

REDWOOD MORTGAGE INVESTORS X, LLC

Up to \$50,000,000 of Membership Interest Units ("Units") at \$1.00 per Unit^[1]

Minimum Subscription Amounts:

New Members - 25,000 Units (\$25,000); Existing Members – 10,000 Units (\$10,000)^[2]

Redwood Mortgage Investors X, LLC ("RMI X" or the "Fund") is a Delaware limited liability company formed in September of 2019 to engage in the business of mortgage lending and investing. Loans made or acquired by the Fund will be secured by first and second deeds of trust encumbering primarily residential and commercial real estate located in California and, to a lesser extent, in other states. The Fund intends to hold its loan investments through repayment; however, the Fund may also engage in opportunistic loan sales to third parties. (See "Fund Business & Loan Criteria– Lending Standards & Policies."). RMI X is externally managed by Redwood Mortgage Corp., a California corporation ("RMC" or the "Manager"). RMC will be responsible for selecting, arranging and servicing Fund loans, and will provide the personnel and services necessary to conduct the Fund's business. (See "The Manager & Its Affiliate Mortgage Funds.") The primary investment objectives of the Fund are to: (i) yield a favorable rate of return from the Fund's business of making and/or investing in mortgage loans; (ii) preserve and protect Fund capital by making and/or investing in mortgage loans secured primarily by California real estate; and (iii) generate and distribute cash flow to electing Fund members from these mortgage lending and investing activities. There is no guaranty that all or any of these objectives will be met. (See "Risk Factors.")

Units will be offered from the date of this Private Placement Memorandum ("Memorandum") through December 31, 2022, subject to early termination by the Manager (the "Offering Period"). The Units are being offered on a "best efforts" basis, which means that no one is guaranteeing any minimum number of Units will be sold. The Fund will begin investing in loans when a minimum of 250,000 Units ("Minimum Offering") have been sold. Following the Offering period, the Fund is expected to have a term of approximately nine (9) years followed by dissolution and a wind-down period of approximately two (2) years (the "Dissolution Period"). RMI X will be dissolved on December 31, 2031 ("Scheduled Dissolution Date"), unless earlier dissolved by the Manager or the Scheduled Dissolution Date is extended by the Manager with the affirmative consent of Members holding more than 50% of the total percentage interests in the Fund (a "Member Majority"). (See "Terms of the Offering – Offering Period; Minimum & Maximum Offering") Upon the start of the Dissolution Period, RMI X will begin winding down by allowing Fund loans to pay off without reinvesting the proceeds and/or by selling Fund assets. The Manager is only required to sell or otherwise liquidate Fund assets following dissolution if it can do so for their fair market value or on terms it deems reasonable and in the interest of the Fund. Consequently, while the Manager anticipates a Dissolution Period of two (2) years, it may be longer (or shorter) depending on the number and type of assets held by the Fund and market conditions existing at the time of dissolution.

The Fund is comprised of two membership "tiers" designated "Tier BD" and "Tier RIA" and the Fund is offering qualified investors the right to purchase membership interest Units in either Tier BD ("BD Units") or Tier RIA ("RIA Units") on the terms described in this Memorandum. BD Units represent membership interests in Tier BD ("BD Interests") and will be issued to investors acquiring their interests through SEC registered broker-dealers participating in the offering ("BD Members"). RIA Units represent membership interests in Tier RIA ("RIA Interests") and will be issued to investors that acquire their interests through a registered investment advisor or directly from the officers or employees of the Fund ("RIA Members"). By direct payment of the Fund's syndication costs, as described in this Memorandum, the Fund will be making an advance on behalf of the BD Members and RIA Members (collectively, "Members") based upon a Member's membership tier in an amount equal to their pro rata portion of the syndication costs advanced. This amount will then be reimbursed to the Fund through "Quarterly Syndication Cost Reimbursements" beginning after the Offering Period terminates and continuing through the Scheduled Dissolution Date or the earlier dissolution of the Fund (the "Deduction Period"). Syndication costs advanced on behalf of BD Members will be higher than RIA Members because underwriting compensation to be paid to broker-dealers for commissions and fees will be advanced by the Fund on behalf of BD Members based upon the amount of BD Units purchased in this offering. Registered investment advisors are generally compensated directly by the RIA Members by investment fees based upon a percentage of the total investment assets managed and will therefore not receive underwriting compensation, based on the amount of RIA Units purchased in this offering. (See "Terms of the Offering – Syndication Cost Advances & Deductions" and "Plan of Distribution – Broker Fees & Commissions.") Investors purchasing BD Units or RIA Units (collectively, "Units") must be "accredited investors" and must meet the suitability standards outlined in this Memorandum at the time of subscription. (See "Investor Suitability Standards.")

AN INVESTMENT IN UNITS INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 29 FOR CERTAIN FACTORS INVESTORS SHOULD CONSIDER BEFORE BUYING UNITS. SIGNIFICANT RISKS INCLUDE THE FOLLOWING:

- Declines in commercial and/or residential real estate values may adversely affect Fund performance.
- Competition for loan investments may affect the availability and profitability of Fund loan investments.
- Mortgage lending, particularly mortgage lending on owner-occupied dwellings, is subject to governmental oversight and regulation that may impact the dollar-amount of loan investments available to the Fund and may impact the profitability and collectability of those investments.
- Units are subject to substantial withdrawal and transfer restrictions and investors will have a limited ability to liquidate their investment in the Fund or may be subject to early withdrawal penalties.

The date of this Memorandum is November 15, 2019

(Footnotes appear on next page.)

- The Fund may use leverage which could hinder the Fund's ability to make distributions or cause losses to the Fund.
- The Manager is entitled to various forms of compensation and is subject to certain conflicts of interest.
- Investors will have no right to participate in the management of the Fund and will have limited voting rights.

The rights, duties and powers of Members and the Manager will be governed by the Limited Liability Company Operating Agreement of the Fund dated September 12, 2019, a copy of which is attached hereto as Exhibit A (the "Operating Agreement"), and the Delaware Limited Liability Company Act (the "Act"). In the event of an inconsistency between the Operating Agreement and the Act the Operating Agreement will be controlling to the extent permitted by the Act. (See "Summary of the Operating Agreement.") Potential investors should read and understand the Operating Agreement prior to making their decision to invest in Units.

UNITS ARE AVAILABLE FOR PURCHASE BY ACCREDITED INVESTORS ONLY AND THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL UNITS TO ANY OTHER PERSON. POTENTIAL PURCHASERS OF UNITS SHOULD READ AND UNDERSTAND THIS MEMORANDUM IN ITS ENTIRETY PRIOR TO PURCHASING UNITS IN THE FUND.

THE SALE OF UNITS COVERED BY THIS MEMORANDUM HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS PROVIDED FOR UNDER SECTION 4(a)(2) OF THE ACT AND REGULATION D THEREUNDER RELATING TO THE PRIVATE PLACEMENT OF SECURITIES. CONSEQUENTLY: (i) THE FUND IS NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO OFFERINGS REGISTERED UNDER THE SECURITIES ACT; (ii) THE COMMISSION HAS NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL OF THE UNITS, THE TERMS OF THE OFFERING OR THE ACCURACY OR COMPLETENESS OF THIS MEMORANDUM OR ANY OTHER OFFERING MATERIALS; (iii) UNITS ARE SUBJECT TO SUBSTANTIAL LEGAL RESTRICTIONS ON TRANSFER AND RESALE AND INVESTORS SHOULD NOT ASSUME THEY WILL BE ABLE TO RESELL THEIR SECURITIES. INVESTORS SHOULD BE AWARE THAT THEY ARE EXPECTED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR THE FULL TERM OF THE FUND AND THROUGH THE LIQUIDATION OF ITS ASSETS. IT IS CURRENTLY ANTICIPATED THAT THIS PERIOD WILL EXCEED TEN (10) YEARS.

THE SALE OF UNITS DESCRIBED IN THIS MEMORANDUM HAVE NOT BEEN QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION IN RELIANCE UPON EXEMPTIONS FROM SUCH QUALIFICATION APPLICABLE TO REGULATION D OFFERINGS OR SIMILAR EXEMPTIONS PROVIDED FOR PRIVATE OR LIMITED OFFERINGS AVAILABLE UNDER THE LAWS OF EACH JURISDICTION WHERE UNITS ARE SOLD. UNITS MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON IN THE ABSENCE OF: THE EFFECTIVE QUALIFICATION OF THE OFFER AND SALE OF SUCH SECURITIES UNDER ALL APPLICABLE SECURITIES LAWS; OR (II) AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER THAT THAT SUCH REGISTRATION IS NOT REQUIRED. UNITS ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS SET FORTH IN THE FUND'S OPERATING AGREEMENT. (SEE "TERMS OF THE OFFERING – RESTRICTIONS ON TRANSFER.")

PROSPECTIVE INVESTORS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM RMI X OR THE MANAGER AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS OR HER OWN INDEPENDENT LEGAL, ACCOUNTING AND TAX ADVISORS PRIOR TO INVESTING IN THE FUND.

THE MANAGER AND ITS PRINCIPALS AND AFFILIATES ARE ALSO SUBJECT TO CERTAIN CONFLICTS OF INTERESTS AND WILL BE ENTITLED TO VARIOUS FORMS OF COMPENSATION WHICH HAVE NOT BEEN DETERMINED BY ARMS-LENGTH NEGOTIATIONS. (SEE "CONFLICTS OF INTEREST," "COMPENSATION TO MANAGER" AND "RISK FACTORS – RISKS RELATED TO THE MANAGER.")

Footnotes from cover page:

^[1] The maximum offering may be increased by the Manager at any time during the Fund's Offering Period. (See "Terms of the Offering – Offering Period; Minimum & Maximum Offering.")

^[2] The minimum subscription amounts applicable to new Members and existing members are \$25,000 and \$10,000, respectively; however, the Manager may accept subscriptions in lesser amounts at any time in its sole discretion. (See "Terms of the Offering – Subscribing for Units & Admission to the Fund.")

THE FUND IS NOT REQUIRED BY LAW TO FOLLOW ANY STANDARD METHODOLOGY WHEN CALCULATING AND REPRESENTING PERFORMANCE DATA AND THE PERFORMANCE OF THE FUND MAY NOT BE DIRECTLY COMPARABLE TO THE PERFORMANCE OF OTHER PRIVATE OR REGISTERED FUNDS. ANY PERFORMANCE DATA UTILIZED IN CONNECTION WITH THE OFFERING OF UNITS REPRESENTS PAST PERFORMANCE FOR THE STATED PERIOD, ONLY, AND DOES NOT GUARANTY FUTURE RESULTS. CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA PRESENTED FOR EARLIER PERIODS.

THE INFORMATION IN THIS MEMORANDUM IS ACCURATE ONLY AS OF THE DATE OF THIS MEMORANDUM, REGARDLESS OF THE DATE OF DELIVERY OF THE MEMORANDUM OR THE SALE OF ANY OF THE UNITS. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND SINCE THE DATE HEREOF.

RMI X WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940 (THE "ICA"). CONSEQUENTLY, INVESTORS WILL NOT BE AFFORDED THE PROTECTIONS OF THE ICA. THE MANAGER OF THE FUND IS NOT REGISTERED AS AN INVESTMENT ADVISOR WITH THE COMMISSION OR CERTIFIED AS AN INVESTMENT ADVISOR UNDER THE LAWS OF ANY STATE. PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM RMI X, RMC OR ANY PRINCIPAL OR AFFILIATE THEREOF AS INVESTMENT ADVICE REGARDING THE VALUE OF THE UNITS, THE ADVISABILITY OF INVESTING IN UNITS OR THE SUITABILITY OF AN INVESTMENT IN UNITS OR THE FUND'S UNDERLYING LOANS FOR ANY POTENTIAL INVESTOR'S INDIVIDUAL SITUATION. EACH POTENTIAL INVESTOR SHOULD CONSULT WITH HIS OR HER OWN INDEPENDENT INVESTMENT ADVISOR OR OTHER INVESTMENT PROFESSIONAL TO ASSESS THE SUITABILITY OF THIS INVESTMENT FOR HIS OR HER OWN FINANCIAL SITUATION.

THE SECURITIES ACT AND THE SECURITIES LAWS OF CERTAIN STATE JURISDICTIONS GRANT PURCHASERS OF SECURITIES SOLD IN VIOLATION OF THE REGISTRATION OR QUALIFICATION PROVISIONS OF SUCH LAWS THE RIGHT TO RESCIND THEIR PURCHASE OF SUCH SECURITIES AND TO RECEIVE BACK THEIR CONSIDERATION PAID. RMC BELIEVES THAT THE OFFERING DESCRIBED IN THIS MEMORANDUM IS NOT REQUIRED TO BE REGISTERED OR QUALIFIED. MANY OF THESE LAWS GRANTING THE RIGHT OF RESCISSION ALSO PROVIDE THAT SUITS FOR SUCH VIOLATIONS MUST BE BROUGHT WITHIN A SPECIFIED TIME, USUALLY ONE YEAR FROM DISCOVERY OF FACTS CONSTITUTING SUCH VIOLATION. SHOULD ANY INVESTOR INSTITUTE SUCH AN ACTION ON THE THEORY THAT THE OFFERING CONDUCTED AS DESCRIBED HEREIN WAS REQUIRED TO BE REGISTERED OR QUALIFIED, THE MANAGER WILL CONTEND THAT THE CONTENTS OF THIS MEMORANDUM CONSTITUTED NOTICE OF THE FACTS CONSTITUTING SUCH VIOLATION.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM, AND ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF UNITS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE MANAGER TO CHECK ITS ACCURACY. THE CONTACT INFORMATION FOR THE MANAGER IS SET FORTH BELOW.

REDWOOD MORTGAGE CORP.
177 Bovet Road, Suite 520
San Mateo, CA 94402
Phone: (650) 365-5341

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EXHIBITS

Exhibit A – Limited Liability Company Operating Agreement

Exhibit B – Subscription Agreement and Power of Attorney

INVESTOR SUITABILITY STANDARDS

Units are being offered and sold in reliance upon the exemption from federal registration provided for under section 4(a)(2) of the Securities Act of 1933 (the "Act") and Rule 506(b) of Regulation D issued by the Securities and Exchange Commission, thereunder ("Regulation D"). As such, Units will be sold only to qualified "accredited investors," as such term is defined in Regulation D ("Accredited Investors"). All Accredited Investors must be of substantial means with no need for liquidity with regard to this investment and must meet certain eligibility and suitability standards, some of which are set forth below. Each investor must execute a Subscription Agreement in the form attached hereto as Exhibit B. By executing the Subscription Agreement, an investor makes certain representations and warranties, upon which the Manager will rely on accepting subscriptions. *Read the Subscription Agreement carefully.* Investors may also be required to provide additional information or documentation supporting an Investor's status as an Accredited Investor to the extent such information or documentation is deemed necessary by the Manager to comply with the Act, Regulation D, or any other state or federal securities laws applicable to this offering. Existing Members desiring to purchase additional Units in the Fund must meet the suitability standards outlined herein at the time each additional purchase of Units is made.

Accredited Investor Standards

Accredited Investors include individuals and entities who meet the requirements set forth in Rule 501(a) of Regulation D, including those set forth below.

