

INVESTOR INFORMATION PACKAGE

TRUAX HOTEL SPE, LLC

A California Limited Liability Company

April 1, 2016

PRIVATE PLACEMENT MEMORANDUM

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April 1, 2016

BY ACCEPTING THIS PRIVATE PLACEMENT MEMORANDUM (“PPM”), YOU, THE OFFEREE SHALL KEEP IN CONFIDENCE THE CONTENTS OF THIS PPM AND THE CONTENTS OF ANY AND ALL ATTACHMENTS. INFORMATION HEREIN SHALL ONLY BE SHARED WITH THE OFFEREE’S ACCOUNTING AND LEGAL COUNSEL. OFFEREE SHALL RETURN THIS PPM AND ALL OTHER ATTACHED DOCUMENTS TO THE MANAGER IF AT ANY TIME THE MANAGER REQUESTS THE RETURN OF SUCH DOCUMENTS OR IF OFFEREE CHOOSES NOT TO SUBSCRIBE TO INTERESTS HEREIN.

PRIVATE PLACEMENT MEMORANDUM
Truax Hotel SPE, LLC
A California Limited Liability Company
\$16,000,000
A Private Offering of 16,000 Interests
Purchase Price \$1,000 Per Interest
Minimum Purchase: \$50,000 (50 Interests)
ACCREDITED INVESTORS ONLY

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK. See **“RISK FACTORS”** for information regarding the risk factors to be considered by investors prior to subscribing for Interests.

Truax Hotel SPE, LLC (the “Company” or “Truax Hotel SPE”), a California limited liability company is currently being organized and will be managed by Charles X. Delgado (the “Manager”), is hereby privately offering (the “Offering”) Interests representing ownership within the Company (“Interests”).

Truax Hotel SPE is offering Sixteen Thousand (16,000) Interests at \$1,000.00 per Interest to be sold in groups of Fifty (50) Interests (individually an “Interest” and collectively the “Interests”) to be sold at Fifty Thousand Dollars (\$50,000) per Subscriber (the “Minimum Purchase”), to Accredited Investors and Non-U.S. Investors as defined under Rule 902 of Regulation S of the Securities Act of 1933 (the “Subscribers”).¹ Subscribers may purchase less than the minimum at the sole discretion of the Manager.² The maximum capital available through this Offering is Sixteen Million Dollars (\$16,000,000).³ (See **“USE OF PROCEEDS.”**) Offers and sales of the Interests will be made only to investors who are deemed acceptable to the Manager. (See **“INVESTOR SUITABILITY STANDARDS.”**) Subscribers will become Members (“Members” or “Member”) of the Company once funds are invested in the Mortgage Loan and will start to receive distributions as described herein. Subscribers are those investors that have a.) filled out the offeree questionnaire; b.) read this Private Placement Memorandum; c.) deposited their Subscription funds into the Subscription Account; d.) had their Subscription Agreement accepted by the Company; and e.) signed the Operating Agreement. The Company shall raise a minimum amount of Three Million Dollars (\$3,000,000) prior to releasing funds to the Borrower (see below) and entering into the Mortgage Loan. Funds shall be deposited into our designated escrow account with FundAmerica.

Truax Hotel SPE, LLC (the “Company”) is a newly incorporated company formed for the specific purpose of lending to Temecula Hotel Partners Old Town, LLC (the “Borrower” or “Project LLC”) for the purposes of constructing a 4-Star luxury boutique hotel in Old Town Temecula, CA. The Company will receive a note which will be secured by a second deed of trust (“Mortgage Loan”) on the property (“Property.”) The property is a new construction project which will require ground-up construction. Subscribers investing in the Company shall receive Interests in the Company and then will become a Member of the Company (“Member”). This is an equity interest in the Company which is lending debt to the Project LLC and not a debt interest in the Company. The Company plans to provide quarterly distributions to Members of the Company’s realized profits in proportion to the capital contributions of each Member. Company profits are to be derived from interest payments made to the Company by the Project LLC THERE IS NO GUARANTEE OF RETURNS AND THE PROJECTED DISTRIBUTION HEREIN DESCRIBED IS MERELY AN ESTIMATE BASED ON THE PURCHASING, CONSTRUCTION, MANAGEMENT, AND REFINANCE CRITERIA AND PROJECTION OF THE COMPANY (See “Distributions”).

NOTE: THE MANAGER MAY ELECT TO RETURN ANY INDIVIDUAL SUBSCRIBER'S OR MEMBER'S INVESTMENT PLUS ACCUMULATED DISTRIBUTIONS AT ANY TIME FOR ANY REASON AT THE MANAGER'S ELECTION.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 4(2) OF THE ACT, RULE 506(c) OF REGULATION D OF THE GENERAL RULES AND REGULATIONS PROMULGATED THEREUNDER BY THE SECURITIES AND EXCHANGE COMMISSION. ACCORDINGLY, DISTRIBUTION OF THIS PRIVATE PLACEMENT MEMORANDUM IS LIMITED TO PERSONS WHO MEET CERTAIN MINIMUM FINANCIAL QUALIFICATIONS AND THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY PERSON WHO DOES NOT MEET SUCH FINANCIAL QUALIFICATIONS. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Private Placement Memorandum is April 1, 2016 For Accredited Investors ONLY

The Offering will terminate on October 31, 2016, but may be extended in perpetuity at the sole discretion of the Manager (the “Offering Termination Date”). The Manager reserves the right to terminate the Offering at any time. Any subscriptions which have been tendered to the Company and have not been accepted on or before the Offering Termination Date will be returned to Subscribers and any Subscription funds included therewith will be returned without interest thereon unless the Offering Termination Date is extended or the Manager elects, in its sole discretion, to accept such Subscriptions. In the event the Manager elects to re-open the Offering after the Offering Termination Date, the existing Members shall give existing Members the first opportunity to make an additional investment prior to seeking outside Subscribers (See “SALE AND DISTRIBUTION OF INTERESTS.”)

SUBSCRIPTION INSTRUCTIONS

In order to subscribe for Interests an investor must deliver to Truax Hotel SPE, LLC, at

41923 2nd St #401
Temecula, CA 92590
951-693-2008

each of the following:

The Offeree Questionnaire, the Subscription Agreement, and Operating Agreement, attached, completed and signed by the Subscriber.

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STATE RESTRICTIONS

FOR CALIFORNIA RESIDENTS ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE CALIFORNIA CORPORATIONS CODE BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THIS OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER THE SECURITIES OFFERED HEREBY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSION OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES.

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DISCLAIMERS AND DISCLOSURES

THIS PRIVATE PLACEMENT MEMORANDUM (HEREINAFTER SOMETIMES THE “MEMORANDUM”) HAS BEEN PREPARED BY THE MANAGER AND IS SUBMITTED SOLELY FOR THE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. NOTHING CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM IS OR SHOULD BE RELIED UPON AS A GUARANTEE OR REPRESENTATION AS TO FUTURE EVENTS. MUCH OF THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND HAS NOT, AND WILL NOT BE PUBLICLY DISCLOSED. BY ACCEPTING THIS PRIVATE PLACEMENT MEMORANDUM, THE RECIPIENT AGREES NOT TO REPRODUCE THIS PRIVATE PLACEMENT MEMORANDUM, EITHER IN PART OR IN WHOLE, AND ITS USE IS PERMITTED ONLY BY THE PARTY IDENTIFIED ON THE COVER PAGE HEREOF FOR THE SOLE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. IF THE PARTY IDENTIFIED ON THE COVER PAGE HEREOF DECIDES NOT TO SUBSCRIBE FOR INTERESTS, THIS PRIVATE PLACEMENT MEMORANDUM MUST BE RETURNED TO THE COMPANY.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION(S) MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED BY THE COMPANY. NEVERTHELESS, THE COMPANY WILL MAKE AVAILABLE TO PERSPECTIVE PURCHASERS, DURING THE OFFERING PERIOD, THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS FROM THE MANAGER OF THE COMPANY CONCERNING ANY ASPECT OF THIS INVESTMENT AND TO OBTAIN ADDITIONAL INFORMATION CONCERNING THE BUSINESS OF THE COMPANY.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, (THE “ACT”), IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 4(2) OF THE ACT, RULE 506(c) OF REGULATION D PROMULGATED THEREUNDER AND SUCH OTHER EXEMPTIONS AS MAY BE AVAILABLE TO THE COMPANY. FURTHER, THE SECURITIES HAVE NOT BEEN QUALIFIED OR REGISTERED UNDER THE LAWS OF ANY STATE OR JURISDICTION. DISTRIBUTION OF THIS PRIVATE PLACEMENT MEMORANDUM IS LIMITED TO PERSONS WHO MEET CERTAIN MINIMUM FINANCIAL QUALIFICATIONS. THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY PERSON WHO DOES NOT MEET SUCH MINIMUM FINANCIAL QUALIFICATIONS.

PROJECTIONS ARE CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM.

PROJECTIONS CAN BE INHERENTLY UNRELIABLE (SEE “**RISK FACTORS.**”) ANY ASSUMPTIONS, PREDICTIONS OR PROMISES, WHETHER WRITTEN OR ORAL, WHICH DO NOT CONFORM TO THOSE IN THIS PRIVATE PLACEMENT MEMORANDUM

SHOULD BE DISREGARDED AND THEIR USE IS A VIOLATION OF THE LAW.

THE INTERESTS HAVE NOT BEEN QUALIFIED UNDER CERTAIN STATE SECURITIES LAWS IN RELIANCE UPON THE APPLICABLE EXEMPTIONS FROM REGISTRATION FOR PRIVATE OFFERS AND SALES OF SECURITIES. NO INTERESTS MAY BE SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS THE COMPANY AND ITS LEGAL COUNSEL HAVE RECEIVED EVIDENCE SATISFACTORY TO BOTH THAT SUCH TRANSFER DOES NOT INVOLVE A TRANSACTION REQUIRING QUALIFICATION UNDER SAID STATE SECURITIES LAWS AND IS IN COMPLIANCE WITH SUCH LAW.

THIS MEMORANDUM IS NOT KNOWN TO CONTAIN AN UNTRUE STATEMENT OF A MATERIAL FACT, OR TO OMIT MATERIAL FACTS WHICH IF OMITTED, WOULD MAKE THE STATEMENTS HEREIN MISLEADING. IT CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN.

REFERENCE SHOULD BE MADE TO THE SUBSCRIPTION AGREEMENT AND OTHER AGREEMENTS AND DOCUMENTS, COPIES OF WHICH ARE ATTACHED HERETO OR WILL BE SUPPLIED UPON REQUEST, FOR THE EXACT TERMS OF SUCH AGREEMENTS AND DOCUMENTS.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR OF ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR ITS MANAGER AS INVESTMENT, LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS/HER OWN COUNSEL, ACCOUNTANT AND OTHER PROFESSIONAL ADVISORS AS TO LEGAL, TAX AND OTHER RELATED MATTERS CONCERNING HIS/HER INVESTMENT.

THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO PROMPTLY RETURN THIS MEMORANDUM, AND ANY OTHER DOCUMENTS OR INFORMATION FURNISHED BY THE COMPANY IF THE OFFEREE DOES NOT PURCHASE ANY OF THE COMPANY INTERESTS OFFERED HEREBY. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

THIS MEMORANDUM INVOLVES A VERY HIGH DEGREE OF RISK, AND THE PURCHASE OF COMPANY INTERESTS SHOULD ONLY BE CONSIDERED BY PERSONS WHO CAN AFFORD THE TOTAL LOSS OF THEIR INVESTMENT. (SEE “**RISK FACTORS.**”)

THE MANAGER IS NOT AN ADVISOR OR CONSULTANT TO THE PROSPECTIVE INVESTOR IN THIS INVESTMENT. THE MANAGER HAS MULTIPLE CONFLICTS OF INTEREST WHICH PRECLUDE IT FROM ADVISING POTENTIAL INVESTORS WHO ARE THEREFORE ADVISED TO DO THEIR OWN DUE DILIGENCE AND TO SEEK OUTSIDE COUNSEL. COUNSEL FOR THE COMPANY HAS ACTED ON BEHALF OF THE MANAGER AND THE COMPANY AND DOES NOT REPRESENT THE SUBSCRIBERS TO WHICH THIS OFFERING MEMORANDUM WAS EXTENDED.

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FREQUENTLY ASKED QUESTIONS

Q: What is Truax Hotel SPE, LLC?

A: Truax Hotel SPE, LLC (the “Company”) is a newly incorporated company formed for the specific purpose of lending to Temecula Hotel Partners Old Town, LLC (the “Borrower”) for the purposes of constructing a 4-Star luxury boutique hotel in the Old Town neighborhood of Temecula, CA. The Company will receive a note which will be secured by a second deed of trust (“Mortgage Loan”) on the hotel property (“Property.”) The project is a not-yet-started project which will require extensive construction.

Q: What are the proposed plans for the construction of the Property?

A: Known as “Boutique Hotel Project” located in Old Town Temecula, the Property is a proposed five story building consisting of “Turn of the Century Design” and the latest state of the art technology. The Borrower intends for the design to include a hotel, banquet, health club spa along with space to include restaurant and retail tenants. The construction plans also include the construction of a five story, 201 stall valet parking structure. The Property plans include 108 standard sleeping rooms; 21 deluxe sleeping rooms; 16 premium sleeping rooms; 3 luxury sleeping rooms; 3 penthouses for a total area of 69,516 consisting of 151 sleeping rooms. The Property plans also include multiple meeting rooms and other hotel amenities commonly found in a higher end boutique hotel. Please see our “Property Summary” attached hereto as an exhibit.

Q: What is the Property?

A: Currently, the Property is land that includes several parcels along Third Street in Old Town, Temecula, CA. Please see the “Property Package” that is attached as Exhibit A to this Offering. As construction progresses and the Property evolves, it is expected that the Property will increase in value, of which there can be no guarantee. See “Risk Factors.”

Q: Who is the Borrower?

A: The Borrower is Temecula Hotel Partners Old Town, LLC which is a newly formed California limited liability company formed for the purposes of acquiring, developing, constructing and managing the property. The Borrower has two members: BIIAJ, LLC and an individual, Brad Neste. Mr. Neste is providing up to \$4,000,000 for high risk soft costs such as due diligence, design review with the City of Temecula and entitlements.

BIIAJ, LLC has been in existence since 1982 and is led by CEO, Bernard L. Truax, II. The Borrower has acquired, developed, managed, and disposed of commercial real estate throughout Southern California, concentrating in the Temecula Valley. Please see more detailed information in the section entitled “About the Borrower.”

Q: What is the term of the Mortgage Loan?

A: The Mortgage Loan is a five (5) year loan with an option to extend the Mortgage Loan one (1) year.

Q: What is the structure of the Construction Loan?

A: The Construction Loan is to be for 100% of the Boutique Hotel construction costs. The First Lien Holder

will make this Construction Loan conditioned upon the Borrower having two collateral accounts, one equal to 5% of the Construction Loan (primary collateral) and a second equal to 20% of the Construction Loan. Both collateral accounts are to be in the form of cash held in interest-bearing bank accounts for the term of the Construction Loan until refinanced with a permanent mortgage. The funds raised under this Offering are for the secondary collateral requirements.

The dollar amounts of the construction loan, primary and secondary collateral or estimates and will be finalized prior to the closing of the construction loan. The estimates described in this offer are expected to be within 1 to 2% of the final numbers.

The Borrower is receiving an estimated \$80 million Construction Loan (the actual project construction cost will be determined prior to the Construction Loan closing) from a bank ("First Lien Holder") that will be secured by a first deed of trust on the Property. This \$80 million covers 100% of the project costs including an interest reserve for the debt service of the construction loan until hotel operations are able to pay the construction loan interest from available cash flow. Besides the Property, the First Lien Holder is requiring the Borrower to provide collateral accounts in the form of cash. The \$16 million raised from this Offering will be placed in a segregated interest bearing account as secondary collateral for the First Lien Holder. The Brad Neste investment of \$4 million is the primary collateral and will be held in a similar interest-bearing account as the Secondary Collateral.

There are multiple risks associated with the proposed project and all potential investors should carefully read the section entitled "Risk Factors" prior to investing.

Q: How are these funds being used prior to the closing of the Construction Loan?

A: Currently the Primary Collateral is being spent on the early stage, high risk expenses that are traditionally associated with any development project. At the time of closing on the Construction Loan, the Primary Collateral funds spent up to that point on project expenses that are included in the \$80,000,000 project cost will be reimbursed from the Construction Loan proceeds to establish the \$4,000,000 (or 5% of the final Construction Loan amount) Primary Collateral bank account described above. Any funds spent from the secondary collateral raised under this offering will likewise be reimbursed from the construction loan proceeds to establish the full amount of the Secondary Collateral bank account described above.

The \$3,000,000 land parcel must close escrow by April 21 2016. The first \$3,000,000 raised under this offering will be utilized too close this escrow. In the event that sufficient funds to close this escrow are not raised by the required closing date and an alternate source of the said \$3,000,000, or portion thereof is utilized to close this escrow, then the first \$3,000,000, or portion thereof, raised under this offering will be used to reimburse the alternate source of funds.

The remainder of these funds raised under this offer will remain in the FundAmerica escrow accounts until drawn upon to close on the Construction Loan. No interest will be earned by this secondary collateral until it is drawn upon to close on the Construction Loan. If the \$3,000,000 referred to above is drawn upon to either close escrow or to reimburse the alternate source, those funds will begin to earn interest commencing on the date that those funds are drawn out of the FundAmerica escrow account.

Q: What if the Borrower does not have enough money to complete the construction of the Boutique Hotel Project?

A: The Borrower will enter into an agreement with the General Contractor ("the GC") for the "design-build" of the project. The contract is a "Guaranteed Maximum" contract or "GMAX" contract. Under this

agreement the GC is compelled to design and build the project without cost overruns. The GC will also be posting a completion performance bond to ensure that the project construction will be completed at a cost to the Project LLC no greater than the contracted amount. Therefore, the risk of exceeding construction costs is averted by the Borrower and instead is the responsibility of the construction company.

