to retain a certified public accounting firm to prepare and review the LLC's annual federal information tax return, including Schedule K-1, which the LLC will issue to all Members, and other tax returns the LLC may be required to file. The Schedule K-1 will provide the Members with the information regarding the LLC that the Members will need to prepare and file their own tax returns.

Tax Year

The LLC intends to adopt a December 31st year-end for federal income tax reporting purposes.

Method of Accounting

The LLC will report its income for federal income tax reporting purposes using the accrual method of accounting. Under the accrual method, income is reportable in the year when earned, whether or not it has actually or constructively been received, and expenses are deductible in the year in which all events have occurred that determine

the fact of the LLC's liability, the amount of the liability is determinable with reasonable accuracy and "economic performance" (as defined in the Code) has occurred.

Tax Shelter Registration
The Manager has determined the LLC is not a tax shelter under the applicable tax shelter registration rules. Accordingly, the Manager will not register the LLC with the IRS as a tax shelter.

Tax Law Subject to Change
Frequent and substantial changes have been made and will likely continue to be made, to the federal income tax laws. The changes made to the tax laws by legislation are pervasive and, in many cases have yet to be interpreted by the IRS or the courts.

State and Local Taxes
A detailed analysis of the state and local tax consequences of an investment in the LLC is beyond the scope of this discussion. Prospective Members are advised to consult their own tax counsel regarding these consequences and the preparation of any state or local tax returns that a Member may be required to file.

ERISA CONSIDERATIONS

General
The Employee Retirement Income Security Act of 1974 ("ERISA") contains strict fiduciary responsibility rules governing the actions of "fiduciaries" of employee benefit plans. It is anticipated that some Members will be corporate pension or profit sharing plans, or other employee benefit plans that are subject to ERISA. In any such case, the person making the investment decision concerning the purchase of Membership Interests will be a "fiduciary" of such plan and will be required to conform to ERISA's fiduciary responsibility rules.

DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE THE APPLICATION OF ERISA TO HIS OR HER PROSPECTIVE INVESTMENT.

Prudent Man Standard
Persons making investment decisions for employee benefit plans (i.e., "fiduciaries") must discharge their duties with the care, skill and prudence which a prudent man familiar with such matters would exercise in like circumstances. In evaluating whether the purchase of Membership Interests is a prudent investment under this rule, fiduciaries should consider all of the risk factors set forth above. Fiduciaries should also carefully consider the possibility and consequences of unrelated business taxable income (see herein "Tax Considerations"), as well as the percentage of plan assets which will be invested in the LLC insofar as the diversification requirements of ERISA are concerned. An investment in the LLC is non-liquid, and fiduciaries must not rely on an ability to convert an investment in the LLC into cash in order to meet liabilities to plan participants who may be entitled to distributions.

FAILURE TO CONFORM TO THE PRUDENT MAN STANDARD MAY EXPOSE A FIDUCIARY TO PERSONAL LIABILITY FOR ANY RESULTING LOSSES

Prohibited Transactions
The Manager shall not accept subscriptions for Membership Interests from ERISA, IRA or other retirement plan Investors unless, immediately after any such Membership Interests are sold, the aggregate of ERISA, IRA, and other retirement plan Investors will hold less than twenty-five percent (25%) of the total outstanding equity Interests in the LLC (measured by capital accounts).

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

ADDITIONAL INFORMATION AND UNDERTAKINGS

The Manager undertakes to make available to each offeree every opportunity to obtain any additional information from the LLC or the Manager necessary to verify the accuracy of the information contained in this Memorandum, to the extent that it possesses such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, all the organizational documents of the LLC, recent financial statements for the Manager and all other documents or instruments relating to the operation and business of the LLC and material to this offering and the transactions contemplated and described in this Memorandum.
END.

EXHIBIT `A_

(Limited Liability Company Operating Agreement)

SIXTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
Of
STRATEGIC DIVERSIFIED REAL ESTATE HOLDINGS, LLC

(Formerly known as SUNSET DIVERSIFIED PROPERTY INVESTMENTS, LLC)

A California Limited Liability Company

This Sixth Amended and Restated Limited Liability Company Operating Agreement (`Agreement_) of Strategic Diversified Real Estate Holding, LLC (`LLC_) is among Strategic Diversified Management, Inc., a California corporation (an `Initial Member_ and the `Manager_), Strategic Diversified Management, Inc. (the `Manager_) and each of the additional Persons who become Members in accordance with the provisions of this Agreement. Any capitalized terms used herein but not defined herein shall have the meaning ascribed to them in the Private Placement Memorandum dated as of October 1, 2015 and any successor version of such Private Placement Memorandum that replaces it in the future (the `Memorandum_).

RECITALS

The LLC is a limited liability company formed under the California Limited Liability Company Act. The parties to this Agreement are the LLC˘s Initial Members (as defined herein) and those additional Persons who are subsequently admitted as Members in accordance with the provisions of this Agreement. The parties intend by this Agreement and the terms of the Memorandum to define their rights and obligations with respect to the LLC˘s governance and financial affairs and to adopt regulations and procedures for the conduct of the LLC˘s activities. Accordingly, for good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the parties agree as follows:

ARTICLE 1: DEFINITIONS

1.1 **Scope.** For purposes of this Agreement, unless the language or context clearly indicates that a different meaning is intended, capitalized terms have the meanings specified in this Article.

1.2 **Defined Terms.**

(a) `Act_ means the California Revised Uniform Limited Liability Company Act.

(b) `Adjusted Net Profits_ means Net Profits as determined by Generally Accepted Accounting Principles (`GAAP_) plus any positive difference between GAAP depreciation on all assets and any mortgage lender required stabilized Capital Improvement Reserves (a per housing unit monthly reserve for replacement of capital improvements) on stabilized assets.

(c) `Affiliate,_ with respect to a Person, means (1) a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Person, (2) a Person who owns or controls at least ten percent (10%) of the outstanding voting interests of the Person, (3) a Person who is an officer, director, manager or general partner of the Person, or (4) a Person who is an officer, director, manager, general partner, trustee or owns at least ten percent (10%) of the outstanding voting interests of a Person described in clauses (1) through (3) of this sentence.

(d) `Agreement_ means this agreement, including any amendments.

(e) `Articles_ means the Articles of Organization filed with the Secretary of State to organize the LLC as a limited liability company, including any amendments.

(f) `Bankruptcy_ means the filing of a petition seeking liquidation, reorganization, arrangement, readjustment, protection, relief or composition in any state or federal bankruptcy, insolvency, reorganization or receivership proceeding.

(g) `Capital Account_ of a Member means the capital account maintained for the Member in accordance with Article 4.

(h) `Capital Investment_ of a Member means a Member˘s original capital investment in units of the LLC less any return of capital plus any additions to capital.

(i) RESERVED

(j) `Code_ means the Internal Revenue Code of 1986, as amended.

(k) `Contribution_ means anything of value that a Member contributes to the LLC as a prerequisite for, or in connection with, membership including any combination of cash, property, services rendered, a promissory note or any other obligation to contribute cash or property or render services.