Individuals

To qualify as an Accredited Investor an individual (i.e., natural person) must be one of the following:

- An individual whose individual net worth, or whose joint net worth with such individual's spouse, at the time of purchase, exceeds \$1,000,000 (exclusive of the net value of the individual's primary residence)¹; or
- An individual whose individual income exceeded \$200,000 in each of the two most recent calendar years, and who has a reasonable expectation of reaching the same income level in the current calendar year; or
- An individual whose joint income with his/her spouse exceeded \$300,000 in each of the two most recent calendar years, and who has a reasonable expectation of reaching the same income level in the current year.

Entities, Trusts, Etc.

Non-individual investors (such as a trust, partnership or corporation) will be an Accredited Investor if it was not formed for the specific purpose of purchasing Units and it is one of the following:

- Any corporation, partnership, limited liability company or other business entity in which all of the equity owners are Accredited Investors;
- Any trust, with total assets in excess of \$5,000,000 and the trust's purchase of Units is being directed by a sophisticated person with the knowledge and experience in financial and business matters required to capably evaluate the merits and risks of an investment in Units;

¹ For this purpose, the "net value" of a person's primary residence means the estimated fair market value of the primary residence less the total principal amount of any debt that is secured by the primary residence as of the date of the subscription for Units. Debt secured by a person's primary residence, up to the estimated fair market value of such residence, should be excluded as a liability for determining the person's net worth unless: (i) the amount of such debt outstanding at the time of subscription exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, in which case the amount of such excess must be included as an additional liability; or (ii) the total amount of indebtedness secured by the person's primary residence exceeds the estimated fair market value of the primary residence at the time of investment, in which case the amount of such excess must also be included as a liability.

- Any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA") with either (i) \$5,000,000 in total assets (regardless of liabilities) or (ii) a bank, insurance company or registered investment advisor as its trustee;
- Any self-directed ERISA plan with investment decisions made solely by persons that are Accredited Investors;
- An individual retirement account ("IRA") owned by an Accredited Investor; or
- Any revocable trust with a beneficiary that is an Accredited Investor.

Other Accredited Investors

Certain other entities may also be eligible to be Accredited Investors. Prospective investors with questions may communicate with the Manager or their broker-dealer, RIA or other investment advisor, as applicable, for further information.

Additional Standards & Qualifications

An investment in Units is suitable only for entities or persons with adequate means. Units may be acquired for investment purposes only, and not with a view to, or for resale in connection with, any further distribution thereof. Potential investors must also be able to represent that the investor is not subject to any of the "Bad Actor" disqualification provisions set forth in Rule 506(d) of Regulation D and to make all other representations and warranties set forth in the Subscription Agreement at the time of investment.

Appropriate Investors

Due to the nature of the Fund's business it is likely that substantially all of the income derived from Units will be taxable to individuals and non-tax exempt entities as ordinary income. Units may, therefore, be suitable for:

- persons seeking current income and quarterly or monthly cash distributions
- pension or profit-sharing plans
- individual retirement accounts
- a simplified employee pension

An investment in Units may not be appropriate for charitable remainder trusts or other entities exempt from federal income taxation, including certain foundations and other charitable organizations. (See "Risk Factors – Tax Risks" and "Federal Income Tax Considerations.") *All persons or entities considering an investment in Units should consult their own legal and/or financial advisor with respect to whether an investment in Units is appropriate for their own financial situation and suitable for their own investment objectives.*

FORWARD-LOOKING STATEMENTS

This Memorandum contains forward-looking statements within the meaning of federal securities law. Words such as "may," "will," "expect," "anticipate," "believe," "estimate," "continue," "predict," or other similar words, identify forward-looking statements. Forward-looking statements appear in a number of places in this Memorandum, including, without limitation, the "Use of Proceeds," "Description of the Units" and "Fund Business & Loan Criteria" sections, and include statements regarding the Fund's intent, belief or current expectation about, among other things, trends affecting the markets in which the Fund will operate, its business, financial condition and strategies. Although the Fund believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those predicted in the forward-looking statements as a result of various factors, including those set forth in the "Risk Factors" section of this Memorandum. If any of the events described in

"Risk Factors" occur, they could have an adverse effect on the Fund's business, financial condition and results of operations. When considering forward-looking statements, prospective investors should keep these Risk Factors in mind as well as the other cautionary statements in this Memorandum. Prospective investors should not place undue reliance on any forward-looking statement. RMI X and the Manager are not obligated to update forward-looking statements.

SUMMARY OF THE OFFERING

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

Fund Overview RMI X is a Delaware limited liability company formed in September of 2019 to engage in the business of mortgage lending and investing. Loans made and/or acquired by the Fund will be secured by first and second deeds of trust encumbering primarily residential and commercial real estate located in California communities predominately in the San Francisco Bay Area and coastal metropolitan regions of Southern California. Up to 15% of Fund capital may be invested in loans secured by properties located in other states. (See "Fund Business & Loan Criteria – Lending Standards & Policies.").

Fund loans will primarily be shorter-term loans (*i.e.*, one to five-year initial terms), made at fixed interest rates and held for investment purposes until repaid. The Fund may, however, make longer term or variable rate loans and may engage in opportunistic loan sales to third parties in the Manager's discretion. (See "Fund Business & Loan Criteria – Loan Sales" and "Conflicts of Interest.")

Sponsor & Manager The Fund is externally managed by RMC. RMC, as the manager of the Fund, will be solely responsible for managing the business and affairs of the Fund, subject to the voting rights of the members on specified matters. The Manager acting alone has the power and authority to act for and bind the Fund. RMC provides the personnel and services necessary to conduct the Fund's business and RMI X is not expected to have employees. RMC will select, arrange and service the mortgage loans made or invested in by the Fund. RMC's contact information is as follows:

REDWOOD MORTGAGE CORP.
177 Bovet Road, Suite 520
San Mateo, CA 94402
Phone: (650) 365-5341

Fund Objectives The Fund's primary objectives are to: (1) yield a favorable rate of return from the Fund's business of making and/or investing in mortgage loans; (2) preserve and protect Fund capital by making and/or investing in mortgage loans secured primarily by California real estate with up to 15% secured by properties in other states; and (3) generate and distribute cash flow to electing Members from these mortgage lending and investing activities. *There is no guaranty that all or any of these objectives will be met.* (See "Risk Factors.")

Equity Capitalization A maximum of \$50,000,000, subject to increase by the Manager at any time during the Offering Period. (See "Terms of the Offering – Offering Period; Minimum & Maximum Offering.")

Leverage The Fund may borrow funds, in the form of a line of credit or otherwise, for the purposes of making loans, providing additional liquidity (including cash reserves), refinancing or improving properties acquired through foreclosure or

for other proper Fund purposes. Debt financing, or "leverage," obtained by the Fund may be secured by a pledge of all or a portion of the Fund's loan portfolio or other assets and may be obtained on any terms commercially available, so long as the total outstanding indebtedness does not exceed 35% of total Fund assets at the time the loan (or a credit line draw) is made.

Use of leverage entails certain additional risks and may result in tax filing requirements and/or other tax consequences for otherwise tax-exempt investors. (See "Use of Leverage – Additional Risks of Leverage" "ERISA Considerations" and "Federal Income Tax Considerations – Unrelated Business Taxable Income.")

Fund Term..... The Scheduled Dissolution Date of the Fund is December 31, 2031. The Manager may dissolve the Fund at any time prior to the Scheduled Dissolution Date in its discretion and may extend the Fund's term beyond the Scheduled Dissolution Date with the consent of a Member Majority. (See "Summary of the Operating Agreement – Rights & Liabilities of Members.") Following dissolution, the Fund expects to wind-down its operations over a two (2) year Dissolution Period as the Fund's loans mature and are paid off (without reinvestment of the proceeds), however, this period may be longer or shorter depending upon market conditions and the assets held by the Fund on the date of dissolution. (See "Summary of the Operating Agreement – Dissolution & Wind Down" and "Risk Factors – Risks Related to the Ownership of Interests.")

Compensation & Cost
Reimbursements to the Manager.... The Manager will be entitled to certain forms of compensation including an asset management fee of 1.25% per annum payable by the Fund, of which 0.25% (annual rate) of the loan principal outstanding at the beginning of a month is deemed to be the fee for loan servicing. The Manager will also receive all or a portion of various fees payable by borrowers (including loan points, documentation fees, extension fees, notary fees, etc.) and is entitled to be reimbursed for costs incurred on behalf of RMI X in performing its management functions. (See "Compensation to Manager.")

Conflicts of Interest..... The Manager will experience conflicts of interest in connection with Fund management, including the following:

- The Manager has legal and financial obligations with respect to other entities that are similar to its obligations to the Fund.
- The Manager has to allocate its time between the Fund and other activities, including other entities with which it is involved.
- The Manager's fees are not determined based on arm's-length negotiations.
- The same legal counsel currently represents the Fund and the Manager.
- The Manager has the right to conduct other business and to compete with the Fund.
- The Manager has the exclusive right to originate or select substantially all of the loans invested by the Fund and can place loans in the Fund's portfolio or other funds that are also managed by the Manager. Loan origination fees on loans originated by the Manager for the Fund's

portfolio (and extension fees charged on Fund loans) are paid 90% to RMC and 10% to the Fund.

The Manager's negotiation of loan sales to third parties may also involve conflicts of interest between the Manager and the Fund. (See "Conflicts of Interest.")

Suitability Standards Units will be sold exclusively to "accredited investors" as defined in Rule 501 of Regulation D. Qualified investors admitted to the Fund will become non-managing Members. (See "Investor Suitability Standards.")

Mortgage Loan Portfolio Loans made and/or acquired by the Fund will be secured by first and second deeds of trust encumbering primarily residential and commercial real estate located in California communities predominately in the San Francisco Bay Area and coastal metropolitan regions of Southern California. Up to 15% of Fund capital may be invested in loans secured by properties located in other states.

Fund loans may be secured by deeds of trust on the following types of real property:

- single-family residences including homes, condominiums and townhouses, and 1-4 unit residential buildings;
- multi-family properties of five (5) or more units (such as apartment buildings);
- commercial property such as office buildings, retail stores, warehouse facilities and mixed-use properties.

The Fund may make loans secured by unimproved land that is zoned for commercial or residential use; however, such land loans will not exceed 10% of the total principal amount of the Fund's loan portfolio at the time made. (See "Fund Business & Loan Criteria - Lending Standards & Policies.")

The Manager does not intend to make construction or rehabilitation loans. Loans may involve an element of improvement to the security property but such loans will be underwritten based upon the value of the security property at the time the loan is made and not the projected increase in value upon completion of the project or improvements.

The Manager will have broad discretion to select the loans invested in by the Fund and the terms and conditions applicable thereto. (See "Risk Factors – Risks Related to the Manager.")

Syndication Costs Syndication Costs incurred by the Fund will include:

- "*Organization & Offering Expenses*" including, without limitation, costs and expenses (including all legal and accounting fees and expenses) incurred in connection with: (i) preparing and filing the Fund's Certificate of Formation; (ii) preparing the Operating Agreement, this Memorandum, the Subscription Agreement and all other offering documents together with any amendments or supplements thereto; (iii) issuing Units to Members; (iv) marketing the Fund and the sale of Units (including printing, mailing, regulatory review and filing of marketing materials, state and/or federal filings for the Fund, and distributing sales materials); (v) reimbursing the

Manager and associates of the Manager for registration, sponsorship, travel and other costs of participating in conferences and sales presentations; (vi) reimbursing participating broker-dealers and registered investment advisors for bona fide due diligence expenses payable under the sales agreements between the Manager and participating broker-dealers and registered investment advisors; and (vii) all other syndication expenses incurred by the Fund other than those attributable to Underwriting Compensation.

- "*Underwriting Compensation*" payable to broker-dealers for sales commissions and marketing fees not to exceed seven percent (7.0%) of the gross purchase price paid for BD Units sold in the offering by participating broker-dealers.

Syndication costs paid by the Fund will be deemed advanced by the Fund on behalf of the Members and will be reimbursed by the Members over the nine years following the Offering Period. (See "Terms of the Offering – Syndication Cost Advances & Reimbursements.")

Syndication Costs attributable to the Fund's Organization & Offering Expenses will be allocated to all Members up to a maximum amount equal to 2.0% of the gross purchase price paid by each Member for their Units. Syndication costs attributable to securities underwriting compensation payable to broker-dealers will be allocated to Tier BD Interests, only. (See "Terms of the Offering – Syndication Costs.")

Membership Interest Tiers

Membership interests in the Fund are comprised of two "tiers" and are designated as "Tier BD Interests" and "Tier RIA Interests." (See "Terms of the Offering – Membership Interest Tiers.") Membership interest tiers are designated for the purpose of allocating the Fund's Syndication Costs among the Members based upon the relative costs payable in connection with their corresponding Units (i.e., BD Units and RIA Units).

- *Tier BD Interests* will be issued to BD Members that acquire BD Units through a registered broker-dealer and will be allocated Syndication Costs consisting of: (i) each BD Member's pro rata share of the Fund's Organization and Offering Expenses, up to a maximum amount of 2.0% of the gross purchase price paid by each BD Member for their BD Units; and (ii) underwriting compensation to broker-dealers of up to 7.0% of the gross purchase price paid by each BD Member for their BD Units.
- *Tier RIA Interests* will be issued to Members that acquire RIA Units through a registered investment advisor or directly from the Fund and will be allocated Syndication Costs consisting solely of each RIA Member's pro rata share of the Fund's Organization and Offering Expenses, up to a maximum amount of 2.0% of the gross purchase price paid by each RIA Member for their RIA Units.

Syndication Costs attributable to each membership tier will be deemed advanced by the Fund on behalf of Members and the advance will be reimbursed by the Members through Quarterly Syndication Cost Reimbursements (See "Terms of the Offering – Syndication Cost Advances & Reimbursements.") Syndication Costs advanced on behalf of a Member, less all Quarterly Syndication Cost Reimbursements (i.e., the amount yet to be reimbursed on the Member's Syndication Cost Advance), will be deducted from a Member's Capital Account balance for the purposes of determining a

Member's Percentage Interest in the Fund. (See "Description of the Units – Capital Accounts & Percentage Interests."). The amount to be deducted will be higher on a per Unit basis for BD Members than RIA Members due to the securities underwriting compensation included in the Syndication Costs attributable to the Tier BD Interests. (See "Risk Factors – Risks Related to Ownership of Units.") Tier BD Interests and Tier RIA Interests are also subject to differing "surrender charges" in the event of early withdrawal, a portion of which will be retained by the Fund in satisfaction of a Member's unpaid Syndication Cost Advance Amount. (See "Summary of the Operating Agreement – Withdrawal & Redemption.")

Net Income (Loss) Allocations..... Net income (loss) of the Fund will be calculated quarterly by the Manager in accordance with generally accepted accounting principles and will be allocated among the Members based on the Member's Percentage Interest in the Fund (i.e., the Member's Original Capital Investment less the amount yet to be reimbursed on the Member's Syndication Cost Advance).

Members may elect (1) to receive periodic distributions of their share of net income or (2) to have their allocated share of net income credited to their Capital Account and compounded quarterly.