Q: Will the Borrower have enough money to pay the interest on all of the debt, including the Mortgage Loan of the Company?

A: The Borrower estimates that the total debt service costs will equal approximately \$3.7 million during the period from closing on the Construction Loan through the completion of construction, including receiving the certificate of occupancy ("CO"). This includes interest for the Mortgage Loan and interest for the Construction Loan held by the First Lien Holder. To ensure that the Borrower will have the funds to provide for this, it has budgeted \$5.5 million in interest reserves. The balance of the interest reserve covers the period from CO until the operations of the hotel are sufficient to pay the debt service from operating profits.

Q: What if the Borrower is unable to refinance the Property at the end of the Construction Loan term with a permanent loan in a sufficient amount to pay off the Construction Loan Principal?

A: In order to refinance the Construction Loan of \$80 million with a 75% loan-to-value permanent loan, the Project would need to have a value of \$106,666,667 (the "Required Minimum Value") at the end of the Construction Loan term. The Borrower is conservatively anticipating a value of \$111,000,000 in year 5 and a value of \$113,000,000 in year 6, the end of the Construction Loan term.

In the event that the Minimum Required Value is not achieved, then the collaterals will be drawn upon as a principal reduction to the Construction Loan, to reduce the principal to the amount equal to 75% of the Project value at the time of refinance. The funds available and the order in which they will draw upon for the principal reduction are 1) the Primary Collateral of \$4,000,000; 2) the amount of accrued net cash flow from hotel operations, which is anticipated to be \$8,000,000 in year 5 of the Construction Loan; and 3) the Secondary Collateral of \$16,000,000.

The total of the funds available for principal reduction are \$28,000,000 which would reduce the \$80,000,000 Construction Loan principal to \$52,000,000 and allow the project to be refinanced with a 75% permanent loan with a Project value as low as \$69,333,333 at the time of refinance.

Q: What will I receive in return for my investment?

A: Investors will receive Membership Interests in the Company and will become Members of the Company upon acceptance of their Subscription Agreement by the Company. This Offering is only available to Accredited Investors that are deemed suitable by the Manager. See "Suitability Standards."

Q: How is my investment secured?

A: Individually, Members are not secured as they are receiving a Membership Interest in the Company which represents an equity position and not a secured debt position. However, the only asset of the Company shall be the Mortgage Loan which will be secured by a second deed of trust on the Property.

Q: What kind of return may be expected by a Member?

A: The Company will lend money to the Borrower and in return will receive a Mortgage Loan. The

Mortgage Loan principal is expected to be as much as \$16,000,000 and will bear an interest rate of 8%. The Borrower intends to deposit up to \$20 million in two separate interest bearing accounts as collateral for the first deed of trust holder (the Company will be the second deed of trust holder). It is expected that the interest bearing account, for the duration of Mortgage Loan, will earn interest of up to two (2%) percent. It is the intention of the Borrower to distribute these earnings (if they so exist and to the extent that they do exist) to the Company and then to the Members, in accordance with their pro rata share.

Q: What is the minimum investment amount allowed?

A: Investors must invest a minimum of \$50,000, however, the Manager or Borrower may decrease this minimum investment amount for any investor, for any reason, at their discretion.

Q: Who may invest?

A: The Membership Interests will be available to Accredited Investors only and the Manager reserves the right to reject any subscription it wishes.

Q: Where can I buy Membership Interests?

A: Membership Interests may be purchased through our website at www.truaxdevelopment.com or by manually executing a Subscription Agreement which is attached as Exhibit D to this Offering.

Q: How can I sell my Membership Interests?

A: Investors should view an investment in the interests as a long term investment. In accordance with the Operating Agreement of the Company, Members may not elect to sell their Membership Interests without express permission from the Manager and within the confines of this Offering. It is very unlikely that a Member will be able to sell their Membership Interests. Members should intend on being invested in the Company for six (6) years.

Q: Do you have a redemption program?

A: No. We do not currently have a redemption program. An investor should expect to hold their Membership Interests for up to six (6) years prior to retirement of the Mortgage Loan and return of the Capital Account Balance of all the Members together with any available distributions.

Q: May I make an investment through my IRA or other tax-deferred retirement account?

A: Yes. You may make an investment through your IRA or other tax-deferred retirement account. In making these investment decisions, you should consider, at a minimum, (1) whether the investment is in accordance with the documents and instruments governing your IRA, plan or other retirement account, (2) whether the investment would constitute a prohibited transaction under applicable law, (3) whether the investment satisfies the fiduciary requirements associated with your IRA, plan or other retirement account, (4) whether the investment will generate unrelated business taxable income ("UBTI") to your IRA, plan or other retirement account, and (5) whether there is sufficient liquidity for such investment under your IRA, plan or other retirement account. You should note that an investment in our Membership Interests will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code").

Q: Is there any minimum initial offering amount required to be sold?

A: Yes. We will not start operations until we have raised at least \$3,000,000 in this offering. Until the minimum threshold is met, investors' funds will remain in an escrow account and will not be admitted as Members. Thereafter, we will not spend any investor funds until the remaining \$13,000,000 is raised. See footnote 5 in our "**USE OF PROCEEDS**" section.

Q: What happens to my subscription if you don't raise at least the \$3,000,000 minimum threshold from third parties in this offering?

A: We will not accept subscription payments associated with subscription agreements until the minimum threshold is met. We intend to utilize the escrow services provided by FundAmerica. At the time the minimum threshold is met, funds will be released from the designated escrow account, Membership Interests will be issued, and investors will become Members. If we do not meet the minimum threshold within 12 months after commencing the offering, we will cancel the offering and release all investors from their commitments.

Q: Will I be notified of how my investment is doing?

A: Yes, we will provide you with periodic updates on the performance of your investment in us, including:

- an annual report;
- quarterly reports;
- current event reports for specified material events within four business days of their occurrence;
- supplements to the offering circular, if we have material information to disclose to you; and
- other reports that we may file or furnish from time to time.

We will provide this information to you by posting such information on our website at truaxdevelopment.com or via e-mail.

Q: When will I get my detailed tax information?

A: Your Form K-1 tax information, if required, will be provided by March 31st of the year following each taxable year.

Q: Who can help answer my questions about the offering?

A: You can contact our Manager directly at 41923 2nd St #401, Temecula, CA 92590 or 951-294-5870

SUITABILITY STANDARDS

The Manager has established suitability standards for the protection of all the Members as the success of a group investment is often enhanced if all of the Members share a common investment goal, have similar investment experience and similar financial capabilities. The suitability standards for an investment in the Company were established by the Manager after considering the following factors:

1. An investment in these Interests has little, if any liquidity. It is unlikely that a market for the resale of these Interests will exist. Investors should be able to continue in the investment until the disposition of all of the assets of the Company and the subsequent dissolution of the Company occurs.
2. An investment in these Interests will be affected by Federal and State income taxes. Investors should consider the taxable income (losses) projected to be produced from the Company and be aware of the importance of their marginal tax bracket in terms of any tax liability (savings) projected to be received.
3. An investment in these Interests may produce a positive cash flow which would be available for distribution. However, it is possible that the Manager will determine to fund additional reserves from the cash flow generated by the Company and there may not be any cash available for distribution from operations.
4. An investment in these Interests should be considered long term in nature. Investors should be in a financial position that will enable them to hold these Interests for the period of time projected. Investors should be aware that there may be adverse tax consequences of selling their Interests prior to the dissolution of the Company.

Established Standards

Investors who wish to purchase these Interests as an "Accredited" investor must meet at least one of the following suitability standards as defined by SEC Rules 501; 17 CFR 230.501(a);

- A natural person whose individual net worth or joint net worth with that person's spouse, at the time of the purchase of the Interests, exceeds \$1,000,000 (exclusive of primary residence);
- A natural person who had individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- An Entity, such as an Individual Retirement Account (IRA) or Self Employed Person (SEP) Retirement Account must have all of the beneficial owners meet one of the above standards. The beneficial owners may be either natural persons or other entities as long as each meet the definition of accredited to be deemed an Accredited Investor.
- A bank, insurance company, registered investment company, business development company, or small business investment company;
- 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 One Million Dollars (\$1,000,000);
- A charitable organization, corporation, or partnership with assets exceeding One Million Dollars (\$1,000,000);
- A director, executive officer, or general partner of the company selling the securities;
- A business in which all the equity owners are accredited investors;

- A trust with assets in excess of One Million Dollars (\$1,000,000) that was not formed to acquire these Interests; or
- Any investors that may be residents or citizens of foreign countries and are located in foreign countries so that they qualify to invest under Regulation S of the Securities Act of 1933.

The Manager has the absolute right in its sole discretion to accept or reject any subscription offer submitted to them, and shall incur no liability for rejection of any prospective investor.

Subscriptions Subject to Review and Acceptance by the Manager

An investor who desires to invest in the Interests will complete the Offeree Questionnaire and Subscription Agreement and sign the Agreement and return the original documents to the Manager. The Manager will review these documents to ensure that all investors have attested that they meet the suitability standards established by the Company set forth in “Suitability Standards” hereto and that the Agreement has been appropriately signed. On the Manager’s acceptance of a Subscription, an investor will become a Subscriber in the Company. Documents returned by prospective Members who do not meet the Suitability Standards established by the Manager as outlined above, or which have been improperly completed, will be promptly returned.

The Manager will indicate acceptance of the Subscription in writing by returning fully executed copies of signature pages from the Subscription Agreement and Operating Agreement showing the amount or number of Interests purchased in the Company. Prior to acceptance, the Manager reserves the right to refuse a Subscription from any prospective investor at the Manager’s sole discretion.

ERISA Considerations

General Investment Considerations

A plan fiduciary making the decision to invest in Interests is advised to consult its own legal advisor regarding the specific considerations arising under ERISA, Section 4975 of the Internal Revenue Code, and (to the extent not pre-empted by ERISA) state law with respect to the purchase, ownership, or sale of Interests. Plan fiduciaries should also consider the entire discussion under the preceding section entitled “Federal Income Tax Considerations,” as material contained therein is relevant to any decision by a plan to purchase the Interests. In considering whether to invest a portion of the assets of a plan in Interests, plan fiduciaries should consider, among other things, whether the investment:

- will be in accordance with the documents and instruments governing the plan;
- will allow the plan to satisfy the diversification requirements of ERISA, if applicable;
- will result in UBTI to the plan;
- will be sufficiently liquid;
- is prudent under ERISA; and

- is for the exclusive purpose of providing benefits to participants and their beneficiaries.

The fiduciary of a plan not subject to Title I of ERISA or Section 4975 of the Internal Revenue Code, such as a governmental or church plan, should consider that such a plan may be subject to prohibitions against some related-party transactions under Section 503 of the Internal Revenue Code, which operate similar to the prohibited transaction rules of ERISA and Section 4975 of the Internal Revenue Code. In addition, the fiduciary of any such plan must consider applicable state or local laws, if any, and the restrictions and duties of common law, if any, imposed upon such plan. The Company expresses no opinion on whether an investment in Interests is appropriate or permissible for any plan under Section 503 of the Internal Revenue Code, or under any state, county, local, or other law respecting such plan.

Regulation under ERISA and the Internal Revenue Code

In addition to imposing general fiduciary standards of investment prudence and diversification on persons who are plan fiduciaries, ERISA and the Internal Revenue Code prohibit certain transactions involving “plan assets” and persons who have specified relationships to the plan (“parties in interest” under ERISA and “disqualified persons” under the Internal Revenue Code).

A prohibited transaction may occur if the Company’s assets are deemed to be assets of a benefit plan (i.e., the “lookthrough rule”) which invests in Interests and thereafter a “party in interest” or a “disqualified person” deals with the assets in a manner not permitted under ERISA or the Internal Revenue Code. Under such circumstances, any person that exercises authority or control with respect to the management or disposition of plan assets is a plan fiduciary and, therefore, is a “party in interest” and a “disqualified person” capable of participating in a prohibited transaction with the plan. Thus, the action of an employee of ours in dealing with the Company’s assets could cause a plan which invests in the Company’s Interests to be a participant in a prohibited transaction.

Restrictions Imposed by the USA PATRIOT Act and Related Acts

Interests may not be offered, sold, transferred or delivered, directly or indirectly, to any “Sanctioned Person,” a term which is defined for purposes of this Memorandum as any person who:

- is named on the list of “specially designated nationals” or “blocked persons” maintained by the U.S. Office of Foreign Assets Control (“OFAC”) at <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>, or as otherwise published from time to time; and an agency of the government of a Sanctioned Country, (2) an organization controlled by a Sanctioned Country, or (3) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC. A “Sanctioned Country” shall mean a country subject to a sanctions program identified on the list maintained by OFAC and available at the following location <http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>, or as otherwise published from time to time.

In addition, Interests may not be offered, sold, transferred or delivered, directly or indirectly, to any person who:

- has more than 15% of its assets in Sanctioned Countries; or

- derives more than 15% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries.

Representations with respect to the foregoing and certain other matters will be made by each investor in the Offeree Questionnaire and Subscription Agreement attached hereto. The Company will rely on the accuracy of each investor's representations set forth in the Instructions to Investors and Subscription Agreement and may require additional evidence that an investor satisfies the applicable standards at any time prior to the acceptance of an investor's subscription. An investor is not obligated to supply any information so requested by the Company, but the Company may reject a subscription from any investor who fails to supply any information so requested.

IF YOU DO NOT MEET THE REQUIREMENTS DESCRIBED ABOVE, DO NOT READ FURTHER AND IMMEDIATELY RETURN THIS MEMORANDUM TO THE COMPANY OR THE APPLICABLE MEMBER OF THE SELLING GROUP.

INVESTOR QUALIFICATION MAY BE SUBJECT TO INDEPENDENT VERIFICATION BY THIRD PARTIES.

IN THE EVENT YOU DO NOT MEET SUCH REQUIREMENTS, THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL INTERESTS TO YOU.

Methods to Assure Adherence to Suitability Standards

Investors who are interested in purchasing Interests will be required to complete an *Offeree Questionnaire* and submit it to the Manager, along with their *Subscription Agreement*.

The *Offeree Questionnaire* will require specific questions be answered and specific documentation be presented to the Manager for review and approval, so that there is assurance that the suitability standards are being applied and being met.

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FEES PAID TO THE MANAGER

The Manager may receive fees from Borrowers and/or from the Company as authorized in the Agreement and summarized below:

<u>Phase of Operation</u>	<u>Basis for Fee</u>	<u>Amount of Fee</u>
Management Fee (Fee charged to the Company)	Fees associated with oversight of the fund and the fund assets.	The Manager shall receive an annual fee of \$40,000. This fee will only be paid as interest on the Mortgage Loan is received by the Company.
Foreclosure Administration Fee (Fee charged to the Company)	Manager's compensation for time spent administering any foreclosure.	Reasonable compensation for time spent administering foreclosures. The total the Manager may receive cannot be determined at this time.
Bankruptcy Administration Fee (Fee charged to the Company)	Manager's compensation for time spent representing the Company in any bankruptcy proceeding.	Reasonable compensation for time spent administering bankruptcies. The total the Manager may receive cannot be determined at this time.
Voluntary Transfer Fee (Fee charged to the Departing Member)	Manager's Compensation for time spent administering any approved voluntary transfer.	\$500-\$1,000 per Voluntary Transfer. The total the manager may receive cannot be determined at this time.
Involuntary Transfer Fee (Fee charged to the Member)	Manager's compensation for time spent administering any transfer due to death or bankruptcy of a Member (an "Involuntary Transfer").	\$500-\$1,000 per Involuntary Transfer. The total the Manager may receive cannot be determined at this time.

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CONFLICTS OF INTEREST

Actual and potential conflicts of interest will exist from time to time between and among The Company and certain Members and Manager. Potential conflicts may be, but are not limited to these listed.

Time and Resource Conflicts

In general, conflicts may arise in the allocation of the time that certain Management personnel are able to devote between operations of the Company and various other outside interests. The Manager will use its utmost good faith in allocating the Company resources between and among the active business operations of the Company in the manner that the Manager of the Company deems in the best interests of the Company and its Members. Such decisions may, from time to time, cause The Manager of The Company to favor the interests of one line of business over the interest of the Company.

Lack of Separate Legal Representation

Counsel for the Company has not acted on behalf of the prospective investors or conducted a review or investigation on their behalf with respect to this Offering. Prospective Subscribers are urged to consult with independent market, legal and accounting professionals to the extent deemed necessary to evaluate the risks and merits of investing in this Offering and acknowledge that the Company shall bear no liability for any subscriber's failure to do so.

Manager May Act on Behalf of Others

The Manager, members of the Manager or their affiliates, acting in the same capacities for other investors, companies, partnerships or entities may compete with the Company.

Manager May be Involved in Similar Investments

The Manager, or its affiliates, may act as a manager or be a member in other limited liability companies engaged in making similar investments to those contemplated to be made by the Company. To the extent its time is required on other business and ownership management activities it may not be available to be involved in the day to day monitoring of the Company's operations.

The Manager has numerous other business responsibilities and ownership interests which will demand some or most of its time during the life of the Company.

Manager May Have Interests in Similar Entities

The Manager and its affiliates, now own or may come to own an interest in an entity that may have similar interest as the Company such as other real estate related entities. To the extent its time or assets are required on other business and ownership management activities the Manager may not be involved in the day to day monitoring of the Company's operations.

Manager May Raise Capital for Others

The Manager, and its affiliates, who will raise investment funds for the Company, may act in the same capacity for other investors, companies, partnerships or entities that may compete with the Company.

Manager May Elect to Return Investment Funds

The Manager may elect to return any individual Subscriber's, or an individual Member's investment plus accumulated distributions, at any time for any reason at the Manager's election.

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FIDUCIARY RESPONSIBILITIES OF THE MANAGER

The Manager is accountable to the limited liability company as a fiduciary and consequently must exercise good faith and integrity in handling the affairs of the limited liability company. This is a rapidly developing and changing area of the law and the Members who have questions concerning the duties of the Manager should consult with their counsel.