(l) `Dissociation_ means a complete termination of a Member˘s membership in the LLC due to an event described in Article 3.

(m) `Distribution_ means the LLC˘s direct or indirect transfer of money or other property to a Member with respect to a Membership Unit.

(n) `Effective Date_ means the date on which the LLC˘s existence as a limited liability company begins, as prescribed by the Act.

(o) `Entity_ means an association, relationship or artificial person through or by means of which an enterprise or activity may be lawfully conducted, including, without limitation, a partnership, trust, limited liability company, corporation, joint venture, cooperative or association.

(p) `Family,_ with respect to a Member, means individuals who are related to the Member by blood, marriage or adoption. For the purposes of this definition, an individual is related to the Member by marriage if the person is related by blood or adoption to the Member˘s current spouse.

(q) `Initial Members_ means the Manager and the Members.

(r) `Manager_ means a Person who is vested with authority to manage the LLC in accordance with Article 5.

(s) `Manager˘s Reserve_ means an amount equal to $2,000,000 of the Manager˘s initial capital contribution, reduced by any distributions required to be made for Preferred Returns as provided in Section 4.2(a), and increased to the extent of such reductions by distributions otherwise payable to the Manager pursuant to Section 4.2(b), it being the intent that, to the extent practical (without any requirement of the Manager to contribute additional capital), the Manager˘s Reserve remains at an amount that is no less than $2,000,000.

(t) `Member_ means an Initial Member(s) and any Person who is subsequently admitted as an additional or a substitute Member after the Effective Date, in accordance with Article 3.

(u) `Membership Unit_ means a Member˘s percentage interest in the LLC, which consists of the Member˘s right to share in profits, receive Distributions, participate in the LLC˘s governance, approve the LLC˘s acts, participate in the designation and removal of the Manager and receive information pertaining to the LLC˘s affairs. The Membership Units of the Initial Members are defined in Article 3. Changes in Membership Units after the Effective Date, including those necessitated by the admission and Dissociation of Members, will be reflected in the LLC˘s records. The allocation of Membership Units as reflected in the LLC˘s records from time to time is presumed to be correct for purposes of this Agreement and the Act.

(v) `Net Profits_ is defined herein as the LLC˘s monthly gross income less the payments of the LLC˘s monthly operating expenses; such as the Manager˘s Fee, amounts due by the LLC on any loans or line of credit, audit costs, tax preparation expenses and LLC taxes and an allocation of income for loss reserves. The Manager will use its reasonable discretion in estimating these amounts. Net Profits shall be computed using Generally Accepted Accounting Principles.

(w) `Permitted Transferee,_ with respect to a Member, means another Member, a member of the Member˘s Family, or a trust for the benefit of the Member or a member of the Member˘s Family.

(x) `Person_ means a natural person or an Entity.

(y) `Profits_ and `Losses_ means, for each fiscal year of the Company, an amount equal to the Company˘s taxable income or loss for such fiscal year, determined in accordance with Code Section 703(a) (and, for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.2(y) shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this Section 1.2(y), shall be subtracted from such taxable income or loss;

(iii) In the event the book value of any Company asset is adjusted pursuant to Regulations Section 1.704-1(b)(2)(iv)(f), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses;

(iv) Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the book value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its book value;

(v) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Membership Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits or Losses; and

(vi) Profits and Losses shall not include items specially allocated pursuant to

Section 4.3(e) hereof, but shall take into account (as a deduction) all guaranteed payments described in Section 4.3(c) hereof.

(z) `Regulations_ means proposed, temporary or final regulations promulgated under the Code by the U.S. Department of the Treasury, as amended.

(aa) `Taxable Year_ means the LLC˘s taxable year as determined in Article 6.

(bb) `Transfer,_ as a noun, means a transaction or event by which ownership of any Membership Units is changed or encumbered, including, without limitation, a sale, exchange, abandonment, gift, pledge or foreclosure. `Transfer,_ as a verb, means to affect a Transfer.

(cc) `Transferee_ means a Person who acquires any Membership Units by Transfer from Member or another Transferee not admitted as a Member in accordance with Article 3.

ARTICLE 2: THE LLC

2.1 **Status.** The LLC is a California limited liability company organized under the Act.

2.2 **Name.** The LLC˘s name is STRATEGIC DIVERSIFIED REAL ESTATE HOLDINGS, LLC.

2.3 **Term.** The LLC˘s existence as a limited liability company will commence on the Effective Date and continue until December 31, 2023, unless sooner dissolved or terminated under the Act or as described herein. At the sole discretion of the Manager, the LLC˘s term of existence may be terminated sooner. Any extensions of the term will require the vote of the Members holding at least fifty-one percent (51%) of the Membership Units.

2.4 **Purpose.** The purpose of the LLC is to acquire, operate, finance and resell real property throughout the United States. The LLC may also engage in joint venture arrangements with companies engaged in a compatible business. The LLC may also buy performing, sub-performing and non-performing mortgage loans. The LLC may make mortgage loans. The LLC may finance, structure finance, or securitize mortgage loans. The LLC may take any action incidental and conducive to the furtherance of that purpose.

2.5 Principal Place of Business. The LLC˘s principal place of business is located at: 751 Daily Drive, Suite 116, Camarillo, CA 93010.

2.6 **Registered Agent and Registered Office.** The LLC˘s registered office in California is located at its Principal Place of Business. The LLC may change its registered agent or registered office at any time.

ARTICLE 3: MEMBERSHIP

3.1 **Identification.**

(a) <u>Manager˘s Initial Contribution.</u> As of December 2013 the Manager has contributed $2 million to the capital of the LLC in the form of Series 1-D Interest or `Manager˘s Interest,_ renamed the `Series 1-M Interest_ by this amended operating agreement. Nothing contained herein shall be deemed to prohibit the Manager from increasing its interest in the LLC by purchasing units of Membership on the same terms of any other Member. The entirety of the Manager˘s capital may be used by the LLC to subsidize or support the Preferred Returns set forth below to the extent the LLC does not generate sufficient Adjusted Net Profits to distribute any applicable Preferred Return. The Manager hereby agrees that its capital account is subordinate to the right of Members to first receive their Preferred Return on Members˘ invested capital and the return of their capital. However, the Manager provides no guaranty that there will not be capital losses.

(b) <u>Membership Units.</u> The LLC will have four additional class of members, each at $1,000 equal one Unit, denominated as follows:

(i) Series 1-A (sometimes referred to as Series 1-A Equity), with a Preferred Rate of return

of 8.5% per annum.

(ii) Series 1-B (sometimes referred to as Series 1-B Equity) with a Preferred Rate of 10% per annum.

(iii) Series 1-C (sometimes referred to as Series 1-C Equity) with a Preferred Rate of 12% per annum.

(iv) Series 1-D (sometimes referred to as the Series 1-D Equity) with a Preferred Rate of 10%.