Members that elect not to receive cash distributions and to compound their earnings will have their Quarterly Syndication Cost Reimbursement amount netted from the amount of net income of the Fund otherwise to be credited to their Capital Accounts each quarter. (See "Description of the Units – Distributions to Members.")

Cash Distributions..... Cash distributions will be made to Members electing such distributions on a quarterly basis unless monthly distributions are requested by a Member and approved by the Manager and cash distributions to electing Members will be made within 15 days after the last day of each quarter or month as applicable. An investor may elect to switch from receiving distributions to compounding, or vice versa, by giving the Manager notice fifteen (15) days prior to the last day of any calendar quarter. (See "Terms of the Offering – Election to Receive Cash Distributions.")

Members electing to receive quarterly cash distributions of their share of net income will receive distributions net of their Quarterly Syndication Cost Reimbursement. Members electing to receive monthly distributions will have the proportionate amount of their Quarterly Syndication Cost Deductions (i.e., 1/3rd of the quarterly amount) deducted from each monthly distribution. (See "Description of the Units – Distributions to Members.")

The Manager also has the right to commence making cash distributions at any time to previously compounding ERISA investors in order for the Fund to remain exempt from the ERISA plan asset regulations and to terminate or delay periodic distributions under certain circumstances. (See "ERISA Considerations," "Description of the Units – Distributions to Members" and "Summary of Operating Agreement – Cash Distributions.")

Withdrawal & Redemption Beginning ninety (90) days from the date a Member is admitted and prior to the Fund's dissolution, a Member may withdraw all or part of their invested capital subject to certain limitations set forth in the Operating Agreement. The amount received by a Member withdrawing prior to the Scheduled Dissolution Date will be: (i) based upon a Members' Original Capital Investment, adjusted to

reflect any retained income or losses reflected in the Member's Capital Account, and (ii) made after deduction of a "Surrender Charge" based upon the Member's Membership Tier and the date a Member's withdrawal request is received. Surrender Charges will be retained by the Fund in full satisfaction of the withdrawing Member's unpaid Syndication Advance Balance at the time of withdrawal and any remaining amount will be retained for the benefit of the Fund and the non-withdrawing Members.

Surrender Charges applicable to Tier BD Interests and Tier RIA Interests are stated below:

Surrender Charge – BD Interests

| Date Withdrawal Request Received | Surrender Charge |
|--|-------------------------|
| Prior to one-year following O&O Determination Date | 10.00% |
| 2nd year following O&O Determination Date | 9.00% |
| 3rd year following O&O Determination Date | 8.00% |
| 4th year following O&O Determination Date | 7.00% |
| 5th year following O&O Determination Date | 6.00% |
| 6th year following O&O Determination Date | 5.00% |
| 7th year following O&O Determination Date | 4.00% |
| 8th year following O&O Determination Date | 3.00% |
| 9th year following O&O Determination Date | 2.00% |
| Following Scheduled Dissolution Date | 0.00% ² |

Surrender Charge – RIA Interests

| Date Withdrawal Request Received | Surrender Charge |
|--|-------------------------|
| Prior to one-year following O&O Determination Date | 4.00% |
| 2nd year following O&O Determination Date | 3.75% |
| 3rd year following O&O Determination Date | 3.50% |
| 4th year following O&O Determination Date | 3.25% |
| 5th year following O&O Determination Date | 3.00% |
| 6th year following O&O Determination Date | 2.75% |
| 7th year following O&O Determination Date | 2.50% |
| 8th year following O&O Determination Date | 2.25% |
| 9th year following O&O Determination Date | 2.00% |
| Following Dissolution Date | 0.00% ² |

Amounts distributable to withdrawing Members (after deduction of the applicable Surrender Charge) will be distributed in one or more quarterly withdrawal distributions, subject to certain limitations (including cash available for withdrawals) provided in the Operating Agreement. The dollar amount that may be redeemed per quarter per individual member is subject to a maximum of the greater of \$100,000 or 25% of the member's Capital Account balance. For withdrawal requests requiring more than one quarter to redeem fully the Surrender Charge percentage that applies when the redemption payments begin continues to apply throughout the redemption period. Aggregate withdrawals in any calendar quarter are limited to two and one-half percent (2.5%) of the total of the Members' Capital Account balances outstanding at the beginning of the quarter and aggregate withdrawals in any calendar year are limited to ten percent (10%) of the total of the Members' Capital Account balances outstanding at the beginning of the year. A withdrawing Member's Capital Account balance after deduction of the applicable Surrender Charge will be distributed to a requesting Member commencing on the last day of the calendar quarter following the calendar quarter in which the Withdrawal Notice is

² Dissolution of the Fund may be extended by the Manager beyond the Scheduled Dissolution Date with the consent of a Member Majority, only. In such event, any withdrawals requested by Members after the Scheduled Dissolution Date and prior to the Fund's actual dissolution will be made without Surrender Charge deductions.

received. (See "Summary of the Operating Agreement – Withdrawal & Redemption.")

Following an event of dissolution (whether such dissolution occurs on, before or after the Scheduled Dissolution Date) all proceeds received from the Fund's assets over the Dissolution Period will be distributed to all Members proportionately in accordance with the dissolution and wind-down provisions of the Operating Agreement. (See "Summary of the Operating Agreement - Dissolution & Wind-Down.") During this time, no new withdrawal requests will be accepted by the Manager, any previously pending withdrawal requests will automatically terminate and any undisbursed amounts payable in connection therewith will be disbursed to requesting Members in accordance with the wind down provisions rather than the early withdrawal provisions of the Operating Agreement.

| | |
|--|--|
| Restrictions on Transfers | There are substantial restrictions on transferability of Units under federal and state securities laws and under the Operating Agreement. (See "Terms of Offering – Restrictions on Transfer.") |
| Liquidity..... | Units are subject to cash flow and other withdrawal restrictions as well as Surrender Charges applicable to withdrawals made prior to the Scheduled Dissolution Date. (See "Summary of the Operating Agreement – Withdrawal & Redemption" and "Risk Factors – Risks Related to Ownership of Units.") |
| Reports to Investors..... | Members will receive semi-annual financial reports (unaudited) and annual reports, including audited financial statements. (See Summary of the Operating Agreement - Annual Reports, Financial Statements & Tax Information.") |
| Risks..... | An investment in Units is subject to certain risks which should be carefully evaluated before an investment in Units is made. (See "Risk Factors.") |
| Voting..... | Members will have no right to vote on matters concerning the Fund except as expressly granted in the Operating Agreement or required by law. All voting rights granted to the members in the Operating Agreement require the affirmative vote of a Member Majority or Super Majority (i.e., Members representing more than 50% or 75% of the total outstanding Percentage Interests of the Members, respectively). (See "Risk Factors – Risks Related to Ownership of Units," "Description of the Units – Capital Accounts & Percentage Interests" and "Summary of Operating Agreement – Rights & Liabilities of Members.") |
| Conflicts of Interest..... | The Fund's business and affairs will be managed by the Manager which has and will have certain conflicts of interest. (See "Conflicts of Interest.") |
| Subscription Agreement Warranties | The Subscription Agreement requires each potential investor to make warranties to ensure that the investor fully understands the terms of the offering, and the risks of an investment in Units and that each investor is qualified and has the capacity to subscribe. The Manager will rely upon these warranties in accepting an investor's subscription and in certain claims or actions against the Fund or the Manager and the Fund or the Manager may use these warranties as a defense or the basis for seeking indemnity from an investor. (See "Terms of the Offering – Subscription for Units & Admission to the Fund.") |

TERMS OF THE OFFERING

Units represent equity investments in the Fund and purchasers of Units will become non-managing Members subject to the terms and conditions set forth in the Fund's Operating Agreement. The purchase price payable for Units is \$1.00 per Unit. Units are being offered to, and may only be purchased by, investors that meet the investor suitability standards set forth in this Memorandum. (See "Investor Suitability Standards.")

Offering Period; Minimum & Maximum Offering

Units will be offered and sold over an Offering Period that began on the date of this Memorandum and will terminate on December 31, 2022. The Manager may extend the Offering Period beyond December 31, 2022, but only with the affirmative consent of a Member Majority (*i.e.*, Members representing 50% or more of the total Percentage Interests in the Fund). (See "Description of the Units – Capital Accounts & Percentage Interests" and "Summary of the Operating Agreement – Rights & Liabilities of Members.") The Offering may also be terminated at the option of the Manager at any time.

The Fund will not begin investing in loans until 250,000 Units (\$250,000) are sold (the "Minimum Offering"); however, the Manager or its principals or affiliates may purchase all or a portion of the Units necessary to meet this Minimum Offering requirement. Units purchased for this purpose may be redeemed from the proceeds of the sale of Units sold to third parties over the Offering Period and will not be subject to the ninety (90) day Holding Period or the early Surrender Charges applicable to other Units. (See "Summary of the Operating Agreement – Withdrawal & Redemption.") The Maximum Offering Amount is \$50,000,000; however, this maximum may be increased by the Manager at any time during the Offering Period without prior notice to the Members.

Membership Interest Tiers

Membership interests in the Fund are comprised of two tiers: Tier BD Interests and Tier RIA Interests (each, a "Membership Tier"). Tier BD Interests will be issued to Members that acquire BD Units through a registered broker-dealer participating in the offering (referred to in the Memorandum as "BD Members"). Tier RIA Interests will be issued to Members that acquire RIA Units through a registered investment advisor or directly from the Fund (referred to in the Memorandum as "RIA Members"). All Members will be allocated a portion of the Fund's Syndication Costs which will be advanced by the Fund and repaid through Quarterly Syndication Cost Reimbursements made over the Deduction Period (see "Syndication Cost Advances & Reimbursements" below). Tier BD Interests, however, will have the 7% Underwriting Compensation (defined below) payable with respect to BD Units added to their Syndication Cost Amount in addition to the up to 2.0% allocation of general Organization & Offering Expenses made to all Members (see discussion, below). Members will have the gross purchase price paid for their Units (each Member's "Original Capital Investment") credited to their Capital Accounts upon being admitted to the Fund and their initial Percentage Interests in the Fund will be based solely upon their relative Capital Account balances. Following the termination of the Offering Period and during the Deduction Period, however, each Member's Percentage Interest in the Fund will be determined based upon their relative Capital Account balances less their respective Syndication Advance Balances outstanding as of any date. The difference in Syndication Costs allocated to the Tier BD Interests and the Tier RIA Interests will therefore impact the Percentage Interests of the BD Members and the RIA Members accordingly during this time. (See "Description of the Units – Capital Accounts & Percentage Interests" and "Risk Factors – Risks Related to the Ownership of Units.")

Syndication Costs

The Fund's Syndication Costs will be paid by the Fund from the proceeds from Unit sales and deemed to be an advance by the Fund against any future earnings of Fund Members. For this purpose, the term "Syndication Costs" collectively refers to Organization & Offering Expenses and the securities Underwriting Compensation as defined below.

- "*Organization & Offering Expenses*" means all expenses incurred in connection with the formation of the Fund and the offer and sale of Units in the Offering other than the Underwriting Compensation. The Fund's Organization & Offering Expenses includes, without limitation, all costs and expenses (including all legal

and accounting fees and expenses) incurred in connection with: (i) preparing and filing the Fund's Certificate of Formation; (ii) preparing the Operating Agreement, this Memorandum, the Subscription Agreement and all other offering documents together with any amendments or supplements thereto; (iii) issuing Units to Members; (iv) marketing the Fund and the sale of Units (including printing, mailing, regulatory review of state and federal filings and distributing sales materials); (v) reimbursing the Manager and associates of the Manager for registration, sponsorship, travel and other costs of participating in conferences and making sales presentations; (vi) reimbursing participating broker-dealers and registered investment advisors for bona fide due diligence expenses payable under any broker agreements or registered investment advisor agreements between the Company and participating broker-dealers and registered investment advisors; and (vii) all other syndication expenses incurred by the Fund other than those attributable to Underwriting Compensation, as defined below.

- "*Underwriting Compensation*" means sales commissions and marketing fees of up to 7% of the gross proceeds from unit sales by each BD Member for their BD Units that are payable to participating broker-dealers upon each sale of BD Units.

Syndication Cost Advances & Reimbursements

The Fund will pay on behalf of BD Members the Underwriting Compensation payable to broker-dealers and will reimburse the Manager for all of the Fund's Organization & Offering Expenses on behalf of all Members, subject to the Maximum O&O Amount discussed below. These Syndication Costs, however, will be deemed advances by the Fund on behalf of each Member (a "Syndication Advance") in the amount of the Syndication Costs attributable to each Member's Units (each Member's "Syndication Advance Amount"). Each Member's Syndication Advance Amount will be determined based upon the Member's Membership Tier and will be repayable to the Fund through Quarterly Syndication Cost Reimbursements made during Deduction Period in accordance with the provisions described below.

Syndication Advance Amounts

The Syndication Advance Amount of all Members will include each Member's pro rata share of the Fund's Organization & Offering Expenses up to a maximum amount of 2.0% of the gross purchase price paid for a Member's Units (each Member's "Maximum O&O Amount"). Each Member's pro rata share of the Fund's Organization & Offering Expenses will be based upon the number of Units purchased by the Member in the offering relative to the total number of Units purchased by all Members ("O&O Share").

Pursuant the terms of the Operating Agreement, the Manager will determine the total number of Units sold in the Offering and the total amount of Organization & Offering Expenses incurred by the Fund in the first quarter following the termination of the Offering Period (the "O&O Determination Date"). Each Member's O&O Share of the Fund's Organization & Offering Expenses will then be determined and allocated to each Member (up to the Maximum O&O Amount) based upon the final Organization & Offering Expense amount and the total number of Units so determined. Any Organization & Offering Expenses incurred by the Fund in excess of the Maximum O&O Amounts allocable to the Members will be paid or reimbursed to the Fund by the Manager.

Underwriting Compensation paid by the Fund with respect to BD Units will be allocated to the BD Members, only, on the O&O Determination Date. Such amounts (representing a maximum total of 7.0% of the gross purchase price paid for BD Units or \$0.07 per BD Unit) will be included in the total Syndication Advance Amounts of each BD Member and will be in addition to the Member's O&O Share of Organization & Offering Expenses discussed above, increasing the Quarterly Syndication Cost Reimbursements attributable to Tier BD Interests, accordingly.

Quarterly Syndication Cost Reimbursements

Each Member's Syndication Advance Amount, as determined on the O&O Determination Date, will be repaid through deductions made from each Member's Capital Account ("Quarterly Syndication Cost Reimbursements") that will begin on the last day of the calendar quarter following the O&O Determination Date (the "Reimbursement Commencement Date") and continuing thereafter until the Scheduled Dissolution Date or the earlier dissolution of the

Fund by the Manager (the "Reimbursement Period"). The amount of each Quarterly Syndication Cost Deduction will be the installment amount calculated by the Manager to result in the deduction of the Member's full Syndication Advance Amount through equal Quarterly Syndication Cost Reimbursements beginning on the Deduction Commencement Date and continuing through and including the Scheduled Dissolution Date (each Member's "Quarterly Reimbursement Amount").