A Member has a right to expect that the Manager will do the following:

Duty of care and the 'business judgment rule'

Just as officers and directors of corporations owe a fiduciary duty to their Members, the Manager is required to perform its duties with the care, skill, diligence and prudence of like persons in like positions.

The Manager will be required to make decisions employing the diligence, care, and skill an ordinary prudent person would exercise in the management of their own affairs. The 'business judgment rule' should be the standard applied when determining what constitutes care, skill, diligence and prudence of like persons in like positions.

Duty of disclosure

The Manager has an affirmative duty to disclose material facts to the Members. Information is considered material, if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision.

When Members are in a position to vote for a major event, the Manager must disclose to the Members the material information needed for them to give an informed consent to the suggested action.

The Manager must not make any untrue statements to the Members and must not omit disclosing any material facts to the Members.

Duty of loyalty

The Manager has a duty to avoid undisclosed conflicts of interests. Before raising money from Members, the Manager must disclose any conflicts that may exist between the interests of the Manager and the interests of the Company or any of the individual Members.

The Manager is restricted from entering into contracts with the Company that advance the business interests of the Manager over the business interests of the entire Company or any of the individual Members.

Indemnification of Manager

The Operating Agreement of the Company provides an indemnification of the Manager. The Company is bound to indemnify and hold the Manager harmless for any acts done or omitted to be done, under the authority granted to the Manager, except in the case of willful misconduct, gross negligence, or fraud. This indemnification will provide the Members with a more limited right of action against the Manager than they would have if the indemnification were not in the Operating Agreement.

RISK FACTORS

An investment in the Company involves the risk of a loss of the Members' capital. Potential investors are to carefully consider each of the following factors, and to discuss them with their advisors, including attorneys, accountants, and investment advisors.

Risks Related to the Interests and this Offering

The Interests may not be suitable for certain investors.

The Interests may not be a suitable investment for you. Prospective investors are encouraged to meet with and obtain more information regarding the Interests from representatives of the Company, who will make available such information for prospective investors. In addition, prospective investors should consult with their own financial, legal and tax advisors prior to investing in the Company. The characteristics of the Interests, including lack of liquidity, may not satisfy your investment objectives. The Interests may not be a suitable investment for you based on your ability to withstand a loss of profit or principal or other aspects of your financial situation, including your income, net worth, financial needs, investment risk profile, return objectives, investment experience and other factors. Prior to purchasing any Interests, you should consider your investment allocation with respect to the amount of your contemplated investment in the Interests in relation to your other investment holdings and the diversity of those holdings. Each investor will be required to represent to the Company as to such investor's qualifications to invest in the Interests and to acknowledge that such investor has had the opportunity to ask questions and receive information sufficient to support its investment decision. Each investor also will be required to represent that it is able to bear the risk of loss of all its investment. The Company will rely upon the truth and accuracy of these representations.

This is a fixed price offering, and the offering price of our Interests was not established on an independent basis; therefore, as it was arbitrarily determined, the fixed offering price will not accurately represent the actual market value of its Interests. The market value of an Interest purchased by an investor may be substantially less than what the investor has paid.

This is a fixed price offering, which means that the offering price for our Interests is fixed and will not vary during the offering or be based on the underlying value of its assets. We arbitrarily determined the offering price in our sole discretion. We do not intend to adjust the offering price during this offering even after we acquire assets and, therefore, the fixed offering price established for our Interests will not accurately represent the actual market value of our Interests and may be substantially less than what an investor pays. Our offering price is not indicative of either the price at which our Interests would trade if they were listed on an exchange or actively traded by brokers or of the proceeds that a stockholder would receive if the Company were liquidated or dissolved.

Your Interests will lack priority in distribution of profits because the Mortgage Loan will rank junior to the Borrower's other existing and future debt and other financial obligations.

The Borrower intends to borrow funds from commercial banks, other financial institutions for purchase and Property development. In exchange, the lenders of these funds will receive a first deed of trust on the Property. Our Mortgage Loan will be subordinated to this debt as we will only be secured with a second deed of trust. The Borrower intends to enter into agreements providing for the payment of interest and principal to creditors that will all rank senior to the payment on the Mortgage Loan which will rank senior to the payment of distributions to Members. Your right to receive distributions and return of principal invested is junior to a first deed of trust on the property. Your limited liability company Interest will be subordinated to the prior payment in full of all of these debt obligations. The Borrower's assets would be available to make the Mortgage Loan payment, which in turn, would be distributions to you relating to your Interests only after all

payments have been made on the first deed of trust secured indebtedness and maybe other obligations in the event of the Borrower's bankruptcy, liquidation or dissolution.

The Interests will be an illiquid investment and no trading market for Interests exists or will ever develop.

The Interests are being offered and sold in reliance upon the exemption from the registration requirements of the Securities Act of 1933 afforded by Regulation D, Rule 506. Accordingly, transferability of the Interests is restricted under the Securities Act and by provisions of applicable state securities laws. The Interests may not be sold or transferred by an investor in the absence of an effective registration statement under the Securities Act and applicable state securities laws or an opinion of counsel acceptable to the Manager, the Company and its counsel that registration is not required. The Company does not intend to file a registration statement under the Securities Act to provide for a public resale of the Interests. There is currently no trading market for the Interests and it is not anticipated that a trading market will ever develop. Accordingly, transferability of the Interests is restricted under the Securities Act and by provisions of applicable state securities laws. The Interests may not be sold or transferred by an investor in the absence of an effective registration statement under the Securities Act and applicable state securities laws or an opinion of counsel acceptable to the Manager, the Company and its counsel that registration is not required. Accordingly, even in the absence of the foregoing restrictions on transfer, it is unlikely that an investor will be able to readily dispose of the Interests or pledge the Interests as collateral for a loan. Consequently, the Interests are suitable only for long-term investment by persons with no need for liquidity and who can absorb the loss of their entire investment. Further, subject to certain limited exceptions, any proposed transfer of an Interest, as representing an interest in the Company, requires the approval of the Manager under the terms of the Company Agreement. The Manager may refuse any request for its consent to a transfer of Interests in its sole discretion. The transfer of Interests is subject to prior compliance with or exemption from applicable securities laws and the condition that the transfers will not result in a termination of the Company for federal income tax purposes or otherwise adversely affect the tax status of the Company. The refusal of the Manager to make a "Section 754 Election" to adjust the basis of Company property upon a transfer of a Member's Interests may create adverse tax consequences to the transferee and thereby pose an additional impediment to the transferability of the Interests. There is no guarantee that the Manager will consent to any proposed transfer of Interests, even in the event that such transfer is not in violation of applicable securities laws.

The Company does have a withdrawal policy; however, it is extremely restrictive and does not allow any withdrawal until a Member has been a Member for a minimum of twelve months. Even if a Member has been a member for at least twelve months and the Manager consents to withdrawal, the Member will be subject to penalties for withdrawing prior to the dissolution of the Company. (See "SUMMARY OF OPERATING AGREEMENT.")

You may lose all or a part of your investment in the Interests if we do not have enough cash to pay the Interests because the Interests will have no sinking fund, collateral security, insurance or guarantee.

There is no sinking fund, collateral security, insurance or guarantee of our obligation to make payments on the Interests. The Interests are not secured by any of our assets. We will not contribute funds to a separate account, commonly known as a sinking fund, to make distributions on the Interests. The Interests are not deposits in a bank, certificates of deposit or similar obligations of, and are not guaranteed or insured by, any depository institution, the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation, or any other governmental or private fund or entity. Therefore, if you invest in the Interests, you will have to rely only on our cash flow from operations and other sources of funds for distributions. During the early stages of our operations, we may need to borrow funds or utilize offering proceeds in order to make distributions. Accordingly, distributions paid at any given time by us may not reflect the profitability of our business.

Our assets will not be diversified.

We expect to use the proceeds from the offering to invest in one Mortgage Loan that is secured by a second deed of trust on the Property. Therefore, we will lack diversity. Our success is wholly dependent on the success of the Mortgage Loan. You may lose your entire investment if there are no payments on the Mortgage Loan.

The Members will have limited rights.

Members will be unable to exercise any management functions with respect to the Company. The rights and obligations of the Members are governed by the provisions of the California Revised Uniform Limited Company Act and other applicable California statutes and by the Company Agreement. Further, the Manager may only be removed for cause by the affirmative vote of Members holding 75% of the interests, provided that the Manager shall not be removed except for breach of fiduciary duty, willful or wanton misconduct or gross negligence, and subject to the return and cancellation of any guaranties provided to creditors of the Company by the Manager or any of the Manager's Managers. As such, Members will have limited rights to remove the Manager.

Members' potential liability to creditors will be limited to the Capital Contribution of the Member.

A Member's liability to creditors of the Company would be limited to the Member's Capital Contribution and undistributed profits. However, if a Member has received a return of his, her or its Capital Contribution, such Member may be required by the California Revised Uniform Limited Company Act and other applicable California statutes to make a contribution of the returned Capital Contribution to the Company to the extent necessary to discharge certain of the Company's liabilities to creditors.

Payment of fees or distributions to our Manager will reduce cash available for investment, distributions to Members, and the repurchase of any Interests held by Members, increasing the risk that you will not be able to recover the amount of your investment.

Our Manager will perform services for us in connection with the selection, acquisition, and administration of our investments. Our Manager could be paid substantial distributions. Our Manager could be paid substantial fees for their services. The payment of fees or distributions will reduce the amount of cash available for investment, distributions to Members and the repurchase of Interests held by Members.

Investment Delays

There will be a delay between the time Interests are sold and the time purchasers of Interests are admitted to the Company and begin to participate in the investment yield being realized by the Company on the Mortgage Loan and the Property. During the period, proceeds from the sale of Interests will be invested in short term certificates of deposit, money market funds or other liquid assets which will not yield a return as high as the anticipated return to be earned by the Company on the Mortgage Loan. This delay, which is anticipated to be less than 90 days in most cases, will dilute the overall investment return to Members.

This offering is being conducted on a "best efforts" basis, and the risk that we will not be able to accomplish our business objectives, and that the poor performance of the Property will materially adversely affect our overall investment performance, will increase if only a small number of our Interests are purchased in this offering.

Our Interests are being offered on a "best efforts" basis and no individual, firm or corporation has agreed to

purchase any Interests in this offering. As a result, if we raise only the minimum amount of proceeds, we will be inadequately financed. Even if we meet the minimum offering requirements, we may sell fewer than all of our Interests being offered in this offering. Our inability to raise substantial funds would also increase our fixed operating expenses as a percentage of gross income. Each of these factors could have an adverse effect on our financial condition and ability to pay distributions to Members or to repurchase the Interests held by Members.

We may not meet the minimum offering requirements for this offering; therefore, investors may not have access to their funds for one year from the date of this prospectus.

If the minimum offering requirement of \$3,000,000 is not met within 12 months from the date of this prospectus, this offering will terminate and subscribers who have delivered their funds into escrow will not have access to those funds until such time. In addition, subscribers may not receive any interest on their invested funds delivered into escrow.

Size of the Offering

There is no assurance that the Company will obtain capital contributions equal to the maximum amount of the offering. Receipt of capital contributions of less than the maximum amount will reduce the ability of the Company to spread investment risks across investors; however, in the opinion of the Manager there will be no other material limitation on the Company's operation if less than the maximum proceeds are raised.

Indemnification Obligations

The Company is obligated to indemnify the Manager and its affiliates and agents against certain civil liabilities, guaranties provided to creditors of the Company by the Manager, including Charles X. Delgado, and certain other potential liabilities. If the Company were required to indemnify the Manager or such other parties, the Company would have to expend the Company capital, thereby reducing the amount of funds available for use in the Company to invest or to distribute to the Members.

Our rights and the rights of the Members to recover claims against our Manager, its Managers and employees are limited, which could reduce any recovery against them if they negligently cause us or the Members losses.

Our Operating Agreement generally provides that our Manager and employees will be liable to us or to Members for monetary damages and we must generally indemnify our Manager and its Managers, including Charles X. Delgado, and employees for losses unless, they are grossly negligent or engage in willful misconduct. We and the Members may have more limited rights against our Manager and its Managers and employees than might otherwise exist under common law, which could reduce recovery by us or the Members from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our Manager, its Managers or employees in some cases, which would decrease the cash otherwise available to pay distributions to Members or to repurchase Member Interests.

Projections are speculative and are based upon a number of assumptions.

Any projected financial results prepared by the Company have not been independently reviewed, analyzed, or otherwise passed upon. Such “**forward-looking**” statements are based on various assumptions of the Company, which assumptions may prove to be incorrect. Such assumptions include, but are not limited to (i) the future status of local and regional economies, (ii) anticipated consumer or user demand for the real estate assets financed by the Company, (iii) anticipated levels of future interest rates, (iv) availability of first lien

financing, (v) anticipated real estate tax rates and other operating expenses, and (vi) the cost and availability of adequate property and casualty insurance. Accordingly, there can be no assurance that such projections, assumptions and statements will accurately predict future events or actual performance. Any projections of cash flow and all other materials or documents supplied by the Manager should be considered speculative and are qualified in their entirety by the assumptions, information and risks disclosed in this Offering. Investors are advised to consult with their own independent tax and business advisors concerning the validity and reasonableness of the factual, accounting and tax assumptions. No representations or warranties whatsoever are made by the Manager, its affiliates or any other person or entity as to the future profitability of the Interests or the results of making an investment in the Interests.

No Guarantee of Distributions

Members may not receive any cash distributions. Further, the Members may be allocated profits, resulting in taxable income to such Members, but not receive any distributions from the Company to pay such taxes.

Risks Associated With Real Estate Related Investments

We will be subject to risks associated with these real estate related investments, including the material risks discussed below.

Lack of bookings at the Property securing our Mortgage Loan may effect payment on the Mortgage Loan and thus effect your distributions

The Property securing our Mortgage Loan could be negatively impacted by deteriorating economic conditions and weaker hotel rental markets. The Borrower may be unable to attract hotel guests at the rates that would cause the Property to cash flow positively. In addition, poor economic conditions may reduce a guests' ability to travel and book a room at the Property. Any of these situations may result in extended periods where there is a significant decline in revenues or no revenues generated by the Property. Additionally, if market rental rates are reduced, property-level cash flows would likely be negatively affected. Our operating cash flow could be adversely affected if the rental rates and guest occupancy for the Property cannot be sustained at a reasonable level.

Our asset will be illiquid and we may not be able to respond to changes in economic and other conditions.

We intend to hold the Mortgage Loan until maturity. In the event we decide to sell the Mortgage Loan, we may not be able to sell it at a price we deem satisfactory, in our sole discretion, for several reason that would include, but not be limited to: if economic conditions deteriorate, interest rates increase, our Mortgage Loan is in default or if buyers of the Mortgage Loan believe that the Mortgage Loan is not adequately secured. A market to sell our Mortgage Loan does not exist and one is not expected to develop. As a result, our ability to react in response to changes in economic and other conditions may be limited.

Uninsured losses or premiums for insurance coverage relating to real property owned or financed may adversely affect our financial standing.

We will require that the Borrower under our Mortgage Loan obtain comprehensive insurance covering the mortgaged property, including liability, fire and extended coverage. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods and hurricanes, which may be uninsurable or not economically insurable. We may not require the Borrower to obtain terrorism insurance if it is deemed commercially unreasonable. Inflation, changes in building codes and ordinances, environmental

considerations, and other factors also might make it infeasible to use insurance proceeds to replace the Property if it is damaged or destroyed. Under such circumstances, the insurance proceeds, if any, might not be adequate to restore the economic value of the mortgaged property, which might cause us not to be able to recover our principal and interest. Any loss of principal and interest will reduce our earnings and the amount of cash to be distributed to Members.

Costs of complying with governmental laws and regulations related to environmental protection and human health and safety may be high.

The Property and the operations conducted in connection with the Property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such real property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such real property as collateral for future borrowings. Environmental laws also may impose restrictions on the manner in which real property may be used or businesses may be operated. Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, tenant operations, the existing condition of land when we buy it, operations in the vicinity of our real property, such as the presence of underground storage tanks, or activities of unrelated third parties may affect real property. There are also various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply and which may subject us to liability in the form of fines or damages for noncompliance. The Borrower may be exposed to such costs in connection with such regulations. The cost of defending against environmental claims, of any damages or fines we must pay, of compliance with environmental regulatory requirements or of remediating any contaminated real property could materially and adversely affect our business, lower the value of the Property or results of operations. Costs or liabilities that could result include the following:

- damages to third parties or a subsequent purchaser of the Property;
- loss of revenues during remediation;
- loss of guest bookings and rental revenues;
- payment for clean up;
- substantial reduction in value of the Property;
- inability to sell the Property; or
- default by the Borrower if it must pay for remediation.

Seasonality

Seasonality may cause fluctuations in the revenues of the Property. The business of the Borrower may be subject to seasonality. Borrower may need to make payment adjustments to accommodate seasonal operating cash flows. Seasonal businesses can expose our cash flow to additional risk since payments of principal and interest may not be collected each month.

Economic, market and regulatory changes that impact the real estate market generally may decrease

the value of the Property and weaken our operating results.

Our operating results are subject to the risks typically associated with real estate, any of which could decrease the value of our investments and could weaken our operating results, including:

- downturns in national, regional and local economic conditions;
- competition from other retail, office, and other commercial buildings;
- adverse local conditions, such as over supply or reduction in demand for hotel space and changes in real estate zoning laws that may reduce the desirability of real estate in an area;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- changes in the supply of or the demand for similar or competing properties in an area;
- changes in interest rates and the availability of permanent mortgage financing, which may render the sale of the Property difficult or unattractive;
- changes in tax (including real and personal property tax), real estate, environmental and zoning laws;
- natural disasters such as hurricanes, earthquakes and floods;
- acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001;
- the potential for uninsured or underinsured property losses; and
- periods of high interest rates and tight money supply.