(c) Cash Flow Preference. All distributions of Adjusted Net Profits (after payment of LLC indebtedness) shall be paid to the holders of Membership Units in this order of priority: First to the Series 1-A until their Preferred Return is current on a cumulative basis, second to Series 1-B until their Preferred Return is current on a cumulative basis, then to Series 1-C until their Preferred Return is current on a cumulative basis. Thereafter, all distributions of Adjusted Net Profits (after payment of LLC indebtedness) shall be paid to the holders of Series 1-D until their Preferred Return is current on a cumulative basis and lastly 25% to Series 1-D (on the basis of 1/20,000 per membership unit) and 75% to Series 1-M (Manager˘s Interest). Distributions to Series 1-M pursuant to Section 4.2(b) may be withheld if necessary to restore the Manager˘s Capital Reserve to not less than $2 million. Distributions to Series 1-M may also be withheld to repay any monies it has borrowed from the LLC.

(d) Liquidation Preference. If the LLC begins to liquidate as part of the winding down of its business, after payment of the debts of the LLC and the creation of appropriate reserves, the remaining cash of the LLC shall be distributed to the Members, first to holders Series 1-A until their capital accounts are returned in full, then to holders of Series 1-B until their capital accounts are returned in full, then to the holders of Series 1-C until their capital accounts are returned in full, then to the holders of Series 1-D until their capital accounts are returned in full and lastly anything remaining to Series 1-M (`Manager˘s Interest_).

(e) Withdrawal Preference. The holders of Series 1-A shall have priority in the withdrawal of capital from the LLC over the other series. `Priority_ means that no holder of a junior series may withdraw capital while there are open and unfulfilled withdrawal requests (that comply with this Agreement) by the holder of a senior class Membership Interest. The holders of Series 1-B shall have priority in the withdrawal of capital from the LLC over Series 1-C, Series 1-D and Series 1-M. The holders of Series 1-C shall have priority in the withdrawal of capital from the LLC over Series 1-D and Series 1-M. The holders of Series 1-D shall have priority in the withdrawal of capital from the LLC over Series 1-M. In no event may the holder of Series 1-M interest withdraw capital such that its capital account balance would be less than $2 million.

(f) Additional and Substitute Members. The LLC may admit additional or substitute Members with the sole approval of the Manager. Except as set forth herein, the Manager may withhold approval of the admission of any Person for any or no reason. The Manager will not permit any person to become a member until such person has agreed to be bound by all the provisions of this Operating Agreement as amended as of the date of the proposed admission, and the terms of the Memorandum, and has delivered to the LLC a completed Subscription Agreement along with a check or bank wire transfer in the amount of such investment.

(g) Investment Delays. Because new Members are only admitted on the first day of the month following the acceptance of their subscription by the Manager, there may be a delay between the time Membership Units are sold and the time purchasers of Membership Units are admitted to the LLC and begin to participate in the investment yield being realized by the LLC on its real estate portfolio. During any partial month, the prospective Member˘s investment will be treated as a loan bearing interest at the same rate as the prevailing return then applicable to the Members.

(h) Rights of Additional or Substitute Members. A Person admitted as an additional or substitute Member has all the rights and powers, and is subject to all the restrictions and obligations of a Member under this Agreement and the Act.

3.2 **Withdrawal.**

(a) Subject to the provisions of section 3.1(e) above, Members in Series 1-A Membership Interests, Series 1-B Membership Interests, and Series 1-C Membership Interests may withdraw as a Member of the LLC and may receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least six (6) months; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts to honor requests for a return of capital subject to, among other things, the LLC's then existing cash flow, financial condition, and prospective real estate investments. Each request for a return of capital will be limited to twenty-five percent (25%) of such Member's capital account balance such that it will take four (4) quarters for a Member to withdraw his, her, or its total investment in the LLC; provided, however, that the maximum aggregate amount of capital that the LLC will return to the Members each year is limited to twenty percent (20%) of the total outstanding capital of the LLC. Withdrawal requests will be considered on a pro-rata basis subject to the restrictions of section 3.1(e) above. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a Member is experiencing undue hardship.

(b) Members in Series 1-D Membership Interests may withdraw as a Member of the LLC and may receive a return of capital provided that the following conditions have been met: (a) the Member has been a Member of the LLC for a period of at least three (3) years; and (b) the Member provides the LLC with a written request for a return of capital at least thirty (30) days prior to such withdrawal. The LLC will use its best efforts (not guaranty) to honor requests for a return of capital subject to, among other things, the LLC's then existing cash flow, financial condition, and prospective investment opportunities. Upon the member's written request for the return of capital, the Manager shall first use best efforts to obtain a buyer through the services of a Broker-Dealer or Registered Investment Advisor, which may charge a service fee of up to ten percent (10%). Notwithstanding the foregoing, the Manager may, in its sole discretion, elect to repurchase the Member's Membership interests at par value or otherwise waive such withdrawal requirements if a Member is experiencing undue hardship.

3.3 **Restrictions on Transfer.**

(a) Restrictions on Transfer. A Member may transfer his, her or its Membership Unit only in compliance with this Article. Restrictions have been placed upon the ability of Investors to resell or otherwise dispose of any Membership Units purchased hereunder including, without limitation, the following:

(1) The Membership Units have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the `Act_), in reliance upon the exemptions provided under the Act.

(2) There is no public market for the Membership Units and none is expected to develop in the future. Even if a potential buyer could be found, Membership Units may not be resold or transferred without satisfying certain conditions designed to comply with applicable tax and securities laws, including, without limitation, provisions of the Act, and the requirement that certain legal opinions be provided to the Manager with respect to such matters. A transferee must meet the same investor qualifications as the Members admitted during the Offering Period. Investors must be capable of bearing the economic risks of this investment with the understanding that Membership Units may not be liquidated by resale or redemption and should expect to hold their Membership Units as a long-term investment.

(3) A legend will be placed upon all instruments evidencing ownership of Membership Units in the LLC stating that the Membership Units have not been registered under the Securities Act of 1933, as amended, and set forth the foregoing limitations on resale. Notations regarding these limitations shall be made in the appropriate records of the LLC with respect to all Membership Units offered hereby. The LLC will charge a minimum transfer fee of One Hundred Dollars ($100) per transfer of ownership. If a Member transfers Membership Units to more than one person, except transferees who will hold title together, the transfer to each person will be considered a separate transfer.

(b) Null and Void. An attempted Transfer of all or a portion of the Membership Units that is not in compliance with this Article will be null and void. No Membership Unit may be transferred if, in the

judgment of the Manager, a transfer would jeopardize the availability of exemptions from the registration requirements of federal securities laws, jeopardize the tax status of the LLC as a LLC or, cause a termination of the LLC for federal income tax purposes.

(c) Permitted Transfers. A Member may at any time Transfer Membership Units to a Permitted Transferee if, as of the date the Transfer takes effect, the LLC is reasonably satisfied that all of the following conditions are met: (1) the conditions listed above have been met; (2) the Transferee is a person with the same qualifications as the original Member; (3) the Transfer, alone or in combination with other Transfers, will not result in the LLC˘s termination for federal income tax purposes; (4) the Transfer is the subject of an effective registration under, or exempt from the registration requirements of, applicable state and federal securities laws; (5) the LLC receives from the Transferee the information and agreements reasonably required to permit it to file federal and state income tax returns and reports; and (6) the LLC receives payment from the Transferee of a transfer fee of One Hundred Dollars ($100) for each Transferee. The Manager may forbid any transfer at its sole discretion.