While Quarterly Syndication Cost Reimbursements are being made, the amount of the quarterly distributions of net income otherwise payable to each Member will be reduced by the Quarterly Reimbursement Amount.³ If a Member has elected to forego cash distributions and to compound earnings in the Member's account, the Quarterly Reimbursement Amount due for any quarter will reduce the amount of the Fund's net income otherwise allocable to the Member's Capital Account. If net income allocable to any Member in any quarter is less than the Member's Quarterly Deduction Amount due for such quarter, the insufficiency will result in a corresponding reduction of the Member's Capital Account balance as of the distribution date. (See "Summary of the Operating Agreement – Net Income & Losses." and "Risk Factors – Risks Related to the Ownership of Interests.")

Each Member will receive an initial Capital Account credit equal to the full purchase price paid for their Units without deduction of such Member's initial Syndication Advance Amount. During the Reimbursement Period, however, each Member's Percentage Interest in the Fund will be based upon the Member's relative Capital Account balances, less the unpaid amount of their Syndication Advance Amount ("Syndication Advance Balance") as of any date. Consequently, rights based upon the Members' relative Percentage Interests in the Operating Agreement (including operating income allocations and voting rights) will be determined net of a Member's Syndication Advance Amount beginning on the Deduction Commencement Date and through the Deduction Period.

Each Member's Syndication Advance Amount will also be due and payable to the Fund whether or not it is fully reimbursed over the expected Fund term through Quarterly Syndication Cost Reimbursements. Consequently, in the event the Fund is dissolved prior to the Scheduled Dissolution Date for any reason, any Syndication Advance Amount that remains unpaid by a Member will be deducted from the Members' Capital Account on the applicable date of dissolution.

Members seeking to withdraw from the Fund prior to the Fund's Scheduled Dissolution Date will have their Capital Account reduced by the Surrender Charge in determining the redemption amount paid to such Member. The Surrender Charge will be applied in satisfaction of the remaining unpaid Syndication Advance Amount then due from the withdrawing member, and any excess will be allocated to the remaining members. (See "Summary of the Operating Agreement – Withdrawal & Redemption.")

Subscribing for Units & Admission to the Fund

Prospective investors can subscribe to purchase Units by completing and delivering to the Manager the Subscription Agreement and Power of Attorney attached to this Memorandum at Exhibit B (the "Subscription Agreement") and delivering the full subscription amount identified therein. Subscription Agreements from prospective investors, received in good order, will be accepted or rejected by the Manager within ten (10) days after receipt. Once accepted, subscriptions are non-cancelable, irrevocable and non-refundable for any reason, except with the consent of the Manager. If a Subscription Agreement is rejected by the Manager, subscribing investor's subscription funds will be promptly returned without interest.

Investors with accepted Subscription Agreements will be admitted as Members of the Fund and issued Units when each subscribing Investor's subscription funds are necessary to fund loan investments or to pay other proper Fund expenses. (See "Use of Proceeds.") If an investor's subscription funds are not directly deposited into the Fund's operating account when received, such funds will be held in an interest-bearing subscription account (the "**Subscription Account**") and then transferred into the Fund's operating account as needed.⁴ Transfers from the Subscription Account into the Fund's operating account will generally be made in the order that subscriptions are

³ BD Members electing monthly rather than quarterly distributions will have one-third (1/3) of their Quarterly Syndication Cost Deductions amount deducted proportionately each month. (See, "Description of the Units – Distributions to Members.")

⁴ Interest earned on an investor's subscription funds held in the Subscription Account will be paid to investors by check at or about the time of their admission to the Fund.

received from investors on a first-in, first, out basis. The Manager may, however, admit investors based upon the amount of an investor's subscription or any other criteria reasonably determined by the Manager, including delaying the admission of ERISA plan investors to the extent necessary to ensure that the Fund remains exempt from the plan asset regulations, prohibited transaction rules and similar regulations arising under ERISA and the Internal Revenue Code (collectively, "ERISA Regulations").

Only when an investor's funds are deposited into the operating account will the investor be admitted as a Member of the Fund and receive a Capital Account credit in the amount of their investment. Notwithstanding the foregoing, funds held in the Subscription Account for forty-five (45) days following the date the applicable subscription is accepted by the Manager, will be deposited into the Fund's operating account and the subscribing party will be admitted as a Member on the last day of such forty-five (45) day period. This forty-five (45) day period may be extended, and the Manager may delay admitting ERISA plan investors beyond such period, to the extent deemed necessary by the Manager to remain exempt from applicable ERISA Regulations. ERISA plan investors whose subscription funds are held in the Subscription Account beyond the forty-five (45) day period without admission may request the return of such funds at any time. Provided such requests are received by the Manager prior to the date the applicable transfer and admission becomes effective, the requesting ERISA plan investor's subscription funds will be promptly returned to the investor without interest.

Deposits and admissions made solely to meet the forty-five (45) day requirement discussed above may have a dilutive effect on fund yields. (See "Risk Factors – Risks Related to the Ownership of Units.")

Subscription Agreement Warranties

The Subscription Agreement requires each potential investor to make certain warranties upon which the Manager will rely in accepting an investor's subscription. These include, without limitation, a warranty from each potential investor that:

- The investor has received, read and understood this Memorandum and the Operating Agreement;
- The investor is an Accredited Investor and otherwise meets the suitability standards required to invest;
- The investor is aware that there will be no public market for the Units and none is expected to develop in the future;
- The investor understands the restrictions on transferability and withdrawals and that the investor may be required to hold their Units for the full Fund term and through the Dissolution Period;
- The investor has sufficient liquid assets to provide for the investor's current needs and personal contingencies or, if a trustee, that limited liquidity will not affect its ability to make timely distributions; and
- The investor has the power, capacity and authority to make the investment.

Potential investors should consult with their own legal, tax and investment professionals to ensure an investment in Units is suitable for their own personal financial situation prior to investing and to understand the warranties being made in the Subscription Agreement. The purpose of these warranties is to ensure that the investor fully understands the terms of the offering, the risks of an investment and that the investor is qualified and has the capacity to enter into the Subscription Agreement. In any claim or action against the Fund or the Manager, the Fund or the Manager may use the warranties made in the Subscription Agreement as a defense or basis for seeking indemnity from investors as provided therein.

Election to Receive Cash Distributions

Upon subscription for Units, an investor must elect whether to receive periodic cash distributions from the Fund or to allow his or her earnings to compound for the term of the Fund. An investor may elect to switch from

compounding to distributions or vice versa by giving written notice to the Manager fifteen (15) days or more prior to the last day of any calendar quarter for the change to be effective for that quarter. Otherwise, the change will become effective as of the last day of the next calendar quarter following the request.⁵ (See "Description of the Units – Distributions to Members.") Income allocable to investors who elect to compound their earnings will be retained by the Fund for investing in mortgage loans or other proper Fund purposes. (See "Use of Proceeds.")

Restrictions on Transfer

This offering of Units has not been registered under the Securities Act of 1933, as amended (the "Act"), and is being made in reliance upon the exemptions from such registration requirements provided for under Section 4(a)(2) of the Act and Regulation D promulgated by the SEC for certain limited or private offerings. Units cannot be resold without registration under the Act or pursuant to an exemption therefrom. Similarly, the sale of Units has not been qualified with the securities commissioner of any state, in reliance on the exemptions from such qualification requirements provided under the provisions of state securities laws relating to the private or limited placement of securities.

Under SEC Rule 144, investors will be required to hold their shares for at least six months and likely one year before being able to dispose of them, unless the sale is registered under the Act or another exemption is available. Moreover, there is no public or trading market for the Units, and the Manager does not anticipate that one will develop in the future, nor does the Manager anticipate registering the Units with the SEC to facilitate resales. Therefore, investors must be prepared to hold their Units without the expectation they may sell their Units in the secondary market during the Fund term. (See "Risk Factors – Risks Related to the Ownership of Units.")

The Operating Agreement places the additional restrictions on the sale or transfer of the Units including the right of the Manager to give its prior written consent to any a sale, transfer or encumbrance of a Member's interest in the Fund, which consent may be withheld in the Manager's sole discretion. Also, Investors have limited rights to withdraw from the Fund and will be subject to Surrender Charges applicable to withdrawals made prior to the Scheduled Dissolution Date. (See "Summary of the Operating Agreement –Withdrawal & Redemption.") Therefore, investors needing access to their invested capital in the near term should not invest.

USE OF PROCEEDS

The gross proceeds from the sale of Units will be used to make and invest in loans, to pay the Fund's Syndication Costs, to pay for ongoing operating expenses and for other proper Fund business. The following tables set forth the Manager's estimates as to how the proceeds of the Fund's offering of Units will be utilized by the Fund. Table No. 1, below, illustrates the estimated use of the gross proceeds of the offering assuming no leverage is utilized by the Fund. Table No. 2, illustrates the estimated use of the gross proceeds of the offering assuming use of leverage by the Fund in the full amount permitted under the Operating Agreement. Column (a) and (b) of Table No. 1 and Table No. 2 reflect the use of proceeds if all Units purchased in the offering are BD Units or RIA Units, respectively. It is expected that both BD Units and RIA Units will be purchased by Members in the offering; however, the relative amounts invested in each Membership Tier are currently unknown. Consequently, the actual use of proceeds as stated in column (a) and (b) are expected to vary within the ranges illustrated in each column.

All figures set forth below are estimates, only. Actual amounts, including the levels of leverage utilized by the Fund will vary (subject to the Leverage Limitation discussed in the "Use of Leverage" section of this Memorandum). The Manager also has the right to increase the Maximum Offering Amount reflected in the tables below at any time during the Offering Period. In that case, there is no guaranty that the figures provided herein would adjust accordingly. Consequently, this information is provided for illustrative purposes, only, and should not be relied upon as being definitive.

⁵ If a Member receiving Manager approved monthly distributions elects to change to compounding, that Member's final monthly distribution payment will be made on the last day of the quarter in which the request notice is received (whether received prior to or within the described fifteen (15) day period), and quarterly compounding will begin for that Member on the last day of the following calendar quarter during which no further monthly distributions will be made.

Table No. 1: Use of Proceeds – No Leverage

| | (a) | | (b) | |
|---|--------------------------------|---------------|---------------------------------|---------------|
| | Maximum Offering (BD Units) | | Maximum Offering (RIA Units) | |
| | Dollar Amount | % | Dollar Amount | % |
| Gross Proceeds | \$50,000,000 | 100.0% | \$50,000,000 | 100.0% |
| Leverage | \$0.00 | 0.0% | \$0.00 | 0.0% |
| Total Company Funds: | \$50,000,000 | 100% | \$50,000,000 | 100.0% |
| <i>Less:</i> | | | | |
| Organization & Offering Expenses ^[2] (exclusive of Underwriting Compensation) | (\$1,000,000) | (2.0%) | (\$1,000,000) | (2.0%) |
| Underwriting Compensation ^[3] | (\$3,500,000) | (7.0%) | \$0.00 | 0.0% |
| Cash Available for Investment & Operations (w/out cash retained from Quarterly Syndication Cost Deductions) | \$45,500,000 | 91.0% | \$49,000,000 | 98.0% |
| <i>Add:</i> | | | | |
| Cash Retained from Quarterly Syndication Costs Deductions ^[4] | \$4,500,000 | 9.0% | \$1,000,000 | 2.0% |
| Cash Available for Investment & Operations: (w/cash retained from Quarterly Syndication Deductions) | \$50,000,000 | 100.0% | \$50,000,000 | 100.0% |

Table No. 2: Use of Proceeds – (Potential) Leverage

| | (a) | | (b) | |
|---|--------------------------------|---------------|---------------------------------|---------------|
| | Maximum Offering (BD Units) | | Maximum Offering (RIA Units) | |
| | Dollar Amount | % | Dollar Amount | % |
| Gross Proceeds | \$50,000,000 | 100.0% | \$50,000,000 | 100.0% |
| Leverage ^[1] | \$17,500,000 | 35.0% | \$17,500,000 | 35.0% |
| Total Company Funds: | \$67,500,000 | 135.0% | \$67,500,000 | 135.0% |
| <i>Less:</i> | | | | |
| Organization & Offering Expenses ^[2] (Exclusive of Underwriting Compensation) | (\$1,000,000) | (2.0%) | (\$1,000,000) | (2.0%) |
| Underwriting Compensation ^[3] | (\$3,500,000) | (7.0%) | \$0.00 | 0.0% |
| Cash Available for Investment & Operations (w/out cash from Quarterly Syndication Cost Deductions) | \$63,000,000 | 126.0% | \$66,500,000 | 133.0% |
| <i>Add:</i> | | | | |
| Cash Retained from Quarterly Syndication Costs Reimbursements ^[4] | \$4,500,000 | 9.0% | \$1,000,000 | 2.0% |
| Cash Available for Investment & Operations: (w/cash retained from Quarterly Syndication Deductions) | \$67,500,000 | 135.0% | \$67,500,000 | 135.0% |

[1] Stated leverage amount represents 35% of the gross proceeds of the Offering. The maximum leverage that may be utilized by the Fund, however, is 35% of the book value of total Fund assets at the time a leverage loan or draw is made which may be higher or lower than the amounts stated herein. (See "Use of Leverage – Leverage Limitation" and "Risk Factors.")

[2] Stated amount represents the Maximum Organization & Offering Expensed Amount (i.e., 2.0% of the total purchase price paid for Units in the offering) that is payable by the Fund. Actual Organization & Offering Expenses will be determined by the Manager upon termination of the Offering Period and allocated to the Members, up to the Maximum O&O Amount, and repaid by the Members over the Fund term through Quarterly Syndication Cost Reimbursements made over the Reimbursement Period. (See "Terms of the Offering – Syndication Cost Advances & Reimbursements" and "Summary of the Operating Agreement – Syndication Cost Advances & Quarterly Syndication Cost Reimbursements.")

[3] Underwriting Compensation is comprised of sales commissions and marketing fees paid to securities broker-dealers with respect to the sale of BD Units. Such Underwriting Compensation, up to 7.0% of the gross proceeds paid for BD Units, will be allocated to BD Members, only, and added to the overall Syndication Cost Advance Amounts due from such Members. To the extent Units are sold as RIA Units, overall commissions paid by the Fund will be less than the amounts indicated, leaving more capital for investment in mortgage loans. (See "Terms of the Offering – Syndication Cost Advances & Reimbursements.")

- [4] Represents the total amount of Syndication Costs that may be retained by the Fund through Quarterly Syndication Cost Reimbursements over the expected term of the Fund. Cash retained from such reimbursements will be made available to the Fund only as Quarterly Syndication Costs Reimbursements are made from distributions made or netted against income allocable to Members each quarter and only to the extent quarterly net income for each quarter exceeds the Quarterly Syndication Cost Reimbursements due.

PLAN OF DISTRIBUTION

Units will be offered and sold by a selling group of SEC registered broker-dealers, through registered investment advisors and directly from the Fund's Manager. Units purchased through registered broker-dealers are subject to certain Underwriting Compensation (including selling commissions and marketing fees) not applicable to Units bought through an investor's registered investment advisor or directly from the Manager and its principals and employees.