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Any of the above factors, or a combination thereof, could result in a decrease in our cash flows from operations and a decrease in the value of our investments, which would have an adverse effect on our operations, on our ability to pay distributions to our investors and on the value of our investors' investment.

We are subject to regulatory and public policy risks, which could affect the values of the properties that secure our Mortgage Loan.

Decisions of federal, state and local authorities may affect the values of properties that secure our Mortgage Loan. Examples of these decisions include, without limitation, zoning changes, revocation or denial of sanitation, utility and building permits, condemnations, relocations of public roadways, changes in municipal boundaries, changes in land use plans, modifications of parking or access requirements, and changes in permitted uses. Also, shifts in public policy reflected by courts, legislatures or other regulatory authorities may affect provisions of security documents and make realization upon the collateral more time-consuming and expensive. Any of these decisions or changes could cause us to recognize a loss on property securing the Mortgage Loan, which could adversely affect our financial condition and results of operations.

Risks related to the Mortgage Loan

Investments in this construction and rehabilitation Mortgage Loan may be riskier than loans secured by operating properties.

An investment in a construction and rehabilitation Mortgage Loan, like the one that the Company will enter into may be riskier than a loan secured by a Property with an operating history, because:

- the application of the Mortgage Loan proceeds to the construction or rehabilitation project must be assured;
- Borrower may experience cost overruns or may not be able to complete construction diminishing the value of the collateral securing the Mortgage Loan;
- construction or rehabilitation may be delayed placing the Borrower at risk that it loses a tenant scheduled to take possession of the property if it were not completed on schedule;
- the completion of planned construction or rehabilitation may require additional financing by the Borrower; and
- permanent financing of the property may be required in addition to the construction or rehabilitation Mortgage Loan.

Cost overruns and non-completion of the construction or renovation of the properties financed by us may materially diminish the value of the real estate securing our Mortgage Loan.

The renovation, refurbishment or expansion of the Property by the Borrower involves risks of cost overruns and non-completion. Costs of construction or improvements to construct or renovate the Property may exceed original estimates, possibly making a project uneconomical. Other risks may include, but are not limited to, environmental risk and leasing risk following completion. If such construction or renovation is not completed in a timely manner, or if it costs more than expected, the Borrower may not be able to complete the project or may experience a prolonged impairment of net operating income and may not be able to pay interest and principal payments. Our mortgage recorded against the uncompleted construction project may also become subject to mechanics liens for unpaid labor and materials furnished to the project.

Cost overruns and non-completion, in addition to other construction and leasing risks, represent substantial risk to the Company when it lends for construction, renovation or expansion of a real property. These cost overruns and non-completion of a property can materially diminish the value of the real estate mortgaged to us.

Borrower's financial status could weaken.

The Company will evaluate the creditworthiness of the Borrower based on a review of financial information provided by the Borrower, and by making other inquiries. However this financial information and these inquiries will be given and made as of a particular point in time. The financial condition of the Borrower could change subsequent to when this financial information and these inquiries are given and made.

A Borrower's form of entity, and liabilities with other creditors, may cause special risks or hinder our recovery of principal and interest.

Our risk of loss may be greater to the Borrower as it is a legal entity rather than an individual since legal entities generally do not have personal assets and creditworthiness at stake. Affiliates of the Borrower are multi- purpose entities that own more than one business distinct from the Property mortgaged to us. The Borrower may have a higher risk of default because any financial difficulties, defaults or bankruptcy caused by the Borrower's other affiliated businesses could also cause a default in the Mortgage Loan with us despite the performing nature of the Property financed by us. Further the bankruptcy of an entity, its Manager or managing member, may impair the ability of us to enforce its rights and remedies against the Borrower or relating to its mortgage.

The additional risks that may be present lending to entities rather than individuals may cause a loss of principal and interest due us. The financial difficulties, defaults or bankruptcy relating to the other businesses or liabilities of an individual or entity Borrower may increase the risk of loss of principal and interest due us.

The Borrower may experience difficulty in obtaining permanent financing which may reduce our profits.

The Borrower will rely on permanent financing from institutional lenders to repay the Mortgage Loan due us. Since 2008, there has been volatility in the real estate market and a tightening of the credit markets. Therefore, our Borrower may experience difficulty obtaining permanent financing. This inability or delay to secure permanent financing could prevent us from the retirement of our Mortgage Loan and a return of Capital Account Balance and distributions to our Preferred Members. In addition, if the Borrower fails in the future to obtain permanent financing Borrower may default on the Mortgage Loan, which would also lower our profitability.

Delays in liquidating the defaulted Property could reduce our investment returns.

Commercial real estate loans are secured by commercial property and are subject to risks of delinquency and foreclosure. The ability of the Borrower to repay the Mortgage Loan secured by an income-producing property typically is dependent primarily upon the successful operation of such Property rather than upon the existence of independent income or assets of the Borrower. If the net operating income of the Property is reduced, the Borrower's ability to repay the Mortgage Loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: ability to reserve rooms on a consistent basis, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expenses or economic condition that limit room rates that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property , changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies (including environmental legislation), natural disasters, terrorism, social unrest and civil disturbances.

If there is a default on the Property, we may not be able to foreclose on or obtain a suitable remedy. Specifically, if there is a default, we may not be able to repossess and sell the underlying Property quickly. Also, since we are holding a 2nd mortgage behind a first, it will most likely not be in our best interest to foreclose at anytime. Any resulting time delay could reduce the value of the Property. For example, an action to foreclose on a property securing a Mortgage Loan is regulated by state statutes and rules and is subject to many of the delays and expenses of lawsuits if the defendant raises defenses or counterclaims. Additionally, in the event of default by a mortgagor, these restrictions, among other things, may impede our ability to foreclose on or sell the mortgaged property or to obtain proceeds sufficient to repay all amounts due to us on the Mortgage Loan.

In the event of any default under the Mortgage Loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the Mortgage Loan, which could have a material adverse effect on our cash flow from operations. Foreclosure of a Mortgage Loan can be an expensive and lengthy process that could have a substantial negative effect on our anticipated return on the foreclosed Mortgage Loan. In the event of the bankruptcy of the Borrower, the Borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the Mortgage Loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

The foreclosure process for the Mortgage Loan secured by the Property may be lengthy, costly and we will be subject to all of the risks of owning the property on which we foreclose.

Our Mortgage Loan will be secured by real property. If the Borrower defaults under the Mortgage Loan in our portfolio, we may have to foreclose on and take possession of the real estate collateral to protect our financial interest in the Mortgage Loan. Foreclosure of the Mortgage Loan can be an expensive and lengthy process that could have a substantial negative effect on our anticipated return on the foreclosed Mortgage Loan. If we are not able to repossess the Property quickly, the resulting time delay could reduce the value of the Property. In the event of the bankruptcy of the Borrower, the Mortgage Loan will be deemed to be secured only to the extent of the value of the Property at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the Mortgage Loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

If we acquire the Property by foreclosure following default, we will have the economic and liability risks inherent in the ownership of real property. Various factors could cause us to realize less than we anticipated or otherwise impose burdens on us that would reduce our profits. These factors include, without limitation, fluctuations in property values, occupancy rates, variations in room rental schedules and operating expenses. In addition, owning and selling foreclosed Property may present additional considerations, including:

- to facilitate a sale of the Property on which we foreclose, it may be necessary for us to finance all or a portion of the purchase price for the buyer of the Property. In such cases, we will not receive the sale price immediately but will have to rely on the purchaser's ability to repay the Mortgage Loan, which ability is subject to the same repayment risks that are applicable to any other Borrower, as discussed elsewhere in this prospectus.

- There is a risk that hazardous or toxic substances could be found on the Property that we take back in foreclosure. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected Property. Any environmental review we undertake before taking title under any foreclosure action on real property may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.
- We may become liable to third persons in excess of the limits covered by insurance to the extent such person or person's property is injured or damaged while on the Property.
- Controlling operating expenses such as insurance costs, costs of maintenance and taxes. We may earn less income and reduced cash flows on the foreclosed Property than could be earned and received on the Mortgage Loan.
- We may acquire the Property with one or more co-owners where development or sale requires written agreement or consent by all; without timely agreement or consent, we could suffer a loss from being unable to develop or sell the Property. Maintaining management and booking of the Property.
- Coping with general and local market conditions.
- Complying with changes in laws and regulations pertaining to taxes, use, zoning and environmental protection.

We may have difficulty protecting our rights as a lender, which may impair our ability to continue making Mortgage Loan and could have a material adverse impact on our financial condition.

The rights of the Borrower and other lenders may limit our realization of the benefits of our Mortgage Loan. For example:

- Judicial foreclosure is subject to the delays of protracted litigation, and our collateral may deteriorate and/or decrease in value during any delay in foreclosing on it;
- The Borrower's right of redemption during foreclosure proceedings can deter the sale of our collateral and can require us to manage the Property for a period of time;
- The rights of senior or junior secured parties in the Property can create procedural hurdles for us when we foreclose on collateral;
- To the extent we assign as collateral one or more of our loans to other lenders, those other lenders will have a prior claim on any foreclosure proceeds;
- We may not be able to pursue deficiency judgments after we foreclose on collateral;
- Federal bankruptcy law can prevent us from pursuing any actions, regardless of the progress in any of these suits or proceedings; and/or
- At or near the end of foreclosure proceedings, a Borrower will sometimes file bankruptcy to further delay our efforts to take ownership of the real estate collateral.

Government action may reduce recoveries on the defaulted Mortgage Loan.

Legislative or regulatory initiatives by federal, state or local legislative bodies or administrative agencies, if enacted or adopted, could delay foreclosure, provide new defenses to foreclosure or otherwise impair our ability to foreclose on Mortgage Loan in default. The nature or extent of the limitation on foreclosure that may be enacted cannot be predicted. Bankruptcy courts could, if this legislation is enacted, reduce the amount of the principal balance on a Mortgage Loan that is secured by a lien on the Property, reduce the interest rate, extend the term to maturity or otherwise modify the terms of the bankrupt Borrower's

Mortgage Loan.

Risks Related to Employee Benefit Plans and IRAs

Our investors that have employee benefit plans or IRAs will be subject to risks relating specifically to our having employee benefit plans as Members, which risks are discussed below.

There are special considerations for pension or profit-sharing or 401(k) plans, health or welfare plans or individual retirement accounts whose assets are being invested in our Interests.

If you are investing the assets of a pension, profit sharing or 401(k) plan, health or welfare plan, or an IRA in us, you should consider:

- whether your investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code, or any other applicable governing authority in the case of a government plan;
- whether your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;
- whether your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- whether your investment will impair the liquidity of the plan or IRA;
- whether your investment will produce unrelated business taxable income, as defined in Sections 511 through 514 of the Internal Revenue Code, to the plan; and
- your need to value the assets of the plan annually.

You also should consider whether your investment in us will cause some or all of our assets to be considered assets of an employee benefit plan or IRA. We do not believe that under ERISA or U.S. Department of Labor regulations currently in effect that our assets would be treated as “**plan assets**” for purposes of ERISA. However, if our assets were considered to be plan assets, transactions involving our assets would be subject to ERISA and/or Section 4975 of the Internal Revenue Code, and some of the transactions we have entered into with the Manager and its affiliates could be considered “**prohibited transactions**” under ERISA and/or the Internal Revenue Code. If such transactions were considered “**prohibited transactions**” the Manager and its affiliates could be subject to liabilities and excise taxes or penalties. In addition, our the Manager and its affiliates could be deemed to be fiduciaries under ERISA, subject to other conditions, restrictions and prohibitions under Part 4 of Title I of ERISA, and those serving as fiduciaries of plans investing in us may be considered to have improperly delegated fiduciary duties to us. Additionally, other transactions with “**parties-in-interest**” or “**disqualified persons**” with respect to an investing plan might be prohibited under ERISA, the Internal Revenue Code and/or other governing authority in the case of a government plan. Therefore, we would be operating under a burdensome regulatory regime that could limit or restrict investments we can make and/or our management of our properties. Even if our assets are not considered to be plan assets, a prohibited transaction could occur if we or any of our affiliates is a fiduciary (within the meaning of ERISA) with respect to an employee benefit plan purchasing shares, and, therefore, in the event any such persons are fiduciaries (within the meaning of ERISA) of your plan or IRA, you should not purchase Interests unless an administrative or statutory exemption applies to your purchase.

Tax Related Risks Tax Considerations

The Company will be structured so as to be treated as a partnership, and not as an association taxable as a corporation, for federal income tax purposes. As such, each Member, in determining its federal income tax liability, will take into account its allocable share of items of income, gain, loss, deduction and credit of the Company, without regard to whether it has received distributions from the Company. As is generally the case for similar private equity investment vehicles, an investment in the Company will give rise to a variety of complex U.S. federal income tax and other tax issues for Members. Certain of those issues may relate to special rules applicable to certain types of investors, such as tax-exempt entities, life insurance companies, banks, individuals, dealers in securities and foreign persons and entities. Prospective investors are urged to consult their own tax advisers with specific reference to their own situations concerning an investment in the Company.

Certain favorable Federal income tax treatment may not be available to all Members, or may be rendered unavailable during the Company's operation.

Federal income tax treatment presently available with respect to real estate partnerships may have a material adverse effect on the desirability of participating in a real estate partnership for certain taxpayers. Further, any deductions for federal income tax purposes available to a Member resulting from his participation in the Company and the year in which such deductions are taken may have a material adverse effect upon the economic result afforded him. The benefit to a particular Member of various deductions of the Company will depend on the nature and extent of other income, deductions and credits of that Member. **For this reason, each prospective investor should consult his personal tax advisor.**

All federal income tax benefits existing for certain Members on the date hereof are subject to change without notice by legislation, administrative action and judicial decision. Such changes could deprive the Company and its Members of certain tax benefits that the Members might have considered when making investment decisions and may or may not be retroactive with respect to transactions occurring prior to the effective date thereof.

The Members will be limited as to the amount of any allocated losses they can deduct.

In the event that the Company generates losses, such losses (including losses that are allocated to the Company) that are allocated to a Member may be deducted only to the extent of the Member's tax basis in its Interest at the end of the partnership year in which the loss occurred. Any excess of loss allocated to a Member over such Member's basis is deductible at the end of subsequent tax years of the Company to the extent of the Member's tax basis in his Interest at that time.

Further, deductions in excess of income (i.e., losses) from passive trade or business activities generally may not be used to offset "**portfolio income**" (interest, dividends, or royalties) or salary or other active business income. Deductions from passive activities generally may be used only to offset income from other passive activities. Interest deductions attributable to passive activities are treated as passive activity deductions, and not as investment interest. Thus, such interest deductions are subject to limitation under the passive activity loss rule and not under the investment interest limitation. Credits from passive activities generally are limited to the tax attributable to the income from passive activities. Passive activities include trade or business activities in which the taxpayer does not materially participate, which would include participation as a Member in the Company. Thus, the Company's profits and losses will constitute income and loss from a passive activity.

Internal Revenue Service challenge

The Internal Revenue Service may challenge characterization of material tax aspects of your investment in the Interests. You should seek the advice of a qualified tax advisor prior to investing in our Interests.

The IRS may determine that allocations made in the manner described in the Company Agreement are not appropriate and reallocate in a manner detrimental to individual Members or the Company.

The Company will allocate among their Members their allocable shares of income, gain, loss, deduction and credit in accordance with the terms of the Operating Agreement. For such allocations to be recognized for tax purposes, such allocations must have a “**substantial economic effect**”. No assurance can be given that the IRS will not claim that the allocations under the Company Agreement lack substantial economic effect. The analysis of whether the IRS might be successful in such a claim requires review of the Company Agreement, the Internal Revenue Code (the “**Code**”), and the Treasury Regulations promulgated under the Code. Each potential investor should obtain independent tax advice regarding this issue. If the IRS is successful in a challenge to the allocations intended to be made to Members under the Company Agreement, the tax treatment of the investment for the Members may be adversely affected.

We may be audited, which could subject you to additional tax, interest and penalties.

Our federal income tax returns may be audited by the Internal Revenue Service. Any audit of us could result in an audit of your tax return. The results of any such audit may require adjustments of items unrelated to your investment in us, in addition to adjustments to various partnership items. In the event of any such audit or adjustments, you might incur attorneys’ fees, court costs and other expenses in contesting deficiencies asserted by the Internal Revenue Service. You may also be liable for interest on any underpayment and penalties from the date your tax was originally due. The tax treatment of all partnership items will generally be determined at the partnership level in a single proceeding rather than in separate proceedings with each partner, and our Manager is primarily responsible for contesting federal income tax adjustments proposed by the Internal Revenue Service. In such a contest, our Manager may choose to extend the statute of limitations as to all Members and, in certain circumstances, may bind the Members to a settlement with the Internal Revenue Service. Further, our Manager may cause us to elect to be treated as an electing large partnership. If it does, we could take advantage of simplified flow-through reporting of partnership items. Adjustments to partnership items would continue to be determined at the partnership level however, and any such adjustments would be accounted for in the year they take effect, rather than in the year to which such adjustments relate. Our Manager will have the discretion in such circumstances either to pass along any such adjustments to the Members or to bear such adjustments at the partnership level.