(d) Transferor˘s Membership Status. If a Member Transfers less than all of his, her, or its Membership Units the Member˘s rights with respect to the transferred portion of the Membership Units, including the right to vote or otherwise participate in the LLC˘s governance and the right to receive Distributions, will terminate as of the effective date of the Transfer. However, the Member will remain liable for any obligation with respect to the transferred portion that existed prior to the effective date of the Transfer, including any costs or damages resulting from the Member˘s breach of this Agreement. If the Member Transfers all of his, her or its Membership Units, the Transfer will constitute an event of Dissociation.

(e) Transferee˘s Status.

(1) Admission as a Member. A Member who Transfers one or more Membership Units has no power to confer on the Transferee the status of a Member. A Transferee may be admitted as a Member only in accordance with the provisions of this Article. A Transferee who wishes to become a Member must make application in writing to the LLC and provide evidence, as requested by the LLC, of compliance with all conditions to admission, as set forth above. Prior to admission, each proposed member must execute and deliver a counterpart of this Agreement, as amended to date, or a separate written agreement to be bound hereby. The LLC shall not without cause refuse the application for membership of a Transferee who has complied with all the provisions of this Agreement.

(2) Rights of Non-Member Transferee. A Transferee who is not admitted as a Member in accordance with the provisions of this Article: (i) has no right to vote or otherwise participate in the LLC˘s governance; (ii) is not entitled to receive information concerning the LLC˘s affairs or inspect the LLC˘s books and records; (iii) with respect to the transferred Membership Units, is entitled to receive the Distributions to which the Member would have been entitled had the Transfer not occurred; and (iv) is subject to the restrictions imposed by this Article to the same extent as a Member. Any provision of the Agreement permitting or requiring the Members to take action by vote or written approval of a specified percentage of the Membership Units shall be deemed to mean only Membership Units then owned by Members.

3.4 **Expulsion of a Member.** The LLC may expel any Member, with or without cause. A Member˘s expulsion from the LLC will be effective upon the Member˘s receipt of written notice of the expulsion. The expelled Member˘s interest will be redeemed as if the Member voluntarily withdrew.

3.5 **Return of Capital.** The LLC may return all or a portion of a Member˘s capital at the Manager˘s sole discretion. Any such return of capital would not be considered a distribution and would not be included in the determination of such Member˘s return on investment.

3.6 **Upon Dissociation.** Upon the occurrence of any such event described in this Article (an event of `Dissociation_): (1) the Member˘s right to participate in the LLC˘s governance, receive information concerning the LLC˘s affairs and inspect the LLC˘s books and records will terminate; and (2) unless the Dissociation resulted from the Transfer of the Member˘s Membership Units, the Member will be entitled to receive the Distributions to which the Member would have been entitled as of the effective date of the Dissociation had the Dissociation not occurred. The Member will remain liable for any obligation to the LLC that existed prior to the effective date of the

Dissociation, including any costs or damages resulting from the Member˘s breach of this Agreement. Under most circumstances, the Member will have no right to any return of his or her capital prior to the termination of the LLC unless the Manager elects to return capital to a Member. The effect of such Dissociation on the remaining Members who do not sell will be to increase their percentage share of the remaining assets of the LLC, and thus their proportionate share of its future earnings, losses and distributions. The reduction in the outstanding Membership Units will also increase the relative voting power of remaining Members.

3.7 **Verification of Membership Units.** Within thirty (30) days after receipt of a Member˘s written request, the LLC will provide such Member with a statement evidencing his, her, or its Membership Units in the LLC.

3.8 **Manner of Action by Members.**

(a) Meetings.

(1) Right to Call. The Manager, or any combination of Members holding in the aggregate more than ten percent (10%) of the Membership Units, may call a meeting of Members by giving written notice to all Members not less than thirty (30), or more than sixty (60) days prior to the date of the meeting. The notice must specify the date, time and place of the meeting and the nature of any business to be transacted. A Member may waive notice of a meeting of Members orally, in writing, or by attendance at the meeting.

(2) Time and Place. Unless otherwise specified in the notice of meeting, all meetings shall be held at 2:00 p.m. on a regular business day of the LLC, at the LLC˘s principal place of business. No meeting may be held on a Sunday or legal holiday; at a time that is before 7:30 a.m. or after 9:00 p.m.; or at a place more than sixty (60) miles from the LLC˘s principal place of business.

(3) Proxy Voting. A Member may act at a meeting of Members through a Person authorized by signed proxy.

(4) Quorum. Members whose aggregate holdings exceed fifty one percent of the outstanding Membership Units will constitute a quorum at a meeting of Members. No action may be taken in the absence of a quorum.

(5) Required Vote. Except with respect to matters for which a greater minimum vote is required by the Act or this Agreement, the vote of Members present whose aggregate holdings exceed two thirds of the outstanding Membership Units will constitute the act of the Members at a meeting of Members.

(b) Written Consent. The Members may act without a meeting by written consent describing the action and signed by Members whose aggregate holdings of the Membership Units equal or exceed the minimum that would be necessary to take the action at a meeting at which all Members were present.

3.9 **Limitation on Individual Authority.** A Member who is not also the Manager has no authority to bind the LLC. A Member whose unauthorized act obligates the LLC to a third party will indemnify the LLC for any costs or damages the LLC incurs as a result of the unauthorized act.

3.10 **Negation of Fiduciary Duties.** A Member who is not also the Manager owes no fiduciary duties to the LLC or to the other Members solely by reason of being a Member.

3.11 **Resignation of a Member.** A Member may resign from the LLC at any time by giving written notice to the LLC at least ninety (90) days prior to the effective date of resignation.

3.12 **Manager's Right to Purchase Membership Units.** The Manager or its affiliates may at its sole discretion purchase Membership Units in the LLC at par value.

3.13 **Manager's Option to Convert Its Accrued Profits into Membership Units.** The Manager has the right at any time at its sole discretion to convert its accrued profits or Manager˘s Fees into

Membership Units based on a hypothetical liquidation value.

ARTICLE 4: FINANCE

4.1 **Contributions.**

(a) Initial Members. The Manager shall contribute capital as set forth above. The other Initial Member have contributed capital as set forth in their respective subscription agreements and as reflected on the books of the LLC.

(b) Additional Contributions. The LLC may authorize additional Contributions at such times and on such terms and conditions as it determines to be in its best interest. Absent the LLC˘s authorization, no Member is permitted to make additional Contributions.

(c) Contributions Not Interest Bearing. Except for a partial month after subscription, and except as otherwise expressly provided in this Agreement, a Member is not entitled to interest as a loan or other compensation with respect to any cash or property the Member contributes to the LLC.