In order to allocate the differing selling costs associated with Units, the Fund's Operating Agreement establishes two Membership Interest Tiers designated Tier BD and Tier RIA. (See "Summary of the Operating Agreement – Membership Tiers.") Membership interests in Tier BD (referred to in the Memorandum as "Tier BD Interests") will be issued to Members that acquire their Units through a registered broker-dealer participating in the offering (referred to in the Memorandum as "BD Members"). Membership interests in Tier RIA (referred to in the Memorandum as "Tier RIA Interests") will be issued to Members that acquire their Units through a registered investment advisor or directly from the Fund (referred to in the Memorandum as "RIA Members"). Underwriting Compensation will be paid to broker-dealers by the Fund, on behalf of the BD Members, and will be added to the Syndication Cost Advance Amount assigned to the BD Members, only. (See "Terms of the Offering - Syndication Cost Advances & Reimbursements.") Registered investment advisors are generally compensated through advisory fees based upon the total investment assets managed by the advisor on an investor's behalf rather than on an investment by investment basis. RIA Members investing through a registered investment advisor will be directly responsible for the payment of any such advisory fees and any other fees (if any) charged by their registered investment advisors with respect to RIA Units.

It is the intent of the Manager that costs paid to the broker-dealers utilized in the offering be borne by the BD Members investing through such broker-dealers. Broker-dealers and their associates, however, may be entitled to have certain costs they incur with respect to the offer and sale of Units paid or reimbursed by the Fund including reimbursements for participating in broker-dealer conferences, making presentations on behalf of the Fund and for bona fide due diligence expenses incurred. Such expenses or reimbursements will be in addition to the Underwriting Compensation amounts allocated to the BD Members as Underwriting Compensation and may be included in the Organization & Offering Expenses advanced on behalf of, and repayable by, all Members. Consequently, RIA Members may indirectly be paying a portion of the compensation payable to broker-dealers with respect to the BD Units. Such amounts, if any, are not expected to be significant and will be limited by the overall 2.0% Maximum O&O Amount applicable to all Organization & Offering Expenses.

All Units are being offered on a "best efforts" basis, which means generally that the selling group members will be required to use only their best efforts to sell the Units, and they have no firm commitment or obligation to purchase any of the Units.

FUND BUSINESS & LOAN CRITERIA

The Fund was formed on September 12, 2019 upon the filing of its Certificate of Formation with the Delaware Secretary of State; however, the Fund will not commence business until the Minimum Offering Amount (i.e., \$250,000) is received in the offering. The Fund was formed to engage in the business of mortgage lending and investing with the objectives to: (1) yield a favorable rate of return from the Fund's business of making and/or investing in mortgage loans; (2) preserve and protect Fund capital by investing in mortgage loans secured primarily by California real estate, with up to 15% secured by properties in other states; and (3) generate and distribute cash flow to electing Members from these mortgage lending and investing activities. There is no guaranty that all or any of these objectives will be met. (See "Risk Factors.")

General

The Manager has been in the business of mortgage lending and mortgage fund management since 1979, and will be responsible for arranging, underwriting and servicing all Fund loans. (See "The Manager & Its Affiliate Mortgage Funds.") The Manager has a real estate brokers license issued by the California Department of Real Estate and a California finance lenders and brokers license issued by the California Department of Business Oversight. The Manager may also elect to obtain a California finance lenders license for the Fund during the Fund term. Loans secured by California properties may be made or arranged by, or for, the Fund under any of these licenses in the Manager's discretion. If a loan will be secured by a property in a state other than California, the Fund may utilize a broker licensed in the applicable state to arrange the loan, if required, under applicable regulations. The Fund may, however, elect to limit its out of state lending to states (and the types of loans) for which no state licensing is required.

The Fund will earn income from the interest, including default interest, paid by borrowers on Fund loans and from fees collected on loans including all or a portion of the prepayment penalties, late fees and other fees which may be charged to borrowers and collected by the Fund. Borrower's will also be charged origination fees (i.e., "*points*") on loans arranged by the Manager that are expected to range between 1% to 5% of the principal amount of each Fund loan. The Fund will earn 10% of all such origination fees and 10% of any extension fees paid by the borrower and the remaining 90% will be paid to the Manager. The Manager will also earn other types of fees and compensation payable by Fund borrowers on Fund loans including loan documentation fees, notary fees, forbearance fees and other similar fees charged to Fund borrowers. The Fund will also pay a 1.25% per annum asset management fee to the Manager which will be payable by the Fund monthly (i.e., 0.104% per month). (See "Compensation to the Manager and its Affiliates" and "Conflicts of Interest.")

The Fund will generally be an "asset" rather than a "credit" lender. This means that the Fund may rely primarily on the value of the real property securing Fund loans to protect its investment. To determine the value of each security property, the Manager will obtain a written, third-party appraisal (see "Lending Standards and Policies," below), but no assurance can be given that the appraisal will in any or all cases, be and remain accurate. (See "Risk Factors – Risks Related to the Fund's Business.")

Fractional Interests

All of the promissory notes and deeds of trust evidencing loans will name the Fund as the initial lender or will be assigned to the Fund upon funding of the loan. In some circumstances, the Fund may purchase undivided fractional interests in loans ("**Fractional Interests**") which will be held by the Fund and other lenders (including the Fund's Affiliated Mortgage Funds and other affiliates of the Manager) rather than funding an entire loan. (See "The Manager and its Affiliates.") The Fund will, however, only acquire Fractional Interests in loans that meet the loan standards set forth in the "Lending Standards and Policies" section, below.

Fund Management

The Fund is externally managed. RMC, as the manager of the Fund, will be solely responsible for managing the business and affairs of the Fund, subject to the voting rights of the members on specified matters. (See "Summary of the Operating Agreement – Rights & Liabilities of the Members.") The Manager acting alone has the power and authority to act for and bind the Fund. RMC provides the personnel and services necessary to conduct the Fund's business; RMI X is not expected to have employees. The services expected to be provided by the Manager include: (1) selecting and arranging loans to be made or acquired by the Fund; (2) monitoring and assessing loan portfolio performance and setting the Fund's accounting procedures; (3) loan servicing, loss mitigation and enforcement of the loan terms, as necessary; and (4) otherwise directing the day-to-day operations of the Fund. Members will have limited rights to vote on or direct the actions of the Fund and must rely upon the Manger to make decisions in the best interests of the Fund. (See "Risk Factors–Risks Related to the Manager" and "Conflicts of Interests.")

Lending Standards & Policies

In selecting loans for investment by the Fund, the Manager will generally adhere to the guidelines set forth below, which guidelines are designed to set standards for the quality of the real property security given for the loans.

These lending standards, however, may be exceeded or modified if deemed to be in the best interest by the Fund as determined by the Manager.

General Standards for Loans

Fund Loans will generally be secured by deeds of trust on the following types of real property:

- single-family residences (including homes, condominiums and townhouses, and 1-4 unit residential buildings);
- multi-family properties of five (5) or more units (such as apartment buildings); and
- commercial property (such as office buildings, retail stores, warehouse facilities and mixed-use properties).

The Fund may also make loans secured by land zoned for commercial and/or residential development; however, such land loans will not exceed 10% of total Fund assets at the time made. The Manager does not intend to make construction or rehabilitation loans. Loans may involve an element of improvement to the security property but such loans will be underwritten based upon the value of the security property at the time the loan is made and not the projected increased in value upon completion of the project or improvements.

Geographic Area of Lending Activity

Loans made and/or acquired by the Fund will be secured by first and second deeds of trust encumbering primarily residential and commercial real estate located in California communities predominately in the San Francisco Bay Area and coastal metropolitan regions of Southern California. Up to 15% of Fund capital may also be invested in loans secured by properties located in other states. The Fund may take a security interest in property outside California as additional collateral for any loan which will not be included for the purposes of calculating this 15% limitation.

Appraisals & Loan-to-Value Ratios

In underwriting Fund loans, the cash flow and the income generated by the real property securing a Fund loan may factor into the underwriting decision made, as may the general creditworthiness, experience and reputation of the borrower. However, for loans secured by real property, other than consumer loans on owner-occupied personal residences, or when otherwise regulated such considerations will generally be subordinate to a determination that the value of the real property is sufficient, in and of itself, as a source of repayment. Consequently, the value of all properties securing Fund loans will be determined by appraisals made at or near the time the loan is made by qualified, independent third-party appraisers selected or approved by the Manager and the amount of the loan (together with the amount of any senior liens on the property) will generally not exceed the following percentages of the appraised value of the applicable security property (the "Loan-to-Value Ratio," or "LTV"):

| Type of Property | Loan-to-Value Ratio |
|--|----------------------------|
| Residential Properties <i>(owner occupied, non-owner occupied & multi-family)</i> | 80% |
| Commercial and Income-Producing Properties <i>(including office buildings, retail stores, warehouse facilities and mixed-use properties)</i> | 65% |
| Unimproved Land <i>(zoned for commercial or residential use)</i> | 50% |

Notwithstanding the foregoing, the Manager generally targets an average Fund Loan-to Value Ratio of 70% or less and LTV's applicable to Fund loans may be significantly lower than those stated above in some circumstances. The above-stated LTVs may also be increased if, in the sole discretion of the Manager, a higher loan amount is warranted by the circumstances of the particular loan (such as personal guaranties, prior loan history with the particular borrower, market conditions, etc.). However, in no event shall the aggregate principal amount of any loan, together with the unpaid principal amount of any senior encumbrances on the security property, exceed 80% of the value of any improved real property or 60% of the value of any unimproved property.

The above stated loan-to-value ratios will not apply to purchase-money financing offered by the Fund to sell any real estate owned (acquired through foreclosure or otherwise) or to refinance an existing loan that is in default at the time of maturity. In such cases, the Manager shall be free to accept any reasonable financing terms that it deems to be in the best interests of the Fund, in its sole discretion.

Site Visits

In addition to obtaining and reviewing appraisals for each security property, an employee of the Manager visits each security property when located in California to help ensure that the information contained in the appraisal is accurate and that the property otherwise meets the Manager's standards. The scope of a Manager site visit may include:

- Driving to the property and assessing the front exterior of the subject property, the adjacent properties and the neighborhood.
- Walking the street;
- Viewing the local neighborhood;
- Observing current property maintenance and general neighborhood maintenance;
- Assessing other visual matters that may affect value;
- Visiting comparable sales and/or rental properties selected as comparable by the appraiser; and
- Visiting properties determined by the Manager as potential comparable sales or rental properties.

A site visit by the Manager generally does not include entering any structures on the property and, in most cases, an agent of the Manager will not enter the structures on the property prior to making the loan. Site visits for non-California properties may also be conducted by an employee of the Manager; however, the Manager may also elect to: (i) engage a local real estate or lending professional (e.g., private lender, real estate agent, property manager, etc.) engaged to conduct site visits on the Manager's behalf; or (ii) rely solely upon the appraisal and information received from the appraiser without conducting a site visit for the non-California property. (See "Risk Factors –Risks Related to the Fund's Business.")

Terms of Loans

Typically Fund loans will be shorter-term loans (i.e., 1-5 years) yielding a favorable rate of return; however, loans may have shorter or longer terms in the Manager's discretion. Fund loans generally provide for monthly payments of interest only with a "balloon payment" at the end of the term, but may be partially-or-fully-amortizing over the term of the loan, particularly if the loan is for a term of five or more years. The Fund may make loans with terms longer than the term of the Fund (including 30 year fully amortized loans) if the Manager believes the loan can be sold or otherwise liquidated or transferred prior to the Fund's dissolution or during the expected wind down period.

Escrow Conditions

Fund loans are funded through an escrow account handled by a qualified title insurance or escrow company. With each new loan the escrow agent will be instructed not to disburse any funds until the following minimum conditions are met (to the extent applicable to the loan):

- Satisfactory title insurance coverage is obtained for the loan, with the title insurance policy naming the lender as the insured and providing title insurance in an amount equal to at least the principal amount of the loan. Title insurance insures only the validity and priority of the deed of trust, and does not insure the lender against loss by reason of other causes, such as diminution in the value of the security property, over-appraisals, borrower defaults, etc.

- Satisfactory hazard insurance has been obtained for the loan (if applicable), which insurance names the Fund as loss payee in an amount equal to the replacement cost of the property improvements. The Manager does not intend to arrange for mortgage insurance, which would afford some protection against loss if the Fund foreclosed on a loan and there were insufficient equity in the security property to repay all sums owed. The Manager also will generally not require borrowers to obtain insurance for earthquakes, tornados, floods, mudslides, or other acts of God where such insurance is unavailable or cannot be obtained economically. (See "Risk Factors – Risks Related to the Fund's Business.")
- All loan documents (notes, deeds of trust, loan agreements etc.) and insurance policies name the Fund as payee and beneficiary or additional loss insured, as applicable. In the event the Fund purchases loans, the Fund receives assignments of all beneficial interest in any documents related to each loan so purchased. Fund investments in loans will not be held in the name of the Manager or any other nominee.

Credit Evaluations

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

No Loans to Manager

No loans will be made by the Fund to the Manager or to any of its principals or affiliates.

Purchase of Loans from Affiliates

The Manager is a licensed California real estate lender and loans funded or acquired by the Manager or its affiliates may be purchased by the Fund from time-to-time. The Fund may also purchase loans from third parties and may utilize loan brokers with respect to loans made in, or acquired from other states. All loans purchased by the Fund must satisfy the lending guidelines described above. Generally, the purchase price to the Fund for any such loan will not exceed the par value of the note or its fair market value, whichever is lower, but the Manager may purchase loans for a premium if the Manager believes the total purchase price is fair and reasonable and in the best interest of the Fund.

Loan Diversification

No Fund loan will exceed the greater of \$1,500,000 or 10% of Fund total assets at the time the loan is made. For the purpose of determining whether a loan meets this 10% threshold, the Manager may treat loans to a common borrower or borrowers with common principals as a single loan. Typical loans are expected to range between \$250,000 and \$1,500,000 and the average loan investment is expected to be approximately 3% of total assets.

The Manager anticipates that mortgage loans will be diversified as to priority so that approximately 40% to 60% of mortgage loans will be first mortgages and 40% to 60% of mortgage loans will be second mortgages.

Fund Accounting Procedures

The Manager, in consultation with the Fund's independent accountants, is responsible for determining the accounting policies and procedures of the Fund. In connection therewith, the Manager will assess the Fund's portfolio at intervals determined by the Manager to be reasonable in light of current market conditions in order to account for any delinquencies and determine the recoverability of Fund loans.

Loan Administration & Servicing

Fund loans will be administered by the Manager who will act for the Fund in connection with: (i) collecting interest, principal and other payments made to the Fund by the borrowers; (ii) commencing and overseeing enforcement actions against borrowers upon default; and (iii) otherwise taking such actions required to service Fund loans and to protect the properties, equipment or other collateral securing Fund loans. Notwithstanding the foregoing, the Manager may engage a third-party loan servicer to conduct all or some of the Fund's loan servicing functions subject to the oversight of the Manager. Loan servicing fees paid to any third-party loan servicer(s) by the Fund will be paid by the Fund at market rates negotiated by the Manager. To the extent fees are paid to third parties for loan services includable in the portion of the Manager's quarterly asset management fee deemed loan servicing compensation, the quarterly asset management fee will be reduced on a dollar-for-dollar basis. (See "Compensation to the Manager.")