Unrelated Business Taxable Income (UBTI)

Employee benefit plans and most organizations exempt from federal income taxes (“**Exempt Organizations**”), including IRAs and other similar retirement plans, are subject to tax to the extent that their unrelated business taxable income (“**UBTI**”) exceeds \$1,000.00 during any tax year. To the extent that an Exempt Organization is allocated UBTI from the Company it would be subject to tax on such amounts exceeding \$1,000 at the trust tax rates. UBTI generally means the gross income derived from any unrelated trade or business regularly carried on by the exempt organization, less the deductions directly connected with carrying on the trade or business. Certain types of income (and deductions directly connected with the income) are generally excluded when figuring UBTI, such as rents from real property and gains or losses from the sale, exchange, or other disposition of property. However, there are exceptions

to the exclusion that will likely apply with respect to Company Investments. In this regard, it is likely that the Projects underlying the Company Investments will be acquired with funds from loans, which will be “**acquisition indebtedness**” and result in a portion of the net income therefrom, generally equal to the ratio of acquisition indebtedness to basis in property, being UBTI. The fact that UBTI will be generated and allocated to the Company (and ultimately the Members) may make an investment in the Company less desirable for an Exempt Organization. **Exempt Organizations should consult their own tax counsel regarding the possible consequences of an investment in the Company.**

For certain other tax-exempt entities — charitable remainder trusts and charitable remainder unitrusts (as defined in Section 664 of the Code) — the receipt of any UBTI may have extremely adverse tax consequences, in that it could result in all of its income from all sources for that year being taxable.

Foreign investors may be subject to FIRPTA on the sale of our Interests.

The disposition of a U.S. real property interest by a foreign person is subject to the Foreign Investment in Real Property Tax Act, or of 1980, “**FIRPTA**” income tax withholding. We believe that investors in our Interests will be considered creditors, therefore, not subject to FIRPTA. However, we are not a tax advisor and are not knowledgeable about the Internal Revenue Code as it relates to FIRPTA.

We urge investors to consult with their tax advisors with respect to FIRPTA and its potential effect on an investment in our Interests.

You may realize taxable income without cash distributions, and you may have to use funds from other sources to fund tax liabilities.

As a Member of the Company, you will be required to report your allocable share of our taxable income on your personal income tax return regardless of whether you have received any cash distributions from us. It is possible that your Interests will be allocated taxable income in excess of your cash distributions. We cannot assure you that cash flow will be available for distribution in any year. As a result, you may have to use funds from other sources to pay your tax liability.

State and local taxes and a requirement to withhold state taxes may apply, and if so, the amount of net cash from open payable to you would be reduced.

The state in which you reside may impose an income tax upon your share of our taxable income. Further, states in which we will own Properties acquired through foreclosure may impose income taxes upon your share of our taxable income allocable to any partnership property located in that state. Many states have implemented or are implementing programs to require partnerships to withhold and pay state income taxes owed by non-resident Members relating to income-producing properties located in their states, and we may be required to withhold state taxes from cash distributions otherwise payable to you. You may also be required to file income tax returns in some states and report your share of income attributable to ownership and operation by the Company in the state of California. In the event we are required to withhold state taxes from your cash distributions, the amount of the net cash from operations otherwise payable to you would be reduced. In addition, such collection and filing requirements at the state level may result in increases in our administrative expenses that would have the effect of reducing cash available for distribution to you. You are urged to consult with your own tax advisors with respect to the impact of applicable state and local taxes and state tax withholding requirements on an investment in our Interests.

Legislative or regulatory action could adversely affect investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions

of the federal income tax laws applicable to investments similar to an investment in our Interests. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect your taxation as a Member. Any such changes could have an adverse effect on an investment in our Interests or on the market value or the resale potential of our properties. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in Interests and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our Interests.

Conflicts of Interest

We will be subject to conflicts of interest arising out of relationships among us, the Manager and its affiliates, including the material conflicts discussed below. All references to affiliates of the Manager include the Manager and each other affiliate of the Manager and the Manager. The Members must rely on the general fiduciary standards which apply to a general partner of partnership to prevent unfairness by the Manager or an affiliate of the Manager in a transaction with the Company

No Independent Counsel

No independent counsel has been retained to represent the interests of the Members. The interests of a Member may be inconsistent in some respects with the interests of the Company, the Borrower, and the Manager. Each prospective Member is therefore encouraged and urged to consult his, her or its own counsel as to the terms and provisions of the Interests and in all other documents related thereto.

No Independent Management

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

The Manager, the Borrower, and employees of the Manager and the Borrower, and their affiliates will face conflicts of interest relating to time management and allocation of resources, and our results of operations may suffer as a result of these conflicts of interest.

Affiliates of the Manager and Borrower are active in other real estate programs having investment objectives similar to ours or to which they have legal and fiduciary obligations similar to those they owe to us and our Members. Because affiliates of the Manager and Borrower have interests in other real estate programs and also engage in other business activities, they may have conflicts of interest in allocating their time and resources between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. If the Manager, for any reason, is not able to provide sufficient resources to manage our business due to the other activities of its affiliates, our business will suffer as we have no other personnel to perform these services. Likewise, if the Manager, the Borrower, or their affiliates suffer financial and/or operational problems as a result of any of the activities of its affiliates, whether or not related to our business, and the Manager is unable to manage our business, we will have no one to manage or dispose of

our investments. Conflicts with our business and interests are most likely to arise from involvement in activities related to:

- the allocation of time and resources among us and affiliates of the Manager;
- the timing and terms of the investment in or sale of an asset;
- entitlement or management of the Property by affiliates of the Manager;
- investments with and/or sales to and acquisitions from affiliates of the Manager; and
- compensation to the Manager

Manager's Fees and Compensation

None of the compensation set forth under "Compensation to the Manager and Its Affiliates" was determined by arm's length negotiation. It is anticipated that the fees and profits received by the Manager may be higher or lower depending upon market conditions. Members must rely upon the fiduciary duties of the Manager to protect their interests. The Manager has the right to retain the services of other firms.

Some of our affiliates may invest in the Interests, which may create conflicts of interest.

As of the date of this prospectus, neither the Manager's Managers or affiliates, nor any of their related interests, hold any Interests. While investment in the Interests by our affiliates may align their interests with those of other investors, it could also create conflicts of interest by influencing management's actions during times of financial difficulties. For example, the fact that persons related to our management may hold Interests, and the number of Interests they hold, could influence our Managers or its Managers to pay distributions at a time or times when it would be prudent to use our cash resources to build capital, pay down outstanding obligations, or grow our business. There may be other situations not presently foreseeable in which the ownership of Interests by related persons may create conflicts of interest. These conflicts of interest could result in action or inaction by ownership or management that is adverse to other Members.

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SALE AND DISTRIBUTION OF INTERESTS

THE INTERESTS WILL BE OFFERED ON A BEST EFFORTS BASIS. TRUAX HOTEL SPE, LLC WILL SELL A MINIMUM NUMBER OF INTERESTS IN ORDER TO EFFECTIVELY LEND TO THE BORROWER AND RECEIVE A MORTGAGE LOAN SECURED BY A SECOND DEED OF TRUST ON THE PROPERTY. THE COMPANY MAY SELL UP TO SIXTEEN THOUSAND (16,000) INTERESTS UNDER THIS OFFERING. TRUAX HOTEL SPE, LLC WILL CONDUCT THIS OFFERING AND MAY, BUT IS NOT OBLIGATED TO, UTILIZE THE SERVICES OF A FINRA BROKER/DEALER OR PRIVATE PERSONS ACTING AS FINDERS.

THE COMPANY WILL HOLD THE SUBSCRIBER FUNDS OF THIS OFFERING IN A SUBSCRIPTION ACCOUNT UP UNTIL THE TIME THE COMPANY CONSUMMATES THE MORTGAGE LOAN (THE "CLOSING DATE.") AS THE COMPANY RAISES FUNDS, THE COMPANY WILL CONDUCT SUBSEQUENT CLOSINGS ("SUBSEQUENT CLOSINGS,") AND CONSEQUENTLY, AMEND THE MORTGAGE LOAN ACCORDINGLY.

All purchasers must, at a minimum, meet the suitability standards set forth in "SUITABILITY STANDARDS." Based on the Manager's sole determination, the Manager reserves the absolute right and discretion to declare any prospective investor ineligible to purchase Interests based upon such information as is contained in the subscription documents or any other information which may become known or available to Manager concerning the suitability of the prospective investor or the appropriateness of accepting all or any part of the prospective investor's offer to buy Interests.

The interests offered have not been registered with the Securities Exchange Commission ("SEC") nor qualified with the appropriate State securities agencies. No permits have been obtained from any governmental agency. No reports will be made to any governmental agency under any federal or state securities laws other than registration informational reports as may be required.

Other than filing Articles of Organization of the Company, the Manager does not intend to qualify or register this investment with any governmental agency. A court might or might not decide that this investment is a "security" as defined by State and Federal Laws; however, even if it is a "security," this offering is conducted under State and Federal Laws providing an exemption from registration and qualification requirements for a "private placement."

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SUBSCRIPTION PROCEEDS AND SUBSCRIPTION ACCOUNT

The Company will conduct two escrows with its designated escrow agent, FundAmerica. The Company shall raise the Minimum Amount of \$3,000,000. Once the Minimum Amount is raised, FundAmerica, at the direction of the Manager, may release funds to the Borrower and the Company will enter into the Mortgage Loan. Thereafter, the Company commence a second escrowing funds with FundAmerica once again up to \$16,000,000, or the Maximum Amount. (see “Use of Proceeds”).

USE OF PROCEEDS

The amounts and timing of expenditures described in the table for each purpose may vary significantly depending on numerous factors, including, without limitation, the progress of finding quality properties to finance. The Company has based its assumptions on the fact that it will not incur additional obligations for personnel, office, etc. until such time as it either raises additional equity or debt, or generates revenues to support such expenditures.

Estimated Application of Proceeds of This Offering

The following Table shows a summary of the use of proceeds generated through the sale of Interests to Members of the Company. This represents a “best estimate” on how funds will be applied to the operations of the Company. There are no guarantees that this is truly how Company funds will be spent and depends highly on the opportunities received by the Company and those opportunities which the Manager sees fit.

	Minimum	Maximum
Gross Offering Proceeds	\$3,000,000	\$16,000,000
Organizational Expenses (1)	\$0	\$0
Commissions (2)	\$0	\$0
Management Fee (3)	\$0	\$0
Marketing (4)	\$0	\$0
Operating Cost (5)	\$0	\$0
Amount Available for Investment in the Mortgage Loan (6)	\$3,000,000	\$16,000,000
Application of Proceeds	\$3,000,000	\$16,000,000

(1) An affiliate of the Borrower made the legal fees associated with this Offering. This includes a maximum \$20,000 non-recurring fee to be paid for legal, accounting, printing and other expenses of this offering. The proceeds of this Offering will not be reimbursed to the affiliate of the Borrower and will not be capitalized by the Company.

(2) The Company does not plan to pay commissions or fees for the sale of Interests. However, the company reserves the right to pay such fees if the Manager finds it is difficult to sell the Interests without paying such fees. Manager will notify potential Subscribers and Members if it does choose to pay such fees.

- (3) The Manager shall receive an annual fee of \$40,000. The fee shall only be paid in the event the Company receives interest payments from the Borrower. Please see "Fees Paid to the Manager."
- (4) At this time, the Company has no plans to make any expenditures on marketing, though the Manager may, at its discretion, choose to do so in the future.
- (5) Funds needed for costs related to running the Company.
- (6) Funds that will be used to lend to the Borrower under the terms of the Mortgage Loan. The \$3,000,000 land parcel must close escrow by April 21, 2016. The first \$3,000,000 raised under this offering will be utilized too close this escrow. In the event that sufficient funds to close this escrow are not raised by the required closing date and an alternate source of the said \$3,000,000, or portion thereof is utilized to close this escrow, then the first \$3,000,000, or portion thereof, raised under this offering will be used to reimburse the alternate source of funds. If the Company is only able to raise the minimum of \$3,000,000, then the Borrower shall use the funds to purchase land

BUSINESS DESCRIPTION, INVESTMENT OBJECTIVES, AND POLICIES

THE FOLLOWING NARRATIVE DESCRIBES THE PLAN FOR THE BUSINESS OF TRUAX HOTEL SPE, LLC BY THE MANAGER. HOWEVER IT SHOULD BE RECOGNIZED THAT THE MANAGER HAS DISCRETION WITH RESPECT TO THE CONDUCT OF THE BUSINESS AND AFFAIRS OF TRUAX HOTEL SPE, LLC. THE MANAGER MAY MODIFY THE FOLLOWING PLAN TO THE EXTENT THAT THE MANAGER BELIEVES THAT MODIFICATIONS OR ALTERATIONS ARE NECESSARY, IN THE BEST INTERESTS OF TRUAX HOTEL SPE, LLC, IN THE BEST INTEREST OF ITS MEMBERS, AND SUBJECT TO MEMBER APPROVAL REQUIREMENTS. ADDITIONALLY, UNLESS OTHERWISE INDICATED, ALL FIGURES AND PERCENTAGES HEREIN SET FORTH WITH REGARD TO COMPETITORS, MARKETS, MARKET SHARE, FINANCIAL PROJECTIONS, AND WITH REGARD TO INDUSTRY VOLUMES, NOT OTHERWISE SUPPORTED BY REFERENCE TO THIRD PARTY SOURCES, ARE AND SHOULD ONLY BE CONSTRUED AS EDUCATED ESTIMATES BY THE MANAGER, WHICH RESULT FROM THE INABILITY OF THE MANAGER TO OBTAIN SPECIFIC DATA. ACCORDINGLY, THE INVESTOR IS CAUTIONED TO REFRAIN FROM APPLYING ANY OTHER SIGNIFICANCE TO SUCH FIGURES AND PERCENTAGES EXCEPT AS OTHERWISE SPECIFICALLY INDICATED. **SEE, "RISK FACTORS."**

In connection with, and because the Company desires to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions readers regarding certain forward-looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on the Company's behalf, whether or not in future filings with the Securities and Exchange Commission. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by Truax Hotel SPE, LLC, or on the Company's behalf. The Company disclaims any obligation to update forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievement expressed or implied by

such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intend," "expects," "plan," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such statements.

BUSINESS DESCRIPTION

The Company is a special purpose entity formed to make one single loan to Temecula Hotel Partners, LLC. Temecula Hotel Partners, LLC was formed for the sole purpose of developing the land on 3rd Street in Temecula, California between Mercedes Street and Front Street as a luxury boutique hotel. The luxury hotel will run along one side of the street and the Borrower intends to develop the land on the other side of the street as a valet parking garage meant to service the hotel.

Potential investors are strongly encouraged to read the Property Package information attached as an exhibit along with all of the exhibits attached hereto. The Boutique Hotel, is a 151-room, 4 Star luxury boutique hotel with restaurant, retail and spa/health club facilities that are part of the hotel and will be operated by the co-developer, Bond Partners. Both Truax and Mr. Neste will be equity owners in the project.

About the Development of the Property

The Borrower intends to build a boutique, luxury hotel in Temecula, CA. The Boutique Hotel, is a 151 room, 4 Star hotel with restaurant, retail and spa/health club facilities that are part of the hotel and will be operated by our co-developer, Bond Partners. A 201 space parking garage is part of this project, to be built directly across Third Street from the hotel entrance. Both Truax and Mr. Neste will be equity owners in the project. This is a ground up construction project. Investors should read Exhibit A which has information about Temecula, California, the proposed projects, costs, renderings, and information about the developer/Borrower.

Please refer to Exhibit A for a detailed description of the project.

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About Ranch Development, Inc. dba Truax Development

Ranch Development, Inc. dba Truax Development (RDI) is focused on the historically correct development of Old Town Temecula. RDI recently completed its first project, The Truax Building, in May 2014 and has several more development projects in various stages of planning. The first two covered under this document are high profile, high quality Class A development projects that are “shovel ready” and designed to fulfill substantial unmet demand in Old Town for the types of projects described herein.

RDI was formed in 1998 by Bernard L. Truax, II (BLTII), incorporating his vast experience in the construction of structural steel commercial buildings and facilities. For the past 20 plus years, BLTII has been involved with the Temecula City Fathers to shape the current specific and master plans of Old Town. Over the past 45 years, BLTII has been involved in the construction of structural steel high rises, class A office buildings, as well as nuclear and traditional power plants throughout the United States.

This vast experience is the foundation upon which the development of Old Town will be based. BLTII, along with his expert and seasoned staff, are prepared to construct commercial buildings that are period correct to the history of Old Town and built to last “100 plus years” creating a legacy for all those involved in the projects.

BLTII’s standing in the community with political, business, government and charitable organizations and well-respected relationships built over decades uniquely position RDI to be the pre-eminent developer in Old Town.

The Temecula Valley of Southern California has become a largely undiscovered jewel with impressive demographics, low housing prices and extremely low crime rates. Local attractions range from Wine

Country with 42 wineries, golf courses, equestrian facilities, Old Town and casino gaming... all easily accessible by 23 million people within 1 ½ hours' drive. International visitors continue to grow as Temecula's attractions become known worldwide.

RDI continues to reach for the pinnacle in period correct, "market" correct designs, staying committed to quality and excellence as it continues development of its portfolio of high quality and financially successful properties.

Over the past eight years, RDI has developed its own proprietary project proforma that is exhaustive in financial and construction details that identifies potential risks as well as serves as a modeling tool to create the optimal financial performance of the project. This is the same proforma format that delivered The Truax Building within \$100,000 of the projected budget.