4.2 **Distributions.** Each month, to the extent of Adjusted Net Profits, the Manager will distribute the Preferred Returns in the order of priority set forth in Section 3.1(c). If the LLC does not have sufficient Adjusted Net Profits, the Preferred Returns shall first be paid out of the Manager˘s Capital Reserve (which will be replenished by future amounts of Adjusted Net Profits otherwise distributable to the Manager hereunder), thereafter from the Series 1-D Members˘ capital accounts (which will be replenished by future amounts of Adjusted Net Profits otherwise distributable to 1-D or 1-M Membership Interests), and thereafter from the Series 1-C Members˘ capital accounts (which will be replenished by future amounts of Adjusted Net Profits otherwise distributable to 1-C, 1-D, or 1-M Membership Interests). The Manager shall inform Members at least quarterly (and new Members before purchase) of the balance of the Manager˘s Capital Reserve. Distributions to Members within a Series will be allocated in proportion to their respective accrued but unpaid Preferred Returns subject to the provisions of Section 3 above. The Manager shall have no liability to Members if the LLC is unable to pay the Preferred Return after the Manager˘s Capital Reserve has been exhausted.

(b) Residual Distributions. To the extent the Manager determines to distribute Adjusted Net Profit in excess of the accrued and unpaid Preferred Returns, such distributions shall be made 25% to the Series 1-D Members (1/20,000th per unit) and 75% to the Manager (Series 1-M), subject to Section 3.1(b).

4.3 **Allocations.**

(a) General. Except as otherwise provided in this Section 4.3, the LLC˘s Profits and Losses for any fiscal period, after giving effect to all Capital Account adjustments attributable to the capital contributions and distributions made with respect to such period (including distributions with respect to such period that are made after the end of such period), will be allocated among the Members in such a manner that, as of the end of such fiscal period and to the extent possible, and taking into account all prior allocations of Profits and Losses and distributions made to the Members through such date, the Capital Account of each Member (increased by such Member˘s share of `minimum gain_ and `partner nonrecourse debt minimum gain,_ as such terms are defined in Sections 1.704-2(b) and 1.704-2(i)(2) of the Regulations) will be equal to the respective net amount which would be distributed to such Member under this Agreement, determined as if the LLC were to (a) liquidate the assets of the LLC for an amount equal to their book value (as determined under Regulations Section 1.704-1(b)(2)(iv)) as of the end of such fiscal period and satisfy all LLC liabilities (limited with respect to each nonrecourse liability to the book value of the assets securing such liability) and (b) distribute the proceeds in liquidation in accordance with Section 7.2(b).

(b) Limitation on Losses. Losses allocated pursuant to Section 4.3(a) hereof shall not exceed the maximum amount of Losses that can be so allocated without causing any Member to have an, or to increase an existing, Adjusted Capital Account Deficit at the end of any fiscal year. In the event some but not all of the Members would have an Adjusted Capital Account Deficit as a consequence of an allocation of Losses pursuant to

Section 4.3(a) hereof, the limitation set forth in this Section 4.3(b) shall be applied on a Member-by-Member basis so as to allocate the maximum permissible Losses to each Member under Section 1.704-1(b)(2)(ii)(d) of the Regulations. For purposes herein, `Adjusted Capital Account Deficit_ shall mean, with respect to any Member, the deficit balance, if any, in such Memberˇs Capital Account as of the end of the relevant fiscal year of the LLC, after such Memberˇs Capital Account has been (a) increased by the amount of such Memberˇs share of `minimum gain_ and `partner nonrecourse debt minimum gain_ (as such terms are defined in Sections 1.704-2(b) and 1.704-2(i)(2) of the Regulations) and (b) decreased by the amount of the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

(c) Preferred Returns as Guaranteed Payments. Notwithstanding the forgoing, all distributions of the Preferred Return on the Series 1-A Units, Series 1-B Units, and Series 1-C Units shall be treated guaranteed payments for the use of capital, as provided in Section 707(c) of the Code, any income received or profits allocated by the LLC to 1-D and 1-M Members shall be treated as either ordinary income or capital gains.

(d) Transfers of Units. If there is a change in Members or in the respective holdings of Units (caused, for example, by an admission of a new Member), allocations under this Section 4.3 for a fiscal year among the Persons who are or were Members shall be made in the manner determined to be required under the Code and, if more than one method is determined to be permitted, then by the method selected as appropriate by the Manager, taking into account both the principles of substantial fairness and convenience of administration.

(e) Special Allocations. The following provisions are intended to comply with certain regulatory requirements for allocations set forth in Section 704(b) of the Code.

(i) Notwithstanding anything to the contrary in this Section 4.3, if there is a net decrease in `minimum gain_ or `partner nonrecourse debt minimum gain_ (as such terms are defined in Sections 1.704-2(b) and 1.704-2(i)(2) of the Regulations) during a taxable period of the LLC, then each Member shall be allocated items of income and gain for such year (and, if necessary, for subsequent years) in the manner provided in Regulations Section 1.704-2. This provision is intended to be a `minimum gain chargeback_ and `partner nonrecourse debt minimum gain chargeback_ within the meaning of Regulations Sections 1.704-2(f) and 1.704-2(i)(4) and shall be interpreted and implemented as therein provided.

(ii) Subject to the provisions of Section 4.3(e)(i) hereof, but otherwise notwithstanding anything to the contrary in this Section 4.3, if any Memberˇs Capital Account has a deficit balance in excess of such Memberˇs obligation or deemed obligation to restore its Capital Account balance, computed in accordance with the rules of Regulations Section 1.704-1(b)(2)(ii)(d), then sufficient amounts of income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year) shall be allocated to such Member in an amount and manner sufficient to eliminate such deficit as quickly as possible. This provision is intended to be a `qualified income offset_ within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted and implemented as therein provided.

(f) Section 704(c) Allocations. Notwithstanding any other provision in this Section 4.3, in accordance with Code Section 704(c) and the Regulations promulgated thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the LLC shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its book value, using the `traditional method_ of allocation described in Section 1.704-3(b) of the Regulations. In the event the book value of any LLC asset is adjusted, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its book value in the same manner as under Code Section 704(c) and the Regulations thereunder (including Sections 1.704-1(b)(2)(iv)(f) and (g)). Allocations pursuant to this Section 4.3(f) are solely for purposes of federal, state and local taxes. As such, they shall not affect or in any way be taken into account in computing a Memberˇs Capital Account or share of profits, losses, or other items of distributions pursuant to any provision of this Agreement.

(g) Tax Allocations. For federal income tax purposes, unless the Code otherwise requires, each item of the LLCˇs income, gain, loss or deduction will be allocated to the Members in proportion to their allocations of the LLCˇs Profits or Losses.

4.4 **Capital Accounts.**

(a) General Maintenance. The LLC will establish and maintain a Capital Account for each Member strictly in accordance with Section 704(b) of the Code and the Regulations promulgated thereunder. Subject to the foregoing, a Member˘s Capital Account balance will be:

(1) increased by: (i) the amount of any money the Member contributes to the LLC˘s capital; and (ii) the Member˘s share of the LLC˘s Adjusted Net Profits and any separately stated items of income or gain allocated to the Units held by the Member; and

(2) decreased by: (i) the amount of any money the LLC distributes to the Member; and (ii) the Member˘s share of the LLC˘s Losses and any separately stated items of deduction or loss, allocated to the units held by the Member;

(b) Unit Value Adjustment. When the LLC first accepted subscriptions, Units were issued in increments of 1 unit equals $1,000. The dollar value of units may increase or decrease based upon: (1) increases or decreases in a Member˘s capital account and (2) adjustments for the real estate loss reserve. Such adjustments to be made by the Manager in its reasonable discretion and will be tied to the assets that underlay each Membership Unit.