Sale of Loans

The Fund makes and invests in mortgage loans for investment purposes and does not anticipate engaging in real estate operations in the ordinary course of business (except as may be required if the Fund forecloses on a property on which it has invested in a mortgage loan and takes over ownership and management of the property). The Fund intends to hold the loans in which it invests until repayment and does not presently intend to invest in mortgage loans primarily for the purpose of reselling such loans in the ordinary course of business. The Fund may, however, sell mortgage loans (or fractional interests therein) when the Manager determines that it appears to be advantageous for the Fund to do so, based upon then current interest rates, the length of time that the loan has been held by the Fund, the Fund's credit risk and concentration risk and the overall investment objectives of the Fund. Loans sold to third parties may be sold for par, at a premium or, in the case of non-performing or under performing loans, at a discount. Fund loans may be sold to third parties or to the Manager or its affiliates (including the Affiliate Funds); however, any loan sold to the Manager or an affiliate thereof will not be sold for a purchase price less than the par value of the loan or the fair market value of the loan, whichever is greater. The Manager will not receive commissions or origination fees with respect to loan sales conducted for the Fund; however, selling loans will increase Fund capital available for investing in new loans for which the Manager and the Fund will earn origination fees and other forms of compensation. (See "Compensation to the Manager" and "Conflicts of Interest – Sale of Loans to Third Parties.")

DESCRIPTION OF THE UNITS

Units represent membership interests in either Tier BD or Tier RIA of the Fund and upon admission investors will become BD Members or RIA Members with all rights and privileges of Members of each Membership Tier set forth in the Fund's Operating Agreement.

Capital Accounts & Percentage Interests

Units will be issued for a purchase price of \$1.00 per Unit. The Manager will establish a capital account for each Member ("Capital Account") which will be credited with their Original Capital Investment (i.e., the gross purchase price paid for their Units) and thereafter maintained in accordance with applicable Treasury Regulations. (See "Summary of the Operating Agreement – Capital Accounts.") Each Member's Percentage Interest in the Fund as of any date will be determined by dividing the Member's Capital Account balance (less the Member's then current Syndication Advance Balance) by the aggregate Capital Account balances of all Members (less the aggregate current Syndication Advance Balances of all Members) as of such date (each Member's "Percentage Interest"). A Member's Syndication Advance Amount will not be determined or allocated to a Member until the O&O Determination Date which will occur in the first calendar quarter following the termination of the Offering Period (i.e., the first quarter of 2023 unless an extension of the Offering Period is sought by the Manager and approved by a Member Majority). Prior to that time a Member's Percentage Interest will not be affected by Syndication Cost allocations made under the Operating Agreement. On the O&O Determination Date and during the Deduction Period, however, the Members' outstanding Syndication Advance Balance will be deducted from their then current Capital Account balances for the purpose of determining a Member's Percentage Interest and the rights of the Members determined with respect to the Members' relative Percentage Interests (including allocations of net operating income and the relative voting rights of

the Members) will be affected accordingly. The increased initial Syndication Advance Amounts attributable to Tier BD Interests will, therefore, disproportionately affect the rights of the BD Members during the Deduction Period.

Net Income & Loss Allocations

Net income (losses) of the Fund will be calculated quarterly by the Manager in accordance with generally accepted accounting principles and allocated among the Members based on the Member's Percentage Interests in the Fund (see above).

Distributions to Members

Distributions to Members will be made quarterly on or about the 15th day of the month following the last day of each calendar quarter. Notwithstanding the foregoing, the Manager may arrange for monthly distributions to Members upon request and subject to the Manager's approval. Unless otherwise agreed by the Manager at the time monthly distributions are approved: (i) monthly distributions will be made on or about the 15th day following the last day of each calendar month; (ii) the amount distributed to each requesting Member in the first two months of each calendar quarter will be equal to one-third (1/3) of the Member's share of quarterly net income determined as of the last day of the prior calendar quarter; and (iii) distributions made in the third month of each quarter will be adjusted by the Manager to the extent necessary to make aggregate distributions to the Member for that quarter, or on an annualized basis, accurate in light of the then current quarterly net income/loss calculations made for all Members.

Each Member's Quarterly Syndication Cost Reimbursements will be paid by the Members whether or not they elect to receive periodic distributions. Members that elect to receive quarterly cash distributions will have the amount of the distribution otherwise payable reduced by the Quarterly Syndication Cost Reimbursement during the Distribution Period in which any such payments are due. Members receiving approved monthly distributions will have their proportionate share of any such amounts (i.e., 1/3rd of the total amount due) deducted from each monthly distribution. If cash distributable to any Member in any quarter is less than the amount of any Quarterly Syndication Cost Reimbursement due in that quarter, the resulting deficiency amount will be deducted from the applicable Member's Capital Account.

Members that elect to forego cash distributions and to compound their earnings will have the amount of their Quarterly Syndication Cost Reimbursement netted from the allocable amount of net income otherwise to be credited to their Capital Accounts each quarter on or about the time that quarterly distributions are made to the Members electing such distributions. If net income allocable to any Member in any quarter is less than the amount of any Quarterly Syndication Cost Reimbursement due in that quarter, the resulting deficiency amount will be deducted from the applicable Member's Capital Account. (See "Terms of the Offering – Syndication Cost Advances & Deductions" and "Risk Factors – Risks Related to the Ownership of Units.").

The Manager also has the right, in any quarter to distribute income to ERISA Plan Members otherwise electing to compound their earnings to the extent the Manager determines such distributions are necessary to comply with applicable ERISA Regulations ("Required ERISA Distributions").

All requested distributions are subject to the availability of Fund cash flow. For this purpose, Fund cash flow will only be deemed available for distribution to Members electing distributions after: (i) all current Fund expenses have been paid (including asset management fees and other forms of compensation and reimbursements payable to the Manager as described in this Memorandum); (ii) payment of any debt service payments and any principal repayments due on any Fund loan obligations; (iii) adequate reserves have, in the Manager's discretion, been established for anticipated Fund operating costs and other expenses and advances to protect and preserve the Fund's investments in loans (such as enforcement costs and protective advances to senior lien holders); and (iv) any Required ERISA Distributions have been made or reserved for in full. In the event available cash flow in any quarter is insufficient to pay the full amount due to Members electing distributions, the Fund will distribute the total amount of available cash to such Members pro rata based upon their relative Percentage Interests until each such Member has received distributions equal to their allocated but undistributed income as of the date of the distribution.

The Manager reserves the right, at any time, to withhold all or a portion of periodic cash distributions otherwise payable to Members who have elected to receive such distributions if, in the Manager's discretion, such withholding is reasonably necessary in light of increased expense obligations of the Fund. The Manager may also delay any quarterly distributions to the extent necessary to ensure all necessary Capital Account adjustments (due to loan impairments or otherwise) are accurately reflected in the Fund's books and records. (See "Risk Factors – Risks Related to the Ownership of Units.")

Net income allocable to compounding Members retained by the Fund is available for investing in loans or for other business purposes. The additional earnings from these loans will be allocated among all Members; however, compounding Members will be credited with an increasing share of the net income of the Fund than Members who receive quarterly distributions since their Capital Accounts (upon which the Member's Percentage Interests are calculated) will increase over time.

THE MANAGER & ITS AFFILIATE MORTGAGE FUNDS

The Fund is externally managed by RMC. RMC, as the manager of the Fund, will be solely responsible for managing the business and affairs of the Fund, subject to the voting rights of the members on specified matters. The Manager acting alone has the power and authority to act for and bind the Fund. RMC provides the personnel and services necessary to conduct the Fund's business; RMI X is not expected to have employees. The services expected to be provided by the Manager include: (1) selecting, arranging and underwriting loans to be made or acquired by the Fund; (2) monitoring and assessing loan portfolio performance and setting the Fund's accounting procedures; (3) servicing, loss mitigation and enforcement of the note terms, as necessary, for then loan portfolio; and (4) otherwise directing the day-to-day operations of the Fund. Members will have limited rights to vote on or direct the actions of the Fund and must rely upon the Manager to make decisions in the best interests of the Fund. (See "Risk Factors – Risks Related to the Manager."). Further information regarding the Manager and its principals and affiliates is set forth below.

The Manager

Redwood Mortgage Corp. ("RMC") is a California Corporation founded in 1978. Since that time, D. Russell Burwell and Michael Burwell, his son, have been instrumental in developing the mortgage fund business as it exists in California today. When RMC was founded, the concept of a private mortgage fund (i.e., bringing together borrowers and private investors seeking returns from a portfolio of real estate secured loans) was new and faced significant legal, regulatory and industry challenges. Nonetheless, RMC recognized the potential benefits of such a structure and formed its first mortgage Fund, Redwood Mortgage Investors, which RMC believes, in 1978, was the first mortgage fund of its kind to successfully receive approval from the California Department of Corporations as a mortgage fund offering in California.

Throughout the years, RMC has continued to be a leader in the mortgage lending industry and has remained committed to growing, strengthening and advancing its business and the private lending industry as a whole. Michael Burwell, President since 2003, and his team continue to innovate and adapt to changing times and economic cycles. In recent years, this includes embracing the advantages and opportunities made possible by technology, and by stepping up to (and often exceeding) the requirements of an increasingly fast-moving marketplace and a significantly more complex regulatory environment. Over the past ten years, RMC has rebuilt its technology infrastructure implementing several cloud-based, leading-edge business applications, while diligently employing the necessary security processes and protocols to detect and prevent unauthorized access, or even worse, criminal intrusion. Being the manager of several publicly registered funds (see below), RMC has had to comply fully with the exacting requirements of the Sarbanes-Oxley reform legislation, which necessitated additional investments in processes and management, particularly as to internal controls and corporate governance, and additions to the team of a new generation of tech-savvy young professionals. RMC has expanded its outreach and has partnered with prominent local, regional and national accounting, legal and technology firms to have access to their expertise and experience.

Since RMC's founding, its basic tenet of success has been the belief that real estate loans secured by deeds of trust, selected by professionals and serviced by professionals will provide favorable, consistent and relatively steady returns to investors. Since inception, 40 plus years ago, RMC put this belief into practice and has underwritten, arranged and serviced over \$1,650,000,000 of carefully selected, short term, mortgage loans funded by the ten

mortgage funds it has sponsored (see below). These loans were secured by California real estate predominantly located in the San Francisco Bay Area and the coastal metropolitan regions of Southern California. RMC is vertically integrated in its loan operations meaning that they originate the loan directly from the borrower or from a loan package provided by a mortgage originator. RMC underwrites, documents, and then services the loan. The value of all properties securing Fund loans will be determined by appraisals made at or near the time the loan is made by qualified, independent third-party appraisers selected or approved by the Manager. In addition, as part of RMC's quality control, an employee of RMC visits each property that secures a loan. Often this is a member of the underwriting committee or management as a further check on property value. As part of our loan selection process, RMC seeks to lend in areas which contain a diverse economic base and a growing population. RMC's underwriting and documentation department takes great pride in the fact that only a single loan has been foreclosed upon in the last five years.

RMC has been a real estate broker licensed by the California Department of Real Estate since its inception in 1978 and a California Finance Lender and Broker licensed by the California Department of Business Oversight since 2005. RMC currently has 22 full time employees and is governed by a three-member board of directors consisting of Michael R. Burwell, Lorene A Randich and Thomas R. Burwell who will each be responsible for overseeing various aspects of Fund operations.

Michael R. Burwell

Michael Burwell joined RMC in 1979 leading and growing the company in the 40 years since. This experience culminated in his being named President in 2003. In addition to his serving as Director, President, Chief Financial Officer and being the controlling shareholder, Mr. Burwell is licensed as a California real estate broker and serves as RMC's broker of record. Over the years with RMC, Mr. Burwell has assisted in the leadership of loan production, directed loan collections, headed legal efforts, developed mortgage funds, has been a voting member of the loan underwriting committee for over 38 years and has inspected a countless number of properties upon which RMC has lent.

Previously Mr. Burwell served as Director, Secretary and Treasurer of A & B Financial Services, Inc. (1980-2011); President, Director, Chief Financial Officer and Secretary of Gymno Corporation (1986-September 2011) and, the manager of Gymno LLC, the entity into which Gymno Corporation was converted (September 2011-June 30, 2015); President, Director, Secretary and Treasurer of The Redwood Group, Ltd. (1979-September 2011). Mr. Burwell was also a general partner of RMI, RMI II RMI III, RMI IV, RMI V, RMI VI, and RMI VII and is currently a general partner of RMI VIII. (See "*Affiliated Mortgage Funds*," below.)

Mr. Burwell is a past member of the Board of Trustees and Treasurer, Mortgage Brokers Institute (1984-1986). He has been active in numerous trade associations including the IPA, ADISA, and the California Mortgage Association. He is a frequent panelist and has presented on numerous real estate lending topics. Mr. Burwell attended the University of California at Davis from 1975-1979, playing NCAA soccer for three seasons.

Lorene A. Randich

Lori Randich joined RMC in 1991 and since 2017 has served as its Executive Vice President of Lending Operations. She has served as a member of the Board of Directors since November 2011. Prior to her appointment as EVP, Ms. Randich served as Vice President of Loan Production and Underwriting since 2001. Ms. Randich served as RMC's broker of record from 2011 through 2019 and has been a licensed real estate broker since 1996.

Ms. Randich is a member of the National Association of Mortgage Brokers (and a former member of its Government Affairs Committee), the California Mortgage Bankers Association, the California Association of Mortgage Professionals (Board Member–San Francisco/Peninsula Chapter) and the California Mortgage Association (Board Member and Education Committee Chairperson). Ms. Randich received a BA from UC Berkeley in 1980.

Thomas R. Burwell

Tom Burwell joined RMC in 2007 and since 2012 has served as its Marketing and Sales Director. He has been a member of the Board of Directors since 2015. Mr. Burwell has visited and reviewed hundreds of real estate

properties for funds managed by RMC. Prior to joining RMC, Mr. Burwell was at Wells Fargo Bank, N.A. as a Loan Officer-Builder Division. (Westwood, California 2005-2007) and as a Loan Officer (Beverly Hills, California 2004-2005 and New York, New York 2002-2004).

Mr. Burwell is a member of the Financial Planning Association, San Francisco, CA. Mr. Burwell received a BA from the University of California at Davis in 1990. Mr. Burwell is a former ATP (Association of Tennis Professionals) world tour professional and was a NCAA Team and Individual Finalist, Team Captain, (Three-time) All-American, #1 Singles and #1 Doubles Player and a Hall of Fame Inductee for the University of California at Davis.

Affiliated Mortgage Funds

Prior to forming RMI X, RMC has sponsored the following ten mortgage funds (the "Affiliated Mortgage Funds"): Redwood Mortgage Investors ("RMI"), Corporate Mortgage Investors ("CMI"), Redwood Mortgage Investors II ("RMI II"), Redwood Mortgage Investors III ("RMI III"), Redwood Mortgage Investors IV ("RMI IV"), Redwood Mortgage Investors V ("RMI V"), Redwood Mortgage Investors VI ("RMI VI"), Redwood Mortgage Investors VII ("RMI VII"), Redwood Mortgage Investors VIII ("RMI VIII") and Redwood Mortgage Investors IX ("RMI IX"). Of these Affiliate Mortgage Funds: (i) RMI VIII and RMI IX are currently operating and ongoing programs managed by RMC (the "Ongoing Programs"); (ii) RMI IV, RMI V, RMI VI and RMI VII wound down their operations and dissolved within the last five years (the "Recently Completed Programs"); and (iii) RMI, CMI, RMI II and RMI III wound down their operations and dissolved more than ten years ago (the "Earlier Completed Programs"). Further information regarding the Ongoing Programs, Recently Completed Programs and Earlier Completed Programs is set forth below.