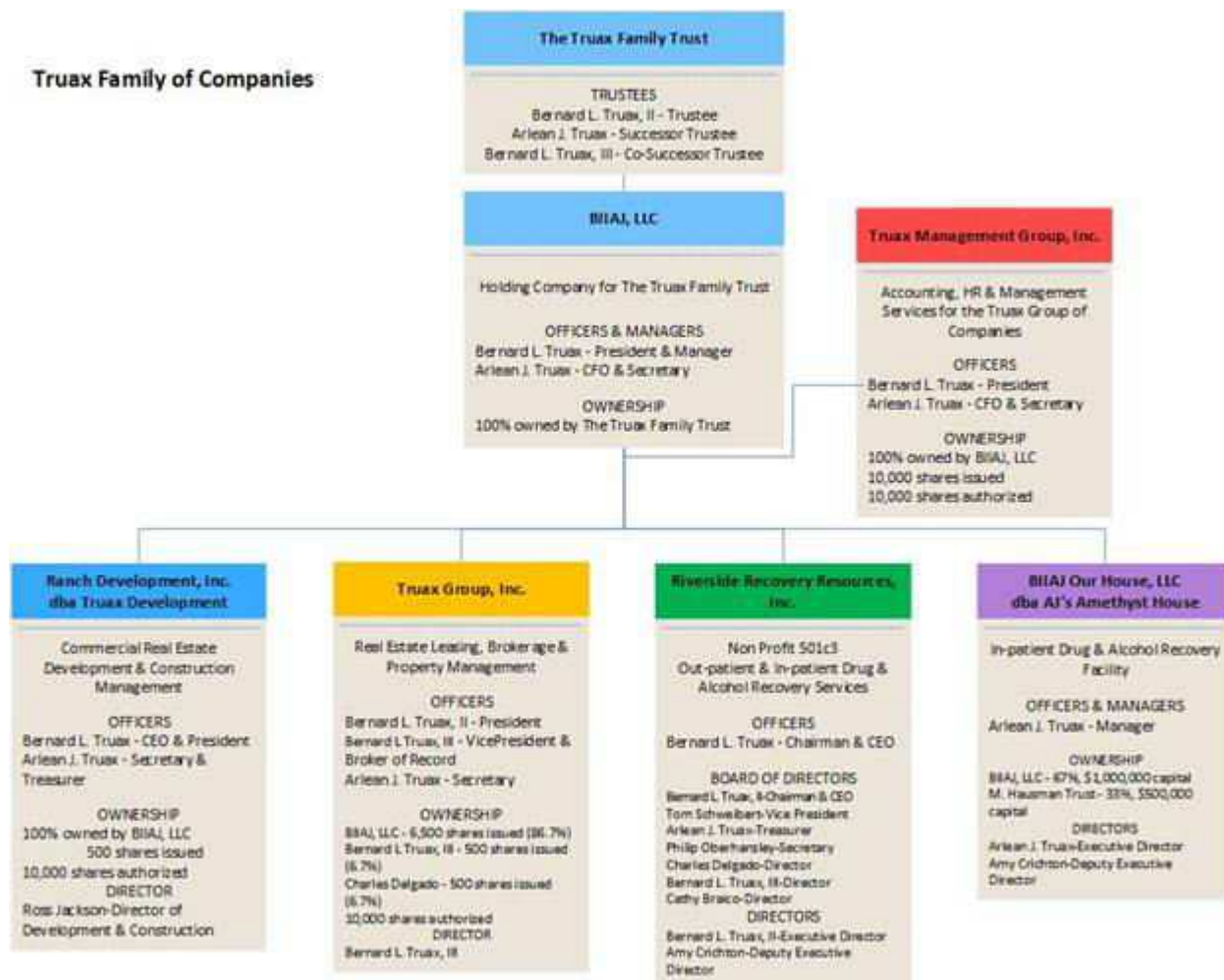
Truax's long term strategy is to build, lease-up with high quality, long-term tenants and to then hold the properties for long-term appreciation. As such, proforma projections are purposely conservative to ensure that the projects are of the financial quality to become part of the long-term portfolio.

RDI is currently developing two projects in Old Town Temecula, CA, with several more commercial projects in the feasibility assessment stages representing a total of over \$400 million in development projects over the next 5 to 7 years, all located in Old Town Temecula.

These projects include:

Boutique Hotel (the subject Project)	\$80,000,000
Marketplace Specialty Retail & Restaurants	\$50,000,000
4th & Front St Retail & Office Building	\$10,000,000
2nd & Front St Entertainment Building	\$80,000,000
Old Town Convention Center & Hotel	\$200,000,000

The Truax Family of Companies: Corporate Structure



Management Hierarchy

BLTII is the Manager/President for all Truax-related LLCs/stock corporations, partnerships, and trust vehicles. As such, Truax Development does not own real estate. All real estate projects are owned by special purpose entities, referred to as Project LLCs (in this case, the Borrower, Temecula Hotel Partners, LLC.)

For a variety of reasons, including segregation of liability and for estate planning and wealth transfer purposes, all developable real estate assets are owned in limited liability companies (LLCs), with the real estate being the LLC's only asset, a common structure for both private and public real estate companies. BI AJ, LLC has control and is the financial support behind all Truax-related LLCs, partnerships, and trust vehicles.

BLTII also has de facto control over related family entities (such as TMG, Truax Development, TG, RRR and AJAH) as a result of loans he has made to and equity investments in those entities, or because he is designated as managing member, general partner, or executor. There are no unaffiliated/un-invested third

party owners of Truax-related assets or entities.

Company Descriptions

The Truax Family Trust – BLTII is the Trustee of the trust and Arlean J. (AJ) Truax, BLTII’s wife, is Successor Trustee. Bernard L. Truax, III (B3), BLTII’s son is also a Co-successor Trustee of the trust.

BIIAJ, LLC – is the Truax holding company that owns all of BLTII’s and AJ’s ownership interests in real estate, recovery services and other commercial interests. BIIAJ is 100% owned by The Truax Family Trust. BIIAJ is managed by BLTII and is the central point of decision-making for all subsidiary entities. AJ is also an officer of BIIAJ, and along with B3’s counsel, is the successor manager and decision maker.

Truax Management Group, Inc. (TMG) – is an operations management company that provides centralized support services to all of the operating entities shown above, plus the anticipated Project LLCs under a Project Administration Agreement. TMG provides accounting, HR, purchasing, marketing, business development and other administrative and management services. This structure allows for very cost-effective support services to be provided to the “client companies”, including the Project LLCs. Each Project LLC will have a Project Administration Agreement with TMG.

Ranch Development, Inc. (RDI) dba Truax Development (TD) – RDI and TD are a single entity but operate as two divisions – RDI fulfills the construction management responsibilities and TD fulfills the development management responsibilities, each under separate agreements directly with the Project LLC.

Truax Group, Inc. (TG) – is the real estate brokerage company that provides listing, leasing, sales, acquisition and property management services to all Truax projects and to the general public.

Riverside Recovery Resources, Inc. (RRR) – is a 501(c) (3) tax-exempt nonprofit company that provides in-patient and out-patient drug and alcohol counseling and treatment services. RRR has facilities in Lake Elsinore, Riverside and Hemet, CA

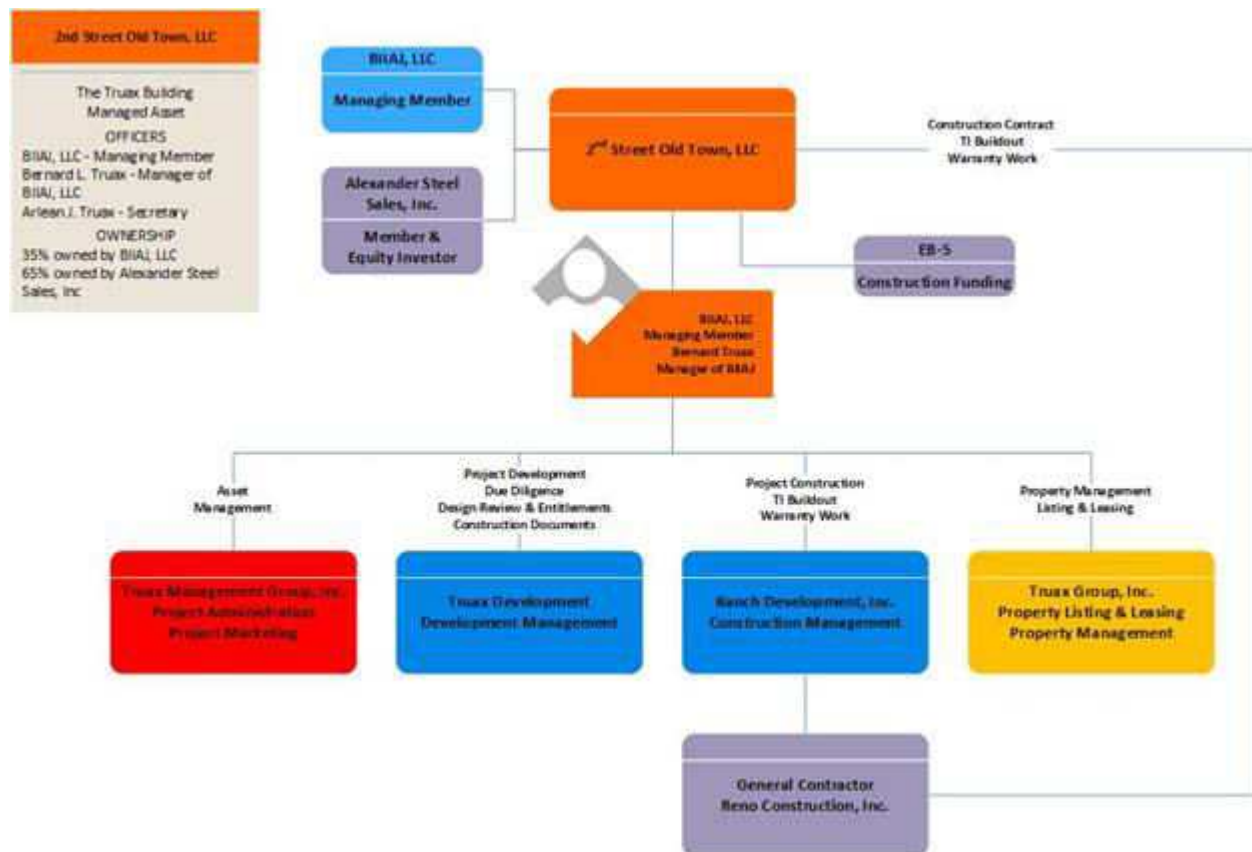
BIIAJ Our House, LLC dba AJ’s Amethyst House (AJAH) – is a for-profit company that operates a 28-bed women’s residential treatment facility in San Jacinto, CA.

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Example of the Project LLC Corporate Structure

2nd Street Old Town, LLC (2nd Street) is the Project LLC for the Truax Building completed in May 2014. All future Project LLC structures will be modeled after the 2nd Street structure. The Truax Building is currently in the lease-up phase and is approximately 65% leased. Upon completion of lease-up, The Truax Building will go into the “Asset Management” phase. The Company will lend to the Project LLC – in this case, Temecula Hotel Partners, LLC.

Below is the structure of The Truax Building special purpose vehicle, or Project LLC (Temecula Hotel Partners, LLC.) The Borrower will model the structure of the projects to be funded after this same structure, as it is a proven structure that works very well during the development, construction, lease-up and asset management stages of the project’s life cycle.



The chart above is an example of the structure of 2nd Street, LLC, the Project LLC for The Truax Building that was completed in May 2014. 2nd Street Old Town, LLC was formed in 2006 for the sole purpose of developing, building, leasing-up and asset-managing The Truax Building. Buck Johns and his team at Inland EB-5 Regional Center provided the debt capital for the project in the amount of \$20 million, Don Alexander of Alexander Steel Sales, Inc. provided the equity capital in the amount of \$4 million, and The Truax Companies brought the expertise to develop, fund, construction manage, lease-up and asset-manage the project to its current status. This project is highly successful, is two thirds leased to high quality and long term tenants. Actual construction costs came in within \$100,000 of the original final budget, further attesting to RDI's commitment fulfilling all aspects of a development project successfully. The Company will lend to Temecula Hotel Partners, LLC that is the Project, LLC for the Boutique Hotel Project described herein.

Market Overview

The Boutique Hotel Project will be located in Old Town, Temecula, California. Old Town Temecula is located on the west side of the I-15 freeway which is serviced by two off ramps. The project site is located on the corner of Front Street and Third Street one block southwest of Temecula City Center and public parking structure, consisting of 480 parking stalls.

In 2013, travel spending in Temecula Valley was approximately \$651 million which represents a 2.3 percent increase from the previous year. During 2014, travel spending in Temecula Valley directly supported 6,900 jobs with earnings of \$196 million.

In 2015, the population in Temecula was approximately 100,097 with the entire surrounding area, known as "Temecula Valley" at approximately 337,857. Between 2010 and 2014, the area has realized an approximate population growth rate of 9%. When compared to other southern California cities and towns with similar household incomes (approximately \$98,000), Temecula Valley is growing by a 6% greater rate than those areas with similar demographics. See our Property Package attached as Exhibit A.

Competition

Since the Company is a special purpose entity, it does not face competition. However, the Borrower faces competition from other area hotels. If the Borrower is unable to compete with these area hotels, it will be unable to make payments on the Mortgage Loan. The following list includes some of the competitors of the Borrower.

South Coast Winery. South Coast Winery is a hotel, spa, winery located in the wine country area of Temecula. It includes 76 villas with fireplaces, marble bathrooms, private terraces, and the internet. This resort includes a winery and restaurant.

Ponte Vineyard Inn. Ponte Vineyard Winery is a 4-star resort that includes 60 rooms that feature pillow top beds and premium bedding. The inn includes a fine-dining restaurant, spa services, and a winery.

Temecula Creek Inn. Temecula Creek Inn is a 130 room golf resort approximately 12 miles outside of wine country. Features includes rooms with either a patio or balcony.

Pechanga Resort and Casino. Pechanga Resort and Casino includes 517 rooms and features an onsite golf course and casino. The resort also includes fine dining choices include upscale steaks at The Great Oak Steakhouse, Umi Sushi & Oyster Bar, a coffee-wine bar, a food court and Italian fare at Paisano's. More casual dining options include an all-you-can-eat buffet, a Chinese/Vietnamese cafe, a casual diner, a sports bar and grill, a golf-course restaurant and an authentic Pan-Asian bistro.

The Borrower has experience in real estate development. Please see “MANAGEMENT” for information about the Borrower, the manager, the developer, and its principals.

FEES AND CASH DISTRIBUTIONS

The Company is offering to sell Interests (“Interests”) to suitable investors on which the Company will distribute realized profits in proportion to each Member according to their membership interest in the Company. The Manager shall make quarterly cash distributions, starting from the point at which the Company first receives interest payments from a Borrower. The date that the fund will close and the Company will return Members’ Capital Contributions is not known at this time. The Company may in the future call for additional capital at the discretion of the Manager at which time the Members will have the first right to contribute additional capital and the Company will accept any request for reinvestment of distributions.

Profits of the Company will be distributed to each member in the following manner:

The Cash that a Member invests shall be defined as the Member’s “Capital Contribution.” Each Member shall have an established Capital Account (“Capital Account”) to which their Capital Contributions are accounted for. Based on the proportion of the Capital Contribution of the individual Member to the aggregate Capital Contributions by all Members, the Company will distribute realized profits to the Members, quarterly by the 15th of each following month.

Fees Paid to Manager

The Manager may receive fees from the Borrower and the Company as authorized in the Agreement and summarized below:

<u>Phase of Operation</u>	<u>Basis for Fee</u>	<u>Amount of Fee</u>
Management Fee (Fee charged to the Company)	Fees associated with oversight of the fund and the fund assets.	The Manager shall receive an annual fee of \$40,000. This fee will only be paid as interest on the Mortgage Loan imagined by the Company
Foreclosure Administration Fee (Fee charged to the Company)	Manager’s compensation for time spent administering any foreclosure.	Reasonable compensation for time spent administering foreclosures. The total the Manager may receive cannot be determined at this time
Bankruptcy Administration Fee (Fee charged to the Company)	Manager’s compensation for time spent representing the Company in any bankruptcy proceeding.	Reasonable compensation for time spent administering bankruptcies. The total the Manager may receive cannot be determined at this time.

Voluntary Transfer Fee (Fee charged to the Departing Member)	Manager's Compensation for time spent administering any approved voluntary transfer.	\$500-\$1,000 per Voluntary Transfer. The total the manager may receive cannot be determined at this time.
Involuntary Transfer Fee (Fee charged to the Member)	Manager's compensation for time spent administering any transfer due to death or bankruptcy of a Member (an "Involuntary Transfer").	\$500-\$1,000 per Involuntary Transfer. The total the Manager may receive cannot be determined at this time.

Redemption

The Company does not have a redemption policy. Members should look at investing as a long term investment. Members will most unlikely be able to sell their Interests privately unless they have an exemption from registering the security and the sale is conducted within the terms of the Operating Agreement. The Borrower intends to refinance the entire Property (including both the Mortgage Loan and the first deed of trust loan) with permanent financing in year five. If the Borrower is able to refinance the Property, the Borrower will retire the Mortgage Loan and the Company will return the Capital Contributions and distribute any available profits to the Members. The term of the Mortgage Loan is six years, but the Borrower may retire the Mortgage Loan any time after the fifth year without penalty. There is a possibility that the value of the Property will not be such so that permanent financing may be obtained on favorable terms or at all. If the Property does not have an appraised value that equals or exceeds \$100 million.

DILUTION

The Manager may elect to sell additional Interests in the future without the consent of the Members. The sale of additional Interests may dilute the Member's Percentage Interest, as defined by the Operating Agreement. The Manager will not sell Interests for less than or more than \$1,000 per Interest. However, in the event that the Company offers additional Interests, the then-current Members shall have the first opportunity to purchase such Interests and only after that opportunity is granted shall the Company then look to sell Interests to outside investors.

LEGAL PROCEEDINGS

The Company may from time to time be involved in routine legal matters incidental to the Company's business; however, at this point in time the Company is currently not involved in any litigation, nor is the Company aware of any threatened or impending litigation.

MANAGEMENT

Information on the Borrower:

The Borrower is Temecula Hotel Partners, LLC. Temecula Hotel Partners is controlled by the Truax Family of companies. The biographies of the executive team of these companies are listed below. Please also see the organizational charts in the section entitled "BUSINESS DESCRIPTION, INVESTMENT OBJECTIVES, AND POLICIES" above.

Truax Family of Companies:

The Truax Executive Team has been created over the past five years mostly from existing relationships that BLTII has developed over the past 30+ years. Each member of the team has not only a proven track record in their field of expertise, but also have passed the rigorous standards, set by BLTII, of professionalism and their ability to work together cohesively.