(c) Transfer of Capital Account. A Transferee of Membership Units succeeds to the portion of the transferor˘s Capital Account that corresponds to the portion of the Membership Units that are the subject of the Transfer.

(d) Compliance with Code. The requirements of Section 4.3 and this Section 4.4 are intended and will be construed to ensure that the allocations of the LLC˘s income, gain, losses, deductions and credits have substantial economic effect under the Regulations promulgated under Section 704(b) of the Code.

ARTICLE 5: MANAGEMENT

5.1 **Representative Management.** The LLC will be managed by one Manager. By execution of this Agreement, and without prejudice to the right of the Members to remove the Manager as set forth in Article 5, the Initial Members and each Person hereafter admitted as a Member, other than Transferees, shall be deemed to have elected such Manager. The manager of the LLC as of the date of this agreement shall be: Strategic Diversified Management, Inc. (formerly known as Sunset Diversified Property Investment, Inc.).

5.2 **Time Devoted to Business.** The Manager will devote to the LLC˘s activities the amount of time reasonably necessary to discharge the Manager˘s responsibilities.

5.3 **Powers and Authority.**

(a) General Scope. Except for matters on which the Members˘ approval is required by the Act or this Agreement, the Manager has full power, authority and discretion to manage and direct the LLC˘s business, affairs and properties, including, without limitation, the specific powers referred to in paragraph (b), below.

(b) Specific Powers.

(1) The Manager is authorized on the LLC˘s behalf to make all decisions as to (i) the development, sale, lease or other disposition of the LLC˘s assets; (ii) the purchase or other acquisition of other assets of all kinds; (iii) the management of all or any part of the LLC˘s assets and business; (iv) the borrowing of money and the granting of security interests in the LLC˘s assets (including loans from Members and Affiliates of the Manager); (vi) the compromise or release of any of the LLC˘s claims or debts; (vii) the employment of Persons for the operation and management of the LLC˘s business; and (viii) all elections available to the LLC under any federal or state tax law or regulation.

(2) The Manager on the LLC˘s behalf may execute and deliver (i) all contracts, conveyances, assignments, leases, subleases, franchise agreements, licensing agreements, management contracts and maintenance contracts covering or affecting the LLC˘s assets; (ii) all checks, drafts and other orders for the payment of the LLC˘s funds; (iii) all promissory notes, mortgages, deeds of trust, security agreements and other similar documents; (iv) all articles, certificates and reports pertaining to the LLC˘s organization, qualification and dissolution; (v) all tax returns and reports; and (vi) all other instruments of any kind or character relating to the LLC˘s affairs.

5.4 **Member Approval Required.** Except as specifically provided herein, with the approval of the Members, the LLC may take any action with respect to: (a) the sale of all or substantially all of the LLC˘s assets; (b) terminate the LLC or merge or reorganize it with another LLC, or (c) a transaction, not expressly permitted by this Agreement or the Memorandum, involving a conflict of interest between the Manager and the LLC.

5.5 **Duties of Manager.**

(a) Fiduciary Duty. The Manager shall have fiduciary responsibility for the safekeeping and use of all funds and assets of the LLC, whether or not in the Manager˘s possession or control. Except as expressly permitted herein, or by subsequent approval of the Members, the Manager shall not employ, or permit another to employ LLC funds or assets in any manner except for the exclusive benefit of the LLC.

(b) Standard of Care.

(1) Exculpation. The Manager will not be liable to the LLC or any Member for an act or omission done in good faith to promote the LLC˘s best interests, unless the act or omission constitutes gross negligence, intentional misconduct or a knowing violation of law.

(2) Justifiable Reliance. The Manager may rely on the LLC˘s records maintained in good faith and on information, opinions, reports or statements received from any Person pertaining to matters the Manager reasonably believes to be within the Person˘s expertise or competence.

(c) Competing Activities. The Manager may participate in any business or activity without accounting to the LLC or the Members. Each Member waives the benefit of the corporate opportunity doctrine, on his or her own behalf and on behalf of the LLC, and agrees that the Manager may deal in other real estate transactions for its own account and/or for the accounts of others without any requirement to account to the LLC for such dealings.

(d) Self-Dealing. In addition to the transactions expressly permitted by this Agreement, the Manager may enter into business transactions with the LLC if the terms of the transaction are no less favorable to the LLC than those of a similar transaction with an independent third party, including selling real estate to, and buying real estate from, the LLC and borrowing money from Affiliates and the LLC.

(e) Specific Transactions. Without limiting the generality of the foregoing, it is hereby acknowledged and agreed that the Manager shall be permitted to bargain for and accept the following transactions connected with the business of the LLC, subject to the terms of any other agreement among the Members.

(1) Reimbursement of Business Expenses. The LLC shall pay its taxes, audit and tax return preparation costs, legal expenses, accounting expenses and expenses related to the ownership of the assets in its portfolio. It shall reimburse the Manager for any expenses incurred by the Manager that are properly LLC expenses. However, no such payments shall diminish the Preferred Return to Members set forth in Section 3.1(b).

(2) Loans from Affiliates. Without Member approval, the LLC may obtain secured and unsecured lines of credit and other indebtedness from Affiliates of the Manager upon market rate terms.

(3) Loans to Manager. The Manager may borrow, on an unsecured basis, up to $2MM from the LLC at the US Prime Rate as published in the Wall Street Journal.

5.6 **Indemnification of Manager.** Except as limited by law, the LLC shall indemnify the Manager for all expenses, losses, liabilities and damages the Manager actually and reasonably incurs in connection with the defense or settlement of any action arising out of or relating to the conduct of the LLC˘s activities, except an action with respect to which the Manager is adjudged to be liable for breach of a fiduciary duty owed to the LLC or the Members under the Act or this Agreement. The LLC shall advance the costs and expenses of defending actions against the Manager arising out of or relating to the management of the LLC, provided it first receives the written undertaking of the Manager to reimburse the LLC if ultimately found not to be entitled to indemnification.

5.7 **Compensation to Manager and Affiliates.** The LLC will compensate the Manager as follows for services rendered to or on behalf of the LLC:

(a) Performance Fee. The Manager shall be entitled to a Performance Fee of all Adjusted Net Profits that exceed the profit allocation attributable to Series 1-D Membership Interests and Preferred Returns to all Membership Interests. To the extent the Manager˘s capital account is less than $2 million the Performance Fee shall be allocated to the Series 1-M capital account.

(b) Loan Servicing Fee. The Manager or an affiliate will act as loan servicer of the LLC for a fee of 1% per annum (payable in monthly payments) of the loans serviced. The Manager may retain a sub-servicer.