Affiliated Mortgage Funds – Ongoing Programs

RMC's Ongoing Programs, RMI VIII and RMI IX, were each formed by RMC to engage in the business of making and investing in loans similar to the Fund and each continues to be managed by the RMC. It is expected that RMI VIII and RMI IX will continue to operate over the term of the Fund and that each may own Fractional Interests in loans held by the Fund over the Fund term. (See "Fund Business & Loan Criteria – Fractional Interests." and "Conflicts of Interest.")

Redwood Mortgage Investors IX, LLC. RMI IX is a Delaware limited liability company with investment objectives similar to the Fund. RMI IX began offering interests to investors in October 2009. Since its inception, RMI IX's offering proceeds have been utilized to invest in loans secured by deeds of trust on real properties located in California, only, the majority of which have been geographically situated in the San Francisco Bay Area and coastal metropolitan regions of Southern California. RMC is the sole Manager of RMI IX and its loans are arranged and generally serviced by the RMC. Membership interest units in RMI IX were previously offered and sold pursuant to three public offerings registered with the SEC, the last of which terminated in April of 2019.⁶ While the offering of RMI IX units was open, approximately \$90,476,000 of total equity capital was raised, including investor contributions, investor premiums, and reinvestment of DRIP units. Prior performance information for RMI IX through December 31, 2018 is summarized in the table below. RMI IX also continues to file annual, quarterly and other periodic reports with the SEC in accordance with the Securities and Exchange Act of 1934 ("Exchange Act"). Additional and periodically updated information regarding RMI IX is available in these periodic reports and can be accessed by the public at the SEC's website (www.sec.gov).

⁶ RMI IX continues to sell membership interest units in its previously established Dividend Reinvestment Plan (i.e., "DRIP Units") pursuant to a Form S-3 Registration Statement filed with the SEC on May 9, 2019. Such DRIP Units, however, may be acquired by existing members that held units in RMI IX as of April 30, 2019, only, and are not available to the public.

RMI IX Program Information (as of December 31, 2018)

| | RMI IX |
|--|----------------------------|
| Inception Date | 10/8/2009 |
| Current Duration (years) | 9 |
| Amount Sold (millions) | \$90.48 |
| Median Average Leverage | 0% |
| Performance | |
| <i>Annualized Yield</i> | 6.58% ^[1] |
| <i>Ending Value on \$10,000 (inception through 12/31/18)</i> | \$18,214 ^{[1][2]} |

- [1] Performance data for RMI IX represents past performance and should not be interpreted as an accurate predictor of the future performance of RMI IX or the Fund. Offering costs and provisions regarding payment of syndication expenses in RMI IX are materially different than those applicable to the Fund, and stated performance figures for RMI IX include financial support provided by RMC as the RMI IX program manager in the form of fee and cost reimbursement waivers and the absorption of expenses otherwise payable by the RMI IX program. Absent such financial support, average annualized yields payable by RMI IX in prior periods would be lower than stated. More information regarding RMI IX's performance can be obtained on the SEC's website (www.sec.gov). RMC has no obligation to waive fees or cost reimbursements or to absorb expenses of the Fund (other than Organization & Offering Expenses in excess of the Maximum O&O Amount) at any time.
- [2] Stated values are illustrative only and represent the hypothetical value of a \$10,000 investment made in the program at inception with earnings compounded through December 31, 2018. Actual investor results varied during this period based upon the timing of an investor's date of admittance and withdrawal and the duration and amount of the investor's compounding election.

Redwood Mortgage Investors VIII, LP. RMI VIII is a California limited partnership with investment objectives similar to the Fund. RMI VIII began offering interests to investors in April 1993. Since its inception, RMI VIII's offering proceeds have been utilized to invest in loans secured by deeds of trust on California real property, the majority of which have been located in California and geographically situated in the San Francisco Bay Area and coastal metropolitan regions of Southern California. The general partners of RMI VIII are RMC and Michael Burwell. Limited partnership interests in RMI VIII were previously offered and sold pursuant to six public offerings registered with the SEC, the last of which terminated in November of 2008. While the offering of interests was open, total equity capital of approximately \$299,813,000 was raised. Performance information for RMI VIII through December 31, 2018 is summarized in the table below. RMI VIII also continues to file annual, quarterly and other periodic reports with the SEC under the Exchange Act. Additional and periodically updated information regarding RMI VIII is available in these periodic reports and can be accessed by the public at the SEC's website (www.sec.gov).

RMI VIII Program Information (as of December 31, 2018)

| | RMI VIII |
|--|----------------------------|
| Inception Date | 4/12/1993 |
| Current Duration (years) | 25 |
| Amount Sold (millions) | \$299.80 |
| Median Average Leverage | 10% |
| Performance | |
| <i>Annualized Yield</i> | 3.74% ^[1] |
| <i>Ending Value on \$10,000 (inception through 12/31/18)^[1]</i> | \$23,747 ^{[1][2]} |

- [1] Performance data for RMI VIII represents past performance and should not be interpreted as an accurate predictor of the future performance of RMI VIII or the Fund.
- [2] Stated values are illustrative only and represent the hypothetical value of a \$10,000 investment made in the program at inception with earnings compounded through December 31, 2018. Actual investor results varied during this period (and may have included losses) based upon the timing of an investor's date of admittance and withdrawal and the duration and amount of the investor's compounding election.

Affiliated Mortgage Funds – Recently Completed Programs

RMC's Recently Completed Programs: RMI IV, RMI V, RMI VI and RMI VII, were each California limited partnerships formed in the mid to late 1980s to engage in the business of making and investing in loans similar to the Fund. Equity capital for RMI VI and RMI VII was raised through SEC registered offerings of their limited partnership interests commencing in 1987 and 1989, respectively. These offerings were deregistered with the SEC in 2011, as permitted by regulation based on the dollar amount of total asset and the number of investors, and in 2016 the asset in the funds were liquidated and each program was dissolved. RMI IV and RMI V raised their equity capital through the offer and sale of their limited partnership interests pursuant to private offerings exempt from federal registration.

In the first quarter of 2014, the limited partners of RMI V and RMI IV voted to commence wind down of the partnership and these wind downs were completed and the partnerships were dissolved in 2016. Performance information for each of the Recently Completed Programs is summarized in the table below.

Recently Completed Program Information

| | RMI IV | RMI V | RMI VI | RMI VII |
|---|---------------|--------------|---------------|----------------|
| Inception Date | 1/3/85 | 9/15/86 | 9/3/87 | 10/20/89 |
| Date Closed | 9/30/16 | 9/30/16 | 11/30/16 | 11/30/16 |
| Duration (years) | 32 | 30 | 29 | 28 |
| Amount Sold (millions) | \$7.494 | \$4.988 | \$9.772 | \$11.998 |
| Limited Partner Capital at Dissolution | \$3.114 | \$1.572 | \$3.534 | \$3.760 |
| Median Average Leverage | 6% | 4% | 5% | 6% |
| Performance | | | | |
| <i>Annualized Yield</i> | 4.6% | 6.7% | 5.8% | 4.4% |
| <i>Ending Value on \$10,000 (inception through closing)^[1]</i> | \$41,689 | \$68,927 | \$50,965 | \$33,585 |

[1] Stated values are illustrative only and represent the hypothetical value of a \$10,000 investment made in the program at inception with earnings compounded through December 31, 2018. Actual investor results varied during this (and may have included losses) based upon the timing of an investor's date of admittance and withdrawal and the duration and amount of the investor's compounding election.

Affiliated Mortgage Funds – Earlier Completed Programs

RMC's Earlier Completed Programs, RMI, CMI, RMI II and RMI III were California limited partnerships formed to engage in the business of making and investing in loans similar to the Fund. Equity capital for RMI, RMI II and RMI III was raised through private offerings made to a limited number of select California residents, the latest of which (RMI III) terminated in September of 1996. Interests in CMI were offered and sold exclusively to qualified pension and profit sharing plans and other institutional investors. Each of the Earlier Completed Programs were dissolved in 2005 at which time all remaining limited partners received the full return of the capital account balances then outstanding.

COMPENSATION TO MANAGER

The following discussion summarizes the forms of compensation to be received by the Manager and its principals. None of the following compensation was determined by arm's-length negotiations.

Form of Compensation

Estimated Amount or Method of Compensation

Origination Compensation..... The Manager is entitled to certain Origination Compensation collected from Fund borrowers as set forth in the Operating Agreement including: (i) 90% of all loan origination fees (i.e. "points") and loan extension fees paid by borrowers; (ii) all loan processing, escrow and documentation fees collected by the Fund at loan closing; and (iii) any forbearance fees, payoff fees and similar fees collected from borrowers over the term of each loan. Loan points are expected to be approximately 1.5% to 2.5% of the principal amount of each loan on average, depending upon market conditions.⁷

Loan processing fees and loan documentation fees are paid by borrowers at prevailing industry rates, of approximately \$1,195 for single family, 1-4 unit residential properties and \$1,795 for commercial properties. Extension fees, forbearance fees, loan

⁷ The Manager will not receive origination fees with respect to any sale of loans by the Fund to other parties. Such sales will, however, increase the amount of cash available for the Fund to invest in new loans for which origination fees will be received. (See "Conflicts of Interest – Sale of Loans to Third Parties.")

Form of Compensation

Estimated Amount or Method of Compensation

modification fees and other post-closing fees payable to the Manager as Origination Compensation will vary on a loan-by-loan basis and all Origination Compensation may vary from time to time depending on market conditions over the life of the Fund.

Asset Management Fee..... Up to approximately 0.104% monthly (1.25% on an annual basis), of the Fund's total assets under management as of the beginning of the month,⁸ of which approximately 0.021% monthly (0.25% annually) of beginning monthly loan principal will be deemed to be a loan servicing fee for purposes of the Manager's accounting. The asset management fee is payable on the first day of each calendar month based upon the Fund's total assets under management as of that date. For this purpose the term "*assets under management*" means total Fund capital, including cash, notes (at book value), real estate owned (at book value), accounts receivable, advances made to protect loan security, unamortized organizational expenses and any other Fund assets valued in accordance with generally accepted accounting procedures (i.e., GAAP).

The Manager will not receive a separate loan servicing fee other than the portion of the asset management fee deemed to be a loan servicing fee as discussed above. The Manager may, however, agree to continue to service Fund loans following their sale to third party purchasers. In such event, the Manager may receive servicing fees paid by such purchasers in amounts negotiated by the Manager on a case by case basis.

Reimbursement of Expenses to Manager Reimbursement for all out-of-pocket operating and administrative expenses of the Fund as well as all Organization & Offering Expenses incurred on behalf of the Fund up to a Maximum O&O amount equal to 2.0% of the gross purchase price paid on all Units sold in the offering.⁹

Ownership of Units..... The Manager and/or its principals or affiliates may purchase RIA Units in the Fund on the same terms as other RIA Members, in which event the Manager and such principals or affiliates will also receive allocations and distributions on the same terms and conditions as other RIA Members in connection therewith.

Other Affiliate Services..... The Manager or its principals or affiliates may render other services to the Fund, including property management services, real estate sales services as the Manager deems appropriate. The Manager or such principals or affiliates may be compensated for such services at the prevailing market rates applicable to the services performed.

⁸ The Manager may, in its discretion, elect to defer the payment of all or a portion of any monthly Asset Management Fee otherwise due the Manager and have the deferred portion paid to the Manager in future months or at the termination of each calendar year. The Manager may also elect to waive all or a portion of any Asset Management Fee otherwise due to the Manager for any period but has no obligation to do so and no waiver of Asset Management Fees by the Manager will imply the obligation to waive such fees in any future period.

⁹ Any Organization & Offering Expenses in excess of the Maximum O&O Amount will be paid by the Manager. In the event the Manager advances any Underwriting Compensation payable by the Fund with respect to the BD Units, such amounts are also reimbursable to the Manager, in full, however, it is expected that such amounts will be funded with the proceeds of the offering of the BD Units. (See "Use of Proceeds.")

FIDUCIARY DUTIES & INDEMNIFICATION OF MANAGER

Under Delaware law, the fiduciary duties of a manager to the limited liability company and to its members are those of a partner to a partnership and to the partners of a partnership. Accordingly, a manager is accountable to a limited liability company as a fiduciary, which means that a manager is required to exercise good faith and integrity with respect to company affairs. This fiduciary duty is in addition to those other duties and obligations of, and limitations on, the Manager which are set forth in the Operating Agreement. The Fund's business operations and affairs will be managed entirely by the Manager, which is subject to certain conflicts of interest. (See "Conflicts of Interest.") The Fund has not been separately represented by independent legal counsel in its formation or in its dealings with the Manager, and Members must rely on the good faith and integrity of the Manager to act in accordance with the terms and conditions of this offering.

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

RISK FACTORS

Any investment in the Units involves a significant degree of risk and is suitable only for investors who have no need for liquidity in their investments or who can bear the loss of their entire investment. When analyzing this offering, prospective investors should carefully consider the following risks and other factors, in addition to those discussed under the captions "Compensation to Manager," "Conflicts of Interest," and "Federal Income Tax Consequences." If any of these risks actually occur, the business, financial condition and operating results of the Fund could be materially adversely affected.

Risks Related to the Fund's Business

The Fund will be in the lending business and subject to risks related to private money mortgage loans.

The Fund may make or invest in loans to borrowers that are less creditworthy than those who can satisfy bank and other institutional lenders' credit requirements or who cannot satisfy such lenders' income documentation requirements, which is one reason the Fund can charge a premium on its loans. (See "Fund Business & Loan Criteria – Lending Standards and Policies.") Fund loans will also be made on an asset rather than credit basis. Such loans involve numerous risks, some of which include: (i) an increased risk of the non-availability of credit for a borrower to refinance a Fund loan at maturity; (ii) increased constraints on consumer credit affecting the ability of borrowers to sell residential property; and (iii) an increased risk of an abandonment of property by a borrower due to other financial problems or general market decline. The occurrence of any of these events for a borrower could lead to a default on a Fund loan, potentially causing losses and extra costs to the Fund, which may lead to lower returns or losses for investors.

Downturns in the economy and real estate market in the San Francisco Bay Area and the coastal metropolitan regions of Southern California or on a regional or national scale or changing conditions affecting the mortgage lending business could adversely affect Fund business.