Bernard L. Truax, II

Chief Executive Officer, all Truax companies

Bernard L. Truax II returned from the service in 1969. Mr. Truax then began his career of over 45+ years in the construction and development industries. Looking back, his resume begins at a small, national sub-contractor in his home town of Washington, PA working for Plasteel products in the steel product manufacturing and installation industry. As a sales engineer he worked with ALL 29 major design build firms in the United States, a few of those included: Brown & Root, Bethel Steel, Ebasco Services, Lockwood & Green, Parsons and also Fluor.

In 1971, Mr. Truax joined Inland Ryerson Construction “INRYCO”, a wholly owned subsidiary of Inland Steel, at the time the third largest steel company in the world. This new platform provided many new challenges and even more difficult projects to collaborate on such as:

- Apollo Moon Rocket Launch Tower
- U.S.S. Bethlehem Steel – B.O.F.
- Nuclear Power Plants
- Conventional Power Plants
- Air Wing 747 Hangers
- Sears Tower
- World Trade Center

Mr. Truax II’s effective senior management and servant leadership has correlated to nearly all projects being completed on time and on budget. For the last 25 years, Mr. Truax has been intimately involved with the development process from site selection to certificate of occupancy. This reputation led Mr. Truax to be recruited by The Garrett Group in 2001 to create and develop their commercial and industrial divisions. He was tasked to develop several sites within the Silver Hawk Corporate Center in Riverside County. He also developed many industrial and corporate office buildings including the award winning Garrett Group Corporate Headquarters in Temecula. Mr. Truax’s list of completed projects is only superseded by the amount of industry expertise he brings to the team.

Mr. Truax’s states, “having a passion to train and develop others has been a key factor in our many years of success.” He has a desire to share his wealth of knowledge and experience by assisting and consulting other developers as needed. His ability to plan and forecast has allowed him to work through different economic environments and remain one of the area’s premier developers.

Mr. Truax also believes in building individuals. Through servant leadership he has served on many boards and commissions including:

Current

- Chairman of the Board and Executive Director of Riverside Recovery Resources, a

- nonprofit alcohol and substance abuse treatment company;
- Member of the Board of Directors and Treasurer of Temecula Valley Central Office of Alcoholics Anonymous, a nonprofit charitable organization;
- Board Member of the Temecula Theater Foundation;
- Board Member of the Temecula Valley Symphony and Orchestra;
- Founder Old Town Owners Association;

Past

- Senior Warden, St. Margaret's Episcopal Church;
- Chairman of Board of Directors, St. Margaret's Episcopal School;
- Member of Board of Directors, La Cresta, a private community;
- Chairman of Architectural Review Board for La Cresta;

Finally, he has been intimately engaged in the community. He directly betters the lives of those around him with a simple motto – BUILD GREAT BUILDINGS. Brick-by-Brick, he continues to create great communities.

Shawn Nelson

Chief Financial Officer, Truax Management Group, Inc.

Shawn Nelson assumed the role of Chief Financial Officer joined the Truax Family of Companies in fall of 2015. He has brought with him over 21 years of experience working with the City of Temecula. During that time, he spent 13 years serving as the City Manager for the City of Temecula. His tenure of success was developed from years of hands-on-experience, working on multi-million dollar budgets, managing teams of people and major public projects. As City Manager, he led many successful projects, many of them were right here in Old Town Temecula. He was instrumental in creating the board walks, adding the community theater, the Temecula Valley museum, town square as well as the Civic Center Project. These city works reshaped an environment that is now attractive for investors.

Since Shawn Nelson joined the Truax Family of Companies, he has pushed the companies forward into an environment of clear communication and consistency. When Shawn came aboard, he worked with various teams to create budgets for the six companies that comprise Truax. These budgets identified strategic goals for the upcoming year. Shawn excels at communicating these goals and inspiring team collaboration working toward the vision.

Shawn has also been valuable acting as an intermediary on behalf of the development projects and the City of Temecula. His leadership has played a large role helping both sides work toward their common goal of completing substantial projects on time and on budget.

Finally, he laid the framework over several months to establish a joint-venture. This ensured AJs Amethyst House will continue to restore the lives of women from drug and alcohol addictions. Without the experience and leadership of Shawn Nelson this joint-venture could not have been executed in such a timely manner.

Ross Jackson

Director of Development and Construction, Ranch Development, Inc.

Ross Jackson has been with RDI for four years and provides the company with a wealth of construction knowledge in all phases of building construction and tenant improvement work. Ross' ability to interface

with clients has proven to be a strong asset. Clients greatly appreciate his ability to think out of the box. His ability to analyze and resolve problems, along with his openness to listening to the needs of clients and contractors, has instilled confidence in the field workers as well as in the office. His teamwork and ability to solve problems with actual in-field construction experience helps Truax Development provide leadership throughout the construction process. His 30-plus years of experience encompass experience on railroad projects, bridge projects, government/waterfront Projects as well as commercial projects.

John H. Mueller, III

Director of Corporate and Strategic Planning, Truax Management Group, Inc.

Mr. Mueller has 25 years of experience in business management and operations, financial modelling and projections, and strategic and tactical planning.

John graduated from the United States Naval Academy in 1982 and served on active duty until 1987. While on active duty, he served as Chief Engineer aboard ship and Director of Personnel Security on shore duty in Washington, DC. After an honorable discharge from the Navy, Mr. Mueller opened his first small business, a commercial printing company in northern Virginia based on his own concepts and ideas. He grew the company for three years and then sold the company to a competitor.

Mr. Mueller spent the next four years in commercial trading and personally negotiated and managed nearly \$500 million in contracts with Fortune 5000 clients. In 1994, Mr. Mueller began his own private consulting firm, providing services to small and midsize businesses in the areas of efficiency, systems and cost containment. As the Internet and information technologies developed, Mr. Mueller transitioned his services to process automation, systems development, business planning and management.

Since then, Mr. Mueller has effectively developed new ideas and concepts, business models, business processes and automation systems and overseen their implementation and management for businesses and technologies in a wide range of industries. Mr. Mueller has developed and maintains contact with a far-reaching network of industry experts who specialize in specific areas of business technologies, engineering and sciences, and business management, incubation and development.

Bernard L. Truax, III

Broker of Record, Truax Group, Inc.

Bernie L. Truax, III showed his leadership skills early in life as the captain of his high school wrestling team in Pittsburg Pennsylvania, where he led his team to many victories and was recognized as “Most Outstanding” wrestler.

He carried this drive for excellence with him to Robert Morris University where he graduated with a Bachelors of Finance degree in 1993. Shortly after his graduation Bernie moved to California and began his lifelong career as a successful entrepreneur.

His first venture was a vending machine business which he expanded to include coffee and office supplies. He created a solid successful business and then sold it and opened up a restaurant franchise in Aliso Viejo, CA.

Once again Bernie set records by becoming the fastest growing franchise in the history of the company. In 1996 he opened his second restaurant and by 1998 he had three locations and over 65 employees.

However, his true passion remained in real estate. Bernie sold his restaurants in 2004 and set his sights

on residential real estate. Always striving to be a leader in his industry, Bernie was a four time winner of the Hall of Fame with First Team Real Estate and became an expert in the short sell market by successfully completing over 500 short sale transactions and teaching other agents to do the same.

In 2014 he added additional depth to his capabilities by securing his broker's license and in 2015 Bernie L. Truax, III became the Broker of Record for the Truax Group where he currently leads the residential and commercial real estate division.

Bernie is actively involved in his church and the community as the Vice President of the Rancho Buena Vista Football program, volunteer wrestling coach since 2004 and on the Board of Directors of Riverside Recovery since 2015.

Joel Bordes

Senior Commercial Leasing & Property Management Broker, Truax Group, Inc.

Mr. Bordes is an accomplished real estate professional with 20 years of experience in finance, business development and management, asset and property management, accounting, leasing, brokerage, and investment syndication.

Mr. Bordes started his corporate career in 1990 in Paris, France as a financial analyst with Group Sucden et Denrees, a global commodities trading company and a world leader in sugar, cocoa and coffee trading, where he rose to the position of Controller, actively participating in the financial monitoring and risk management of major international oil/sugar barterers. Mr. Bordes was then promoted in 1993 to the position of Executive Director of Risk Management and Financial Reporting in the company's main subsidiary, Amerop Sugar Corporation, now Sucden America Corp, located in New York City, and then relocated to Miami, FL in 1995.

After leaving Sucden in 1996 (with whom he remained a consultant for 2 years), Mr. Bordes became an internet startup entrepreneur in 1996 and founded Escapades Tours in New York City, which quickly became a leading Europe-bound online tour operator in the United States, selling hotel rooms and customized tours to more than 20,000 customers a year.

After selling the company to the Exclusive Hotels Group, Mr. Bordes started his real estate career in 2005 as Chief Operating Officer with Winner Baird Real Estate, a full service real estate firm located in Corona, CA, and then Socoa Partners, Mr. Bordes' own company, where he supervised the leasing and management of more than 40 Retail, Office, Medical and multi-family Residential projects located throughout Southern California, totaling 2.5 million SF of commercial space and more than 1,000 apartment units.

During his tenure, Mr. Bordes also supervised the acquisition and syndication of multiple office projects in San Diego and Riverside counties with private equity firms and investors, negotiated hundreds of leases with national, regional and local tenants (Cardenas, Tristone Cinemas, Big 5, Verizon, Jack-in-the-Box, etc.) and governmental agencies (GSA, US Census Bureau), and represented outside real estate developers (Sovereign Properties, Crown Operations) in the acquisition of land properties and the leasing up and management of their projects.

Mr. Bordes was recruited by the Truax Group in February 2014 as Vice President of Real Estate Services. Since then, he has supervised all such activities for the Truax Group, signing leases with AppleOne Employment Agency and various other tenants and supervising the acquisition of properties for the Group as well as outside developers. He is also the exclusive agent representing the Tristone Cinema Group.

Mr. Bordes brings an extensive experience in all aspects of Commercial Real Estate, and has a proven ability to build, market and manage projects from the ground up. He holds an MBA in Finance and a Bachelor's Degree in Economics from the prestigious University of Bordeaux, France, and is a licensed Broker in the state of California.

Bond Partners: Hotel Development & Operations Partner

Bond Partners (BOND) focuses on the development, transition and asset management of the hospitality lifestyle projects. The company has projects in operation and under development in Phoenix AZ, San Jose Del Cabo BCS, and Napa Valley CA. The company is poised for expansion with additional projects in stages of development in Midland TX, Sonoma County CA, San Diego CA, Fort Worth TX and Temecula CA. Under the partnership with RDI, Bond Partners will be responsible for the development planning of the Hotel design, buildout and ongoing operations, as well as the on-site restaurants and health club/spa amenities.

BOND's primary business activities revolve around identifying projects in key target markets that are underserved by truly authentic lifestyle hospitality products. Lifestyle hospitality products are defined as projects that are architecturally significant, highly stylized and fully serviced. BOND has extensive experience and success with lifestyle hospitality management and development. This is the main focus of our business.

Unlike traditional hotel and resort developers, BOND seeks to partner with local developers who have solid track records and accomplished experience executing on development projects. BOND essentially becomes the developer's in-house hospitality execution team. The developer executes on the traditional development functions, and BOND performs all of the items that are paramount to a successful hospitality development and operation.

With BOND's extensive development, operations, asset management and branding/marketing experience in the lifestyle hospitality industry, along with their personal relationships with the top lifestyle brands, management companies, celebrity chefs and high concept bar and lounge operators, BOND is able to execute at a high level in the creation and development of world class projects.

History of Company. Bond Partners, LLC is a San Diego based, diversified hospitality and real estate development company founded in 2011 by Robert Watson and Paul Guccini. Bond Partners was preceded by affiliated companies Bond Urban Habitat and Bond HD in 2005 and 2008 respectively. Specializing in the development, opening and operating "lifestyle hospitality products" – Bond projects that are architecturally significant, highly stylized and fully serviced. Bond Partners provides the full range of services needed to create a truly unique signature product, either directly or through its many industry partners, including:

- *Pre-development activities* – market due diligence, feasibility analysis, lifestyle concept development, underwriting and investment memorandum
- *Development* – capital raise, architect and designer identification and management, brand and management identification, pre-opening critical path, and construction management
- *Finance* – Quality assurance and control, cost control, prepare project pro forma financial statements, prepare pre-opening, operating supplies and equipment, furniture, fixtures and equipment, and technology budgets

- Sales/Marketing/Branding – strategic branding during architectural phase, brand and style guidelines, marketing communications plan, market assessment, pricing strategies, prepare strategic sales and marketing plan and budget and proposed reservations and revenue management plan

Bond Partner executives have been involved in over 60 major hotel projects during their careers for names such as Starwood Properties – W Hotels, Hotel Monaco, Solage Hotels & Resorts, Westin, Four Seasons, Sheraton and Marriott. Since forming Brand Partners, the company has developed or is in the process of developing six unique lifestyle properties, including The Modern Honolulu, Eden Roc Miami Beach, 21c Museum Hotel (Louisville), North Block Hotel (Yountville CA), and The Foundry Hotel (Phoenix).

Bond Partners has been researching and performing due diligence in the Temecula region for four (4) years prior to being introduced to Truax Development and forming a working relationship in 2015. Bond originally pursued resort sites in wine country but moved their focus after identifying a missing higher end segment of the hospitality market matched with the affluent and high volume clientele in Old Town. Old Town continues to evolve and has created a great hospitality opportunity to satisfy an unmet demand for a high quality and high service level property.

Hotel Development Projects

The Modern Honolulu – a chic cosmopolitan 353-room boutique hotel located on Waikiki Beach overlook the marina. This is a \$250 million redevelopment and rebranding project of the old Renaissance Waikiki.

Eden Roc Miami Beach – the renovation of a 631-room oceanfront hotel located on South Beach in Miami, Florida. The project combined the legendary Morris Lapidus designed tower of the ultramodern Ocean Tower and a repositioning of the property as a modern contemporary destination with four exclusive pools and a world-class spa. The cost of the renovation and repositioning of the property was \$300 million.

21c Museum Hotel (Louisville) – a 90-room boutique hotel, contemporary art museum and cultural civic center located in downtown Louisville, Kentucky. The hotel was voted among the Top 10 Hotels in the World in Condé Nast Traveler Readers' Choice Awards in 2009, 2010 and 2011 and was also voted as the No. 1 Hotel in the South in the 2012 Condé Nast Traveler Readers' Choice Awards.

North Block Hotel – a modern boutique 20-room hotel located in Yountville, California in Napa Valley. The project was a \$2 million renovation, rebranding and repositioning of an existing property.

The Foundry Hotel – a 105-room redevelopment project located in Phoenix, Arizona scheduled to open in Spring 2016. As redeveloped, the hotel will be a place for locals and visitors to enjoy art and culture in a comfortable relaxed setting. The anticipated cost of the project is \$24 million.

Robert Watson

Founder & CEO, Bond Partners LLC

Robert Watson, age 50, is the CEO and Creator of Bond Partners, LLC and is recognized as one of the nation's leading hoteliers and lifestyle hospitality brand innovators. Robert is recognized as a key player in the creation of both the Hotel Monaco Brand with Kimpton Hotel and Restaurant Group and W Hotels, with Starwood Hotels and Resorts. Robert served as Regional Director of Brand Operations for W Hotels Western U.S. properties for over four (4) years. Robert joined the W Brand at its inception, and was instrumental in the brand's successful evolution while holding numerous General Manager positions leading

up to his regional appointment. Before W Hotels, Robert worked with Kimpton Hotel and Restaurant Group for five years Operations and General Manager positions, during which time he opened the first Hotel Monaco. Robert began his hotel and restaurant career with Four Seasons Hotels and Resorts in 1992 and served in Food and Beverage and Operations Management positions. Robert most recently served as President of Solage Hotels and Resorts from January 2010 to December 2013. Mr. Watson received a Bachelor of Arts Degree from San Diego State University, a Master's Degree in International Hotel Management from Schiller International University in London, England, and was awarded an Executive Diploma in Hotel Management and Development from Cornell University, Ithaca, New York.

Paul Guccini

Chief Financial Officer, Bond Partners LLC

Paul Guccini, age 51, brings more than 30 years of hospitality experience and more than 20 years of senior financial leadership in the industry to the Company. Mr. Guccini joined Bond Partners in 2007. Paul served as Comptroller and Chief Financial Advisor for 21c Museum Hotels, a Bond Partners Property, from 2007-2011, as well as CFO of Solage Hotels and Resorts from 2010 – 2014. From January 2005 to July 2007, Paul served as Vice President and Regional Director of Finance for Interstate Hotels & Resorts, the nation's largest independent hotel management company. During his tenure, Paul oversaw direct hotel accounting staffs in all financial management activities for 45 hotels, including a 23 hotel portfolio owned by Goldman Sachs. Before Interstate, Paul was Area Director of Finance for Starwood Hotels & Resorts, specifically W New York, W Court and W Tuscany Hotels in Manhattan, NY from August 2001 to January 2005. There he managed a staff of 16 and transformed the financial function of one of the company's top five EBITDA producers worldwide, stabilizing the financial presence within operations while assisting in brand finance initiatives. Prior to that Paul served as Controller and later as Area Controller for Wyndham International in Los Angeles, New York and Boston from February 1991 to August 2001. Paul began his career in hospitality financial management with Wyndham Hotels & Resorts in 1991 after ten years in various hotel and restaurant operating roles. Mr. Guccini received a Bachelor of Science degree from the Conrad N. Hilton College of Hotel and Restaurant Management at the University of Houston, Houston, Texas.

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MANAGER OF THE COMPANY

Charles X. Delgado

Chief Legal Officer, Truax Management Group, Inc.

Mr. Delgado was a Deputy Attorney General for the California Attorney General's Office where he represented the Departments of Real Estate, Corporations, Insurance and Banking for 7 years.

In 1981 he was hired to serve as counsel for Kaiser Development Company, the Owner and Master Planner of approximately 98,000 acres of land formerly known as Rancho California and what is commonly known today as the Temecula area located in Southwest Riverside County. After Kaiser was sold in 1987, Mr. Delgado worked as Counsel for The Hahn Company, a major shopping center developer and was subsequently general counsel for Ferguson Partners, a business park developer in Irvine, CA.