(c) Recover of Deferred Compensation. The Manager may, but has no obligation to, defer all or a portion of the Manager˘s Fees. In such event, the Manager will be entitled to recover the deferred fees at a later time.

(d) Definition of Manager˘s Fees. The definition of the Manager˘s Fees includes all of the fees described in the `Compensation to Manager and Affiliates_ in the Memorandum.

5.8 **Tenure.**

(a) Term. The Manager will serve until the earlier of (1) the Manager˘s resignation; (2) the Manager˘s removal; (3) the Manager˘s Bankruptcy; (4) as to a Manager who is a natural person, the Manager˘s death or adjudication of incompetency; and (5) as to a Manager that is an Entity, the Manager˘s dissolution. In any such event, a majority of the Members, shall promptly elect a successor as Manager; provided, however if the then Manager desires to appoint an Affiliate as the new Manager, then such Affiliate may become the Manager without Member approval.

(b) Resignation. The Manager at any time may resign by written notice delivered to the Members at least thirty (30) days prior to the effective date of the resignation.

(c) Removal. The Members holding at least two-thirds (2/3) of the LLC˘s capital may remove the Manager if the Manager commits an act of willful misconduct which materially adversely damages the LLC. If the Manager is removed, its compensation shall continue for a period of not less than 12 months and the Manager must be fully reimbursed by all out of pocket costs including unreimbursed formation costs. In addition, in the event of resignation or removal of the Manager, the Manager˘s right to receive 75% of Adjusted Net Profits as the holder of 1-M Membership Interest shall not be diminished in any way.

ARTICLE 6: RECORDS AND ACCOUNTING

6.1 **Maintenance of Records.**

(a) Required Records. The LLC will maintain, at its principal place of business, such books, records and other materials as are reasonably necessary to document and account for its activities, including without limitation, those required to be maintained by the Act.

(b) Member Access. A Member and the Member˘s authorized representative will have

reasonable access to, and may inspect and copy, all books, records and other materials pertaining to the LLC or its activities. The exercise of such rights will be at the requesting Member˘s expense.

(c) Confidentiality. No Member or Manager will disclose any information relating to the LLC or its activities to any unauthorized person or use any such information for his or her or any other Person˘s personal gain.

6.2 **Financial Accounting.**

(a) Accounting Method. The LLC will account for its financial transactions using the accrual method of accounting. The method may be changed in the discretion of the Manager.

(b) Taxable Year. The LLC˘s Taxable Year is the LLC˘s annual accounting period, as determined by the Manager in compliance with Sections 441, 444 and 706 of the Code.

6.3 **Reports.**

(a) Members. Within 120 days after the close of each Taxable Year, the LLC will prepare and send to the Members a copy of the LLC˘s federal income tax return, financial statement (which will first be audited for the period ending 12/31/2013) and such reports and information as are reasonably necessary to (1) inform the Members of the results of the LLC˘s operations for the Taxable Year, and (2) enable the Members to completely and accurately reflect their distributive Membership Units of the LLC˘s income, gains, deductions, losses and credits in their federal, state and local income tax returns for the appropriate year.

(b) Periodic Reports. The LLC will complete and file any periodic reports required by the Act or the law of any other jurisdiction in which the LLC is qualified to do business.

6.4 **Tax Compliance.**

(a) Withholding. If the LLC is required by law or regulation to withhold and pay over to a governmental agency any part or all of a Distribution or allocation of Profit to a Member:

(1) the amount withheld will be considered a Distribution to the Member; and

(2) if the withholding requirement pertains to a Distribution in kind or an allocation of Profit, the LLC will pay the amount required to be withheld to the governmental agency and promptly take such action as it considers necessary or appropriate to recover a like amount from the Member, including offset against any Distributions to which the Member would otherwise be entitled.

(b) Tax Matters Partner. The Manager, or a Person designated by the Manager, shall act as the `Tax Matters Partner_ pursuant to Section 6231(a) (7) of the Code. The Tax Matters Partner will inform the Members of all administrative and judicial proceedings pertaining to the determination of the LLC˘s tax items and will provide the Members with copies of all notices received from the U.S. Internal Revenue Service regarding the commencement of an LLC-level audit or a proposed adjustment of any of the LLC˘s tax items. The Tax Matters Partner may extend the statute of limitations for assessment of tax deficiencies against the Members attributable to any adjustment of any tax item. The LLC will reimburse the Tax Matters Partner for reasonable expenses properly incurred while acting within the scope of the Tax Matters Partner˘s authority.

ARTICLE 7: DISSOLUTION

7.1 **Events of Dissolution.** The LLC will dissolve upon the first of the following to occur: (a) the termination date stated in Article 2 or such later date if extended pursuant to Article 2; (b) the sale or other disposition of all or substantially all the assets of the LLC; (c) any event that makes the LLC ineligible to conduct its activities as a limited liability company under the Act; or (d) otherwise by operation of law.

7.2 **Effect of Dissolution.**

(a) Appointment of Liquidator. Upon the LLC˘s dissolution, the Manager (unless unwilling or unable to serve as such) shall serve as liquidator, and as such will wind up and liquidate the LLC in an orderly, prudent and expeditious manner in accordance with the following provisions of this Article. While serving as liquidator, the Manager shall have the same authority, powers, duties and compensation as before dissolution, except that the liquidator shall not acquire any additional assets for the LLC, and shall use its best efforts to liquidate the LLC˘s existing assets as rapidly as is consistent with receiving the fair market value thereof. If the Manager is unwilling or unable to serve as liquidator, or has resigned or been removed, the Members shall elect another person, who may be a Member, to serve as liquidator.

(b) Distributions upon Dissolution. The LLC will not cease to exist immediately upon the occurrence of an event of dissolution, but will continue until its affairs have been wound down. Upon dissolution of the LLC, the Liquidator will wind down the LLC˘s affairs by liquidating the LLC˘s assets as promptly as is consistent with obtaining the fair market value thereof by sale to third parties. All funds received by the LLC shall be applied to satisfy or provide for LLC debts and liabilities and the balance, if any, shall be distributed to Members in accordance with Section 7.2(f) .

(c) Time for Liquidation. The LLC will not immediately cease to exist upon the occurrence of an event causing its dissolution, but will continue until its affairs have been wound up. It is acknowledged and agreed that the assets of the LLC are illiquid, and will take time to sell. The liquidator shall liquidate the LLC˘s assets as promptly as is consistent with obtaining the fair market value thereof by sale to third parties. Members who sell their Membership Units prior to any such liquidation will not be exposed to this risk.

(d) Final Accounting. The liquidator will make proper accountings, (1) to the end of the month in which the event of dissolution occurred, and (2) to the date on which the LLC is finally and completely liquidated.

(e) Duties and Authority of Liquidator. The liquidator will make adequate provision for the discharge of all of the LLC˘s debts, obligations and liabilities. The liquidator may sell, encumber or retain for distribution in kind any of the LLC˘s assets. Any gain or loss recognized on the sale of assets will be allocated to the Members˘ Capital Accounts in accordance with the provisions of Article 4. With respect to any asset the liquidator determines to retain for distribution in kind, the liquidator will allocate to the Members˘ Capital Accounts the amount of gain or loss that would have been recognized had the asset been sold at its fair market value.

(f) Final Distribution. The liquidator will distribute any assets remaining after the discharge or accommodation of the LLC˘s debts, obligations and liabilities to the Members: first, to satisfy any accrued but unpaid Preferred Return (in the order of priority set forth in Section 3.1(c)); next, to return the capital contributions of the Members (other than the Manager)in the order of priority set forth in Section 3.1(d); next, to return the capital contributions of the Manager; and thereafter, to the Series 1-D Members and the Manager in proportion to their positive Capital Accounts. The liquidator will distribute any assets distributable in kind to the Members in undivided interests as tenants in common. A Member whose Capital Account is negative will have no liability to the LLC, the LLC˘s creditors or any other Member with respect to the negative balance.

(g) Required Filings. The liquidator will file with the appropriate Secretary of State such statements, certificates and other instruments, and take such other actions, as are reasonably necessary or appropriate to effectuate and confirm the cessation of the LLC˘s existence.

(h) Distributions in Kind. Any non-cash asset distributed to one or more Members shall first be valued at its appraised value to determine the Profits or Losses that would have resulted if such asset were sold for such value.

(i) No Personal Liability. No Member shall be personally liable for any debts, liabilities or obligations of the LLC, whether to the LLC, any Member or to the creditors of the LLC, beyond the amount contributed by such Member to the capital of the LLC, such Member˘s share of the accumulated but undistributed profits of the LLC, if any, and the amount of any distribution (including the return of

any capital contribution) made to such Member required to be returned to the LLC pursuant to this Agreement or under the Act. Each Member shall look solely to the assets of the LLC for all distributions with respect to the LLC and for the return of its capital contributions and shall have no recourse therefore against any other Member or the Manager. The Members shall not have any right to demand or receive property other than cash upon dissolution and termination of the LLC or, except as otherwise provided herein, to demand the return of their capital contributions to the LLC prior to dissolution and termination of the LLC.

ARTICLE 8: GENERAL PROVISIONS

8.1 **Amendments.** Except as otherwise provided herein, the Manager or any Member may propose, for consideration and action, an amendment to this Agreement or to the Articles. Except as otherwise provided herein, a proposed amendment will become effective at such time as it is approved by the Members holding a majority of the outstanding Membership Units. Notwithstanding the foregoing, the LLC, the Manager will execute and file any amendment to the Articles required by the Act. If any such amendment results in inconsistencies between the Articles and this Agreement, this Agreement will be considered to have been amended in the specifics necessary to eliminate fine inconsistencies.

8.2 **Power of Attorney.** Each Member appoints the Manager, with full power of substitution, as the Member˘s attorney-in-fact, to act in the Member˘s name to execute and file (a) all certificates, applications, reports and other instruments necessary to qualify or maintain the LLC as a limited liability company in the states and foreign countries where the LLC conducts its activities, (b) all instruments that effect or confirm changes or modifications of the LLC or its status, including, without limitation, amendments to the Articles, and (c) all instruments of transfer necessary to effect the LLC˘s dissolution and termination. The power of attorney granted by this Article is irrevocable, coupled with an interest and shall survive the death of the Member.

8.3 **Binding Arbitration.** Any dispute under this Agreement will be resolved under the then prevailing rules of the American Arbitration Association in the county of the LLC˘s principal place of business.

8.4 **Notices.** Notices contemplated by this Agreement may be sent by any commercially reasonable means, including hand delivery, first class mail, facsimile, email or private courier. The notice must be prepaid and addressed as set forth in the LLC˘s records. The notice will be effective on the date of receipt or, in the case of notice sent by first class mail, the third (3rd) day after mailing.

8.5 **Resolution of Inconsistencies.** If there are inconsistencies between this Agreement and the Articles, the Articles will control. If there are inconsistencies between this Agreement and the Act, this Agreement will control, except to the extent the inconsistencies relate to provisions of the Act that the Members cannot alter by agreement. If there are inconsistencies between this Agreement and the Memorandum, the Memorandum will control. Without limiting the generality of the foregoing, unless the language or context clearly indicates a different intent, the provisions of this Agreement pertaining to the LLC˘s governance and financial affairs and the rights of the Members upon Dissociation and dissolution will supersede the provisions of the Act relating to the same matters.

8.6 **Provisions Applicable to Transferees.** As the context requires and subject to the restrictions and limitations imposed by the provisions of this Agreement pertaining to the rights and obligations of a Member also govern the rights and obligations of the Member˘s Transferee.

8.7 **Additional Instruments.** Each Member will execute and deliver any document or statement necessary to give effect to the terms of this Agreement or to comply with any law, rule or regulation governing the LLC˘s formation and activities.

8.8 **Computation of Time.** In computing any period of time under this Agreement, the day of the act or event from which the specified period begins to run is not included. The last day of the period is included, unless it is a Saturday, Sunday or legal holiday, in which case the period will run until the end of the next day that is not a

Saturday, Sunday or legal holiday. For purposes of this paragraph, a day shall be deemed to end at 5:00 p.m. in the time zone where LLC then maintains its principal place of business.

8.9 **Entire Agreement.** This Agreement and the Articles comprise the entire agreement among the parties with respect to the LLC. This Agreement and the Articles supersede any prior agreements or understandings with respect to the LLC. No representation, statement or condition not contained in this Agreement or the Articles has any force or effect.

8.10 **Waiver.** No right under this Agreement may be waived, except by an instrument in writing signed by the party sought to be charged with the waiver.

8.11 **General Construction Principles.** Words in any gender are deemed to include the other genders. The singular is deemed to include the plural and vice versa. The headings and underlined paragraph titles are for guidance only and have no significance in the interpretation of this Agreement.

8.12 **Binding Effect.** Subject to the provisions of this Agreement relating to the transferability of Membership Units and the rights of Transferees, this Agreement is binding on and will inure to the benefit of the LLC, the Members and their respective distributees, successors and assigns.

8.13 **Governing Law.** The law of the LLC˘s principal place of business shall govern the construction and application of the terms of this Agreement.

8.14 **Severability**. If any provision of this Agreement shall be deemed invalid, unenforceable or illegal, then notwithstanding such invalidity, unenforceability or illegality, the remainder of this Agreement shall continue in full force and effect.

8.15 **Counterparts; Facsimile.** This Agreement may be executed in counterparts, each of which will be considered an original as to the party signing it. Facsimile signatures shall have the same legal effect as original signatures.

MANAGER:

STRATEGIC DIVERSIFIED MANAGEMENT, INC.
Manager

By: ______________________________

Name: ____________________________

Title: _____________________________

BY PURCHASING MEMBERSHIP UNITS IN THE LLC AND EXECUTING A SUBSCRIPTION AGREEMENT, EACH MEMBER AGREES TO THE TERMS AND PROVISIONS OF THIS SIXTH AMENDED OPERATING AGREEMENT, THE SUBSCRIPTION AGREEMENT AND THE MEMORANDUM.

EXHIBIT `B_

(Current Fund Portfolio)

EXHIBIT `C_

Subscription Agreement and Investor Questionnaire