The Fund may make loans throughout California and may invest up to 15% of its capital in other states; however, Fund loans will predominantly be made and secured by properties located in nine counties that comprise the San Francisco Bay Area (San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Marin, Napa, Solano and Sonoma) and the coastal metropolitan regions of Southern California (Los Angeles, Orange, Ventura, and San Diego)

counties). The Fund's anticipated concentration of loans in the San Francisco Bay Area and the coastal metropolitan regions of Southern California exposes the Fund to greater risk of loss if the economy in the San Francisco Bay Area and the coastal metropolitan regions of Southern California weaken than would be the case if a greater percentage of Fund loans were spread throughout California or the U.S. The San Francisco Bay Area or the coastal metropolitan regions of Southern California economy and/or real estate market conditions could be weakened by:

- an extended economic slowdown or recession in the area;
- overbuilding of commercial and residential properties;
- relocation of businesses outside of the area due to economic factors such as high cost of living and of doing business within the region;
- increased interest rates, thereby weakening the general real estate market;
- reductions in the availability of credit; and
- national disasters (such as earthquakes or floods) or acts of terrorism affecting the areas.

Increased risk of default and expected cash returns from mortgage lending can be disrupted by events and/or conditions such as:

- changes in national, regional or local economic, demographic or real estate market conditions;
- changes in supply of, or demand for, similar properties in an area;
- increased competition for real estate assets targeted by the Manager's investment strategy;
- bankruptcies, financial difficulties or lease defaults by property owners and tenants;
- changes in interest rates and availability of financing; and
- changes in government rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws.

These types of events are difficult to predict and can occur unexpectedly. If the economy were to weaken, it is possible that there would be more property available for sale, values would fall and lending opportunities would decrease. In addition, a weak economy and increased unemployment could adversely affect borrowers, resulting in an increase in the number of loans in default.

Should a significant economic deterioration occur in the San Francisco Bay Area or the coastal metropolitan regions of Southern California, or on a more wide scale basis, regionally or nationally, the Fund could suffer increases in loan delinquencies and declines in cash flows as was experienced by mortgage lenders in general during the period of financial crisis which began in approximately 2009.

The broader real estate market may experience stagnation and declines in property values.

As a residential and commercial real estate lender the Fund will be affected by any decline in property values in each of these sectors. If the market value of a Fund loan declines significantly or declines below the amount of the loan on such property for any reason, borrowers may have difficulty paying or refinancing the loan or selling the property in satisfaction of the amounts owed causing increased defaults and potentially causing losses to the Fund and investors. There is no guarantee that the economy and the real estate markets will not experience declines equal to or greater than those following the financial crisis or in previous downturns. Moreover, any lack of real estate sales volume in the market may affect the Manager's ability to accurately value the Fund's assets for the purpose of making withdrawal distributions, potentially resulting in excessive or deficient distributions to withdrawing Members.

The Fund could suffer defaults on the loans in its portfolio and may have to foreclose on the underlying real estate collateral.

The Fund is in the business of lending money and, as such, takes the risk of defaults by borrowers and other risks faced by lenders. While some loans will be partially amortizing, most Fund loans will provide for monthly payments of interest only and require the borrower to make a large "balloon" payment of principal due at the end of the term. Many borrowers are unable to repay such loans out of their own funds and are compelled to refinance or sell the property. Fluctuations in interest rates and the unavailability of financing could adversely affect the ability of borrowers to refinance their loans at maturity or to sell the underlying property.

If the borrower defaults, the Fund may be forced to purchase the property at a foreclosure sale. If the Fund cannot quickly sell such property, and/or the property does not produce any significant income, the Fund's profitability will be adversely affected. Further, the property's condition might deteriorate by the time the Fund obtains possession of the property.

The value of the real estate securing Fund Loans may be insufficient to protect its investment. Appraisals relied on by the Fund to determine the fair market value of properties securing Fund loans may be inaccurate or may not reflect subsequent events increasing risks of loss.

For loans secured by real property other than owner-occupied personal residences, the Manager's lending decision will be based primarily on a determination that the value of the real property securing the loan is sufficient, in and of itself, as a source of repayment. The Fund will rely on appraisals prepared by unrelated third parties to determine the fair market value of the properties used to secure Fund loans and to determine the Loan-to-Value Ratios for Fund loans. (See "Fund Business & Loan Criteria – Lending Standards and Policies.") No assurance can be given that such an appraisal will in any or all cases be accurate. If an appraisal is not accurate, the loan may not be as secure as anticipated and, in the event of foreclosure, the Fund may not be able to recover its entire investment. Additionally, since an appraisal fixes the value of real property at a given point in time, subsequent events could adversely affect the value of the real property used to secure a loan. For example, if the value of the property declines to a value below the amount of the loan, the loan could become under-collateralized. This would result in a greater risk of loss on that loan for the Fund in the event of a borrower default.

Owning real estate following foreclosure will subject us to additional risks.

If a borrower is unable to pay or refinance a Fund loan when it is due, it may be in the best interest of the Fund to institute foreclosure proceedings against the borrower, and the Fund may sometimes be required to own the property for a period of time. In such event, the Fund will be subject to certain economic and liability risks attendant to property ownership which may affect profitability. The risks of ownership will include the following:

- The property could generate less income for the Fund than it could have earned from interest on the loan.
- If the property is a rental property the Fund will be required to find and keep tenants.
- The Fund will be required to oversee and control operating expenses of the property.
- The Fund will be subject to general and local real estate and economic market conditions that could adversely affect the value of the property.
- The Fund will be subject to any change in laws or regulations regarding taxes, use, zoning and environmental protection and hazards.
- The Fund will be required to maintain insurance for property and liability exposures such as potential liability for any injury that occurs on or to the property.

Additionally, the Fund may in applicable circumstances: (i) be subject to state and federal laws and local municipal codes and penalties relating to tenant retention and the maintenance and upkeep of lender-owned properties; (ii) be subject to federal and state tax laws and regulations with respect to the tax treatment of items of Fund income, gain, loss or deductions for real estate held for investment, rental and/or sale, which in turn may result in federal and state tax payment and filing exposure for the Members; and (iii) be subject to municipal ordinances, where they have been enacted, applicable to foreclosed and/or distressed properties which require the payment of additional costs and registration fees and may obligate the Fund to secure and maintain, at its expense, real property securing Fund loans upon the filing of a notice of default or after the Fund acquires ownership of real property through foreclosure.

The Fund will be operating in a highly competitive business.

Due to the nature of the Fund's business, its profitability will depend to a large degree upon the future availability of secured loan investments. The Fund will compete with other private money lenders, institutional lenders and others engaged in the mortgage lending business, including banks and savings institutions, many of which have greater financial resources and experience than the Fund and its Manager. If these companies increase their marketing efforts to include the Fund's market of borrowers, or if additional competitors enter these markets, the Fund may be forced to reduce its interest rates and fees in order to maintain or expand market share. Any reduction in interest rates or fees charged could have an adverse impact on the Fund's liquidity and profitability.

If the Fund cannot collect all of the principal and interest due on its loans, the Fund's ability to earn a profit or to fund withdrawals will be impaired.

The Fund's liquidity is dependent on, among other things, payments by borrowers of principal and interest on Fund loans. The Manager will continually monitor the delinquency status of the Fund's loan portfolio and promptly institute collection activities on delinquent accounts but these efforts may ultimately prove unsuccessful. Loan repayments are also likely to be affected by economic conditions in the real estate market. Any failure by the Fund, for any reason, to collect the principal and interest on the Fund's loans may impair the Fund's ability to operate successfully.

A decline in the demand for, or increase in the risks of, real estate financing will impair the Fund's ability to make loans or could jeopardize repayment.

A variety of factors affect the demand for real estate financing, including, without limitation, economic cycles, demand for and availability of new development and construction, competitive pressures, the availability and cost of labor and materials, changes in costs associated with real estate ownership, changes in consumer preferences, demographic trends and the availability of mortgage financing. The Fund will be directly and materially affected by the same risks faced by borrowers as well as those inherent to the commercial and residential real estate development and construction industries. The U.S. may experience significant deterioration in certain sectors of the real estate, credit and mortgage markets which may negatively impact the Fund's ability to make suitable real estate loans. Any reduction in the cash flows, income of or financial condition of commercial and residential real estate borrowers by reason of any of the aforementioned factors or others may significantly impair their ability to repay the Fund, which would increase the possibility that delinquencies would occur, that the Fund could incur losses and that Members could lose some or all of their investment in the Units.

A decline in real estate values may impair the collateral for Fund loans.

Declining real estate values will increase the probability of a loss in the event of a borrower default on Fund loans. As noted elsewhere in these Risk Factors, the U.S. has periodically experienced significant deterioration in certain sectors of the real estate market and any market recoveries thereafter may be uneven and volatile. Should such declines occur in the future, the value of the real estate or other collateral securing Fund loans may not, at any given time, be sufficient to satisfy the outstanding principal amount and accrued interest on such loans. If a significant number of borrowers were to default, and if the collateral were insufficient, the Fund would suffer a loss and Members could lose some or all of their investment.

The Fund may lend to credit-impaired borrowers, which will make its investment portfolio susceptible to high levels of default risk.

The Fund may lend money to borrowers that are either unable or unwilling to obtain financing from traditional sources, such as commercial banks. Loans made to such individuals or entities may entail a high risk of delinquency and loss. Higher than anticipated delinquencies, foreclosures or losses will adversely affect the Fund's profitability and results of operations, and may result in a loss of some or all of the Members' investment in Units.

The Fund's business entails risks related to the ownership of real property.

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

The Fund may suffer from uninsured losses.

The Manager will require borrowers to maintain fire and casualty insurance on the properties and projects securing Fund loans based upon the type of loan and security property or project. There are, however, certain types of losses (generally of a catastrophic nature) which are either uninsurable or not economically insurable, such as losses due to earthquake, war, floods, mudslides or other acts of God. Should any such disaster occur, or if casualty insurance is allowed to lapse through oversight, the Fund could suffer losses.

Lending laws, security laws and other laws and regulations applicable to the Fund or the Manager may be amended in the future and affect the Fund's ability to operate.

The laws and regulations applicable to the Fund's lending and the offering of Units are subject to amendment by federal and state regulators and agencies. Changes in such laws and regulations that may result from future federal, state or municipal actions, judicial decisions, or interpretations of existing laws and regulations could affect the ability of the Fund to operate under its current business plan. (See "Fund Business & Loan Criteria.") Following the 2008-2009 financial crisis, a great deal of new federal and state legislation was enacted to regulate the mortgage lending and securities industries far more closely. Any new legislation affecting the types of loans made by the Fund or the licensing or regulatory requirements applicable to the Fund or the Manager could adversely affect the ability of the Fund to operate and be profitable in the future.

There are risks of government action if the Manager or the Fund does not comply with all applicable laws and regulations.

The lending activities conducted by the Fund are subject to numerous state and federal regulatory provisions including California Real Estate Law, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Home Ownership and Equity Protection Act (HOEPA) and California Covered Loan Law, the Mortgage Disclosure Improvement Act, and the Home Mortgage Disclosure Act (HMDA) among others. While the Manager will use its best efforts to comply with all local, state and federal regulations applicable to it and to the Fund, these regulatory schemes can be complex and in some cases contradictory. Consequently, here is the possibility of governmental action to enforce alleged violations of such lending laws whether well founded or not which may result in legal fees, damage awards or fines and penalties.

The Fund will not register as an "investment company" under the Investment Company Act of 1940.

The Fund will not be registered as an "investment company" under the Investment Company Act of 1940 (the "ICA") in reliance upon Sections 3(c)(5) thereof. Accordingly, Members will not receive the protections afforded by the ICA to investors in a registered investment company.

The Fund may be responsible for environmental liabilities.

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

The Fund does not and will not participate in the on-site management of any facility on the property in order to minimize the potential for liability for cleanup of any environmental contamination under applicable federal, state or local laws. There can be no assurance that the Fund would not incur full recourse liability for the entire cost of any

such removal and cleanup, or that the cost of such removal and cleanup would not exceed the value of the property. In addition, the Fund could incur liability to tenants and other users of the affected property, or users of neighboring property, including liability for consequential damages. The Fund would also be exposed to risk of lost revenues during any cleanup, and to the risk of lower lease rates or decreased occupancy if the existence of such substances or sources on the property becomes known. If the Fund fails to remove the substances or sources and clean up the property, it is possible that federal, state and/or local environmental agencies could perform such removal and cleanup, and impose and subsequently foreclose liens on the property for the cost thereof. The Fund may find it difficult or impossible to sell the property prior to or following any such cleanup. The Fund could be liable to the purchaser thereof if the Manager knew or had reason to know that such substances or sources existed. In such case, the Fund could also be subject to the costs described above. If toxic or hazardous substances are present on real property, the owner may be responsible for the costs of removal or treatment of the substances. The owner may also incur liability to users of the property or users of neighboring property for bodily injury arising from exposure to such substances. If the Fund is required to incur such costs or satisfy such liabilities, this could have a material adverse effect on Fund profitability. Additionally, if a borrower is required to incur such costs or satisfy such liabilities, this could result in the borrower's inability to repay its loan from the Fund.

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

A lender's best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan. The Manager may take some precautions to avoid environmental problems but is not required to engage in any specific environmental review of the property. Where deemed appropriate by the Manager prior to making a loan, the Fund may engage a qualified environmental inspection firm to conduct an environmental review of the property (which may or may not include a "Phase I" or other level of environmental review). However, due to the nature of many types of environmental contamination, the possibility of the existence of toxic substances may not be apparent from a site visit, and any environmental review conducted may not reveal the extent or all types of contamination. As a result, it is possible that a security property could have toxic contamination not known to the Manager at the time of making the subject loan.

The Fund will face an ongoing risk of litigation.

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

The Fund will rely, to a certain extent, on independent broker-dealers to sell Units in the offering in order to raise sufficient funds to enable the Fund to successfully operate.

The Fund is offering the Units through participating broker-dealers that are not affiliated with the Manager and which are members of FINRA. Because the Fund does not have a captive or affiliated broker-dealer that will be exclusively or primarily focused on selling the Units, the Fund's ability to successfully complete the offering over the Offering Period will depend, in part, on the Fund's ability to develop and maintain relationships with a sufficient number of unaffiliated participating broker-dealers. In addition, the offering is being made on a "best efforts" basis, which means the broker-dealers participating in the offering are only required to use their best efforts to sell Units and have no firm commitment or obligation to purchase any of the Units. These broker-dealers are engaged in the sale of various securities and investment products beyond those offered by the Fund, including those of competing mortgage programs. In the event the Fund is unable to enter into selling agreements with a sufficient number of qualified participating broker-dealers, or if those participating broker-dealers engaged by the Fund fail to devote sufficient time and attention to the marketing of Units, the Fund may be unable to raise sufficient capital in the offering as may be necessary to enable it to fund its business successfully. In such event, the likelihood of the Fund's profitability being

affected by the performance of any one investment may increase. In addition, the Fund's fixed operating expenses as a percentage of gross income would be higher, and the amount of distributions could be adversely affected.

The Fund is dependent on information systems and systems failures could significantly disrupt Fund business, which may, in turn, negatively affect the Fund's liquidity, financial condition or results of operations.

The Fund's business is dependent on third party communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in Fund activities. The Fund's financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond Fund control. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on Fund operating results and negatively affect the value of Fund Units and its ability to pay distributions.

Cybersecurity risks and cyber incidents may adversely affect the Fund's business by causing a disruption to the Fund's operations, a compromise or corruption of confidential information, and/or damage to the Fund's business relationships, all of which could negatively impact the Fund's financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to the information systems of