Mr. Delgado joined the Truax Companies in 2013, bringing with him extensive experience in commercial and business park development transactional work. He has represented the aforementioned clients and others in the financing, acquisition, development, leasing and sale of numerous projects ranging from small commercial strip centers to regional malls and high rise office buildings. He has negotiated and drafted purchase and sale agreements, leases, reciprocal easement agreements, owner participation agreements with governmental entities, and other miscellaneous documentation pertaining to developer responsibilities. Mr. Delgado is a graduate of the University of San Francisco and Loyola Law School of Los Angeles.

*PLEASE NOTE: Mr. Delgado has multiple conflicts of interest. He represents both the Company and the Borrower. This is an unresolvable conflict of interest.

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FINANCIAL STATEMENTS AND REPORTING

History of the Company and Manager

The Company is newly formed and has no experience raising funds.

Financial Statements of the Company

The Company is newly formed and does not have an audited financial statement. The Manager will maintain an in-house financial statement on the Company, which it will distribute to the Members at the end of each quarter and every fiscal year.

Communications with Members

The Manager intends to furnish Members with ongoing financial information about the performance of the Company and to use electronic mail (e-mail) as the primary method of communication. Each member must have an e-mail account or must agree to establish an e-mail account.

TAX CONSIDERATIONS

The potential investor should be aware of the material Federal income tax aspects of an investment in the Interests, effective as of the date of this document. An investor should consult with their tax professional to determine the effects of the tax treatment of the Interests on their individual situation.

Reporting Status of the Company

The adoption, by the IRS, in 1996, of the so-called 'check-the-box' regulations sets partnership status as the default Federal tax classification for limited liability companies being formed today. No further action is needed to be taken by the Company to obtain partnership status.

In addition, the Company, will operate under the Revised Uniform Limited Liability Company Act, and as such, the Company will elect to be treated as a partnership for State income tax purposes.

By maintaining partnership tax status, the Company will not be taxed on income or loss at the Company level, but will report to each Member their distributive share of profits and losses from operations and disposition according to the Operating Agreement. This process will make the Company a pass through entity for tax purposes. Taxation of Members

The Company will be treated as a partnership for Federal tax purposes. A partnership is not a taxable entity. Rather, the profits pass through the partnership down to the Members. Thus, each Member will be required to report on their Federal tax return their distributable share of partnership profit, loss, gain, deductions or credits.

Basis of the Company

An original tax basis will be established for the Company. The tax basis will be adjusted during the operations of the Company by the addition of any capitalized expenditures.

Basis of a Member

A Member will establish their original tax basis by including their initial capital investment. The Member's tax basis will be adjusted during the operations of the entity by the addition of capital contributions made.

In total, a Member may deduct their share of Company losses only to the extent of the adjusted basis of their interest in the Company.

Deductibility of Prepaid and Other Expenses

The Company will incur expenditures for accounting fees associated with the preparation and filing of the annual informational return and the preparation of Schedule K-1 reports to be distributed to the Members. These expenditures will be deducted on a monthly basis along with other expenditures of the Company such as the fees paid to the Manager, expenses related to lending on Properties (title, recording, etc.), and bank service charges.

All other normal operating expenses will be deducted on a monthly basis by the Company, which will use a calendar accounting year.

Annual Operations

The Manager is projecting that there will be taxable income to distribute to the Members on the Schedule K-1 report provided to each Member, annually. This taxable income will be reported by each Member, along with the other taxable income or loss they have to report. The tax liability incurred by each Member will depend on their individual marginal tax and capital gains rates for both State and Federal tax.

Disposition

On dissolution and termination of the Company the Members may be allocated taxable income that may be treated as ordinary income or capital gain. The Operating Agreement states the procedures on the dissolution and termination of the Company.

In addition, the Members may receive an adjustment in their Capital Account that will either increase or decrease the capital gain to be reported. The Operating Agreement describes the operation of capital accounts for the Company and the Members.

Phantom Income

It may occur that, in any year, the Members will receive an allocation of taxable income and not receive any distribution of cash. This event is called receiving phantom income in that the Member has income to report, but receives no cash.

Sale or Other Disposition of a Member's Interests

A Member may be unable to sell their interest as there may be no market for the interests. If there is a market, it is possible that the price received will be less than the market value. It is possible that the

taxes payable on any sale may exceed the cash received on the sale.

Upon the sale of a Member's interest, the Member will report taxable gain to the extent that the sale price of the interest exceeds the Member's adjustable tax basis. A portion of taxable gain may be reported as a recapture of the cost recovery deduction allocated to the Member and will be taxed at the cost recovery tax rate in effect at that time.

Tax Returns and Tax Information

Annually, the Manager will file an informational return, using IRS Form 1065. In addition, the Manager will annually provide each Member a Schedule K -1 report. Each Member will report this income or loss along with their other taxable income. The tax liability incurred by each Member will depend on their individual marginal and capital gains tax rates for both State and Federal tax. The Manager will attempt to provide the annual tax information to the Members by March 31st.

SECURITY OWNERSHIP/BENEFICIAL OWNERS

Charles X. Delgado shall be entitled to receive the fees discussed in "Fees Paid To the Manager."

DESCRIPTION OF SECURITIES

The Company is hereby offering up to 16,000 Interests. 16,000 Interests represent 100% of the equity capitalization of the Company. The Company currently has no Interests outstanding.

GLOSSARY

The following definitions are for terms throughout the Operating Agreement

"Act" shall mean the California Revised Uniform Limited Liability Company Act, as may be amended from time to time.

"Additional Member" shall mean any person that is admitted to the Company as an additional member pursuant to Article 12 of this Agreement.

"Advance" or "Advances" shall have meanings as provided in Article 8.3 hereof.

"Affiliate" shall mean with respect to any Person (i) any Person directly or indirectly controlling, controlled by or under common control with such Person (ii) any officer, director, general partner, member, manager, or trustee of such Person or (iii) any Person who is an officer director, general partner, member, manager or trustee of any Person described in clauses (i) or (ii) of this sentence. For purposes of this definition, the terms "controlling," "controlled by" or "under common control with" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person or entity, whether through the ownership of voting securities, by contract or otherwise, or the power to elect a Manager or 50% of the Managers, or persons exercising similar authority with respect to such Persons or entities.

"Agreement" shall mean this written Operating Agreement. No other document or other agreement between the Members shall be treated as part or superseding this Agreement unless it has been signed by all of the Members.

"Bankruptcy" means the happening of any of the following: (a) the entry under Chapter 7 of the Federal Bankruptcy Law of an order for relief against a party; (b) the making by a party of a general assignment for the benefit of creditors; (c) the filing by a party of a voluntary petition under the Federal Bankruptcy Law or the filing by a party of a pleading in any court of record admitting in writing its inability generally to pay its debts as they come due; (d) the filing by a party of a petition or answer seeking for that party any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation; (e) the filing by a party of an answer admitting the material allegations of, or its consent to, or defaulting in answering, a petition filed against it in any bankruptcy, insolvency or similar proceedings; (f) the filing of any party of an application seeking, consenting to, or acquiescing in, the appointment of a trustee, receiver or liquidator of the party or of all or a substantial part of the party's property; (g) the commencement of any proceeding against a party seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, if such proceeding is not dismissed within sixty (60) days after commencement; or (h) the appointment, without a party's consent or acquiescence, of a trustee, receiver or liquidator of that party of all or any substantial part of that party's properties and such appointment is not vacated or stayed within sixty (60) days or the appointment is not vacated within sixty (60) days after the expiration of any stay.

"Borrower" shall mean Temecula Hotel Partners, LLC.

"Capital Account" shall mean the account established and maintained for each Member in accordance with this Agreement and applicable Treasury Regulations.

"Capital Contribution" shall mean, with respect to any Member, any contribution to the Company by such Member whenever made. "Initial Capital Contribution" shall mean, with respect to any Member, the initial contribution to the Company by such Member pursuant to this Agreement.

"Capital Transaction" shall mean the sale, exchange, disposition, destruction or damage by casualty or taking by eminent domain of all or a significant part of the Company Assets, or the refinancing of Company assets.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Company" shall refer to Truax Hotel SPE, LLC.

"Company Assets" shall mean those properties on which the Company has a Note secured by a mortgage or deed of trust or Notes which the Company owns, any income producing investments owned by the Company, and cash.

"Company Minimum Gain" has the meaning set forth in Sections 1.704-2(b)(2) and 1.704-2(d) of the Treasury Regulations.

"Distributable Cash" means all cash of the Company derived from Company operations and miscellaneous sources (whether or not in the ordinary course of business) reduced by: (a) the amount necessary for the payment of all current installments of interest and/or principal due and owing with respect to third party debts and liabilities of the Company during such period, including but not limited to any short term loan, permanent loan or any other third party financing obtained by or on behalf of the Company; (b) the repayment of Advances, plus interest thereon; and (c) such additional reasonable amounts as the Manager, in the exercise of sound business judgment, determines to be necessary or desirable as a reserve for the

operation of the business and future or contingent liabilities of the Company. Distributable Cash may be generated through either operations or Capital Transactions.

"Fair Market Value" means the price a ready, willing and able buyer would pay to a ready, willing and able seller the property for which the Fair Market Value is being calculated hereunder, assuming such property was exposed for sale on the open market for a reasonable period of time, taking into account all purposes of which such property may be used under then existing statutes, laws and ordinances applicable to such property, including, in the case of real property, zoning, land use restrictions, and private restrictions, such as covenants, conditions and restrictions of record.

"Fiscal Year" shall mean the Company's fiscal year, which shall be the calendar year.

"Gross Asset Value" shall mean such asset's adjusted basis for federal income-tax purposes, except as follows:

(i) the initial Gross Asset Value of cash contributed by a Member to the Company shall be the gross fair market value of such cash, as determined by the Manager in its sole discretion;

(ii) the Gross Asset Value of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (a) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a *de minimis* Capital Contribution; (b) the distribution by the Company to a Member of more than a *de minimis* amount of Company Assets as consideration for an interest in the Company; and (c) the liquidation of the Company within the meaning of Treasury Regulation § 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to Clause (a) and Clause (b) of this sentence shall be made only if the Manager reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members; and

(iii) the Gross Asset Value of any Company Asset that is distributed to any Member shall be the gross fair market value of such asset on the date of distribution, as determined by the Manager in his sole discretion.

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

"Losses" shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year under the accrual method of accounting and as reported, separately or in the aggregate as appropriate on the Company's information tax return filed for federal income tax purposes plus any expenditures described in Section 705(a) (2) (B) of the Code.

"Majority-In-Interest" shall mean Members owning a simple majority of the Percentage Interests (as hereinafter defined).

"Manager" shall mean Charles X. Delgado, or any other person or persons (as hereinafter defined) that become a Manager pursuant to this Agreement.

"Member" shall include: (i) Charles X. Delgado in his capacity as a Member of the Company and (ii) Persons later admitted as Members of the Company, who shall be admitted in accordance with this Agreement.

"Member Nonrecourse Debt" has the meaning set forth in Section 1.704-2(b)(4) of the Treasury Regulations.

"Member Nonrecourse Debt Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Treasury Regulations.

"Member Nonrecourse Deductions" has the meaning set forth in Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Treasury Regulations.

"Note" shall mean those debt instruments evidencing a loan on a Property by the Company to a Borrower and secured by a deed of trust or mortgage.

"Organization Expenses" shall mean legal, accounting, and other expenses incurred in connection with the formation of the Company.

"Percentage Interest" shall mean the proportion of that Member's positive Capital Account (if any) bears to the aggregate positive Capital Accounts of all Members whose Capital Accounts have positive balances.

"Person" shall mean any individual and any legal entity and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

"Profits" shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year under the accrual method of accounting and as reported, separately or in the aggregate as appropriate, on the Company's information tax return filed for federal income tax purposes plus any income described in Section 705 (a) (1) (B) of the Code.

"Properties" shall mean those properties on which the Company has a Note secured by a mortgage or deed of trust.

"Nonrecourse Deductions" has the meaning set forth in Sections 1.704-2(b)(1) and 1.704-2(c) of the Treasury Regulations.

"Nonrecourse Liability" has the meaning set forth in Section 1.704-2(b)(3) of the Treasury Regulations.

"Reference Rate" means the reference rate publicly announced from time to time by the Bank of America, NA., as its reference rate.

"Reserves" shall mean, with respect to any fiscal period, funds set aside or amounts allocated during such period to reserves that shall be maintained in amounts deemed sufficient by the Manager for working capital and to pay taxes, insurance, costs associated with closing a Note, or other costs or expenses incident to the ownership or operation of the Company's business.

"Selling Member" shall mean any Member that sells, assigns, hypothecates, pledges, or otherwise transfers all or any portion of its rights of membership in the Company, including both economic and voting rights.

"Subscriber" shall mean any individual or entity who has filled out all Subscription Agreements that have been accepted by the Company, has deposited cash into the Subscription Account, with the intent of becoming a Member of the Company.

“Subscription Agreements” Consists of the Operating Agreement, Subscription Agreement, Offeree Questionnaire and a check, wire, cash, or other means as payment for the Interest(s) to be purchased submitted by each prospective Investor to the Company.

“Substitute Member” shall mean any person or entity that or which is admitted to the Company with all the rights of a Member that has died or has assigned his interest in the Company with the approval of the Manager of the Company by written consent pursuant to Article 13 of this Agreement.

“Treasury Regulations” shall mean the Regulations issued by the Treasury under the Code.

“Interest” shall represent an ownership interest in the Company.

“Unreturned Capital Contributions” means all Capital Contributions made by a Member less any returned capital.

“Withdrawing Member” shall be a Member that requests the return of their Capital Account from the Company in writing.

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SUMMARY OF OPERATING AGREEMENT

The following is only a summary of the Operating Agreement. An investor considering purchasing Interests in the Company should read the entire Operating Agreement.

Purpose

The purpose of the Company shall be the financing part of the purchase and construction, and evidence by a Loan secured by a deed of trust on real estate, specifically, the Loan on the Property.

Capitalization

Members will contribute capital to the Company through contributions of cash in return for Interests in the Company. Member Capital Contributions shall be made in total when becoming a Member.

The Manager will direct the establishment and maintenance of a Capital Account for each Member.

Rights and Duties of Manager

All business and affairs of the Company shall be managed by the Manager. The Manager shall direct, manage, and control the Company to the best of its ability and shall have full and complete authority, power, and discretion to make any and all decisions and to do any and all things that the Manager shall deem to be reasonably required to accomplish the business and objectives of the Company.

Rights and Obligations of Members

The Members under this Offering shall only have voting rights to remove the Manager for cause or modify the Operating Agreement.

Meetings of Members

Generally speaking, no meetings of Members under this Offering shall be held for the duration of the Company.

Capital Contributions and Percentage Interests

There shall be no set minimum amount of Capital Contributions from the Members, who are identified in Schedule "A" of Operating Agreement.

The total minimum amount of Capital Contributions from the Members, who are identified in Schedule "A" of the Operating Agreement, will be Three Million Dollars (\$3,000,000).

The total maximum amount of Capital Contributions from the Members, who are identified in Schedule "A" of the Operating Agreement, will be Sixteen Million Dollars (\$16,000,000).

The Capital Contribution of the Members shall be equal to One Hundred Percent (100%) of the total capitalization of the Company for Interests.

Each Interest will have a price of One Thousand Dollars (\$1,000). The minimum investment

established for Members, other than the Manager, is Fifty (50) Interests which represents Fifty Thousand Dollars (\$50,000). Members may purchase less than Fifty (50) Interests at the sole discretion of the Manager.

Manager's Purchase of Interests

Manager shall be entitled to purchase Interests without regard to the established minimum of \$50,000 investment.

Division of Profits and Losses for Income Tax Purposes

The Profits and Losses of the Company will generally be allocated to match the manner in which the Members share in distributions. Profits and Losses from Capital Transactions will be specially allocated to match the manner in which the Member will share in the distributions of the proceeds from Capital Transactions.

Accounting Policies

The Company, for accounting and income tax purposes, shall operate on a fiscal year, which will be the calendar year, ending December 31 of each year, and shall make such income tax elections and use such methods of depreciation as shall be determined by the Manager. Books and records for the Company shall be maintained on an accrual basis in accordance with sound accounting practices to reflect all income and expenses of the Company. The books and records of the Company shall be maintained at the principal place of business of the Company. The Manager shall make the Company books and records available for inspection and copying by any Member at reasonable times during normal business hours upon at least forty-eight (48) hours prior notice. The Manager shall use its best efforts to cause the Company's tax return to be prepared and furnished to the Members, prior to March 31st of each year.

Transfers

Transfers of a Member's Interest(s) must be accomplished according to the rules of the Company. Generally, the rules state that when a Member receives an acceptable offer to sell their investment Interest(s) to a third party, the other Members of the Company will have a first right of refusal on the purchase of the investment Interest(s).

Upon the death, disability or retirement of a Member, their interest may be passed to their heirs by means of intestate succession, a Will or a Revocable Trust. Members who obtain their Interests in this manner will have all the rights of every other Member.

Dissolution and Termination of Company

The Company shall be dissolved upon an election to dissolve solely by the Manager.

Upon dissolution of the Company, the assets of the Company will be distributed in the following order:

First, to pay the creditors of the Company, including the Manager, if the Manager has loaned money or advanced money to the Company;

Second, to establish any reserves against anticipated or unanticipated Company liabilities; and

Third, to the Members in proportion to their positive Capital Account balances.

INTEGRATION

This Private Placement Memorandum is to be distributed only by the Manager and only to individuals who represent in writing that they meet the income, net worth and suitability requirements established for investors by the Manager.

This Private Placement Memorandum represents the complete package of information and disclosures on the Company. Investors should not rely on any verbal information that is not set forth in writing within this document.

Dated: _____

TRUAX HOTEL SPE, LLC

By: _____
Charles X. Delgado
Manager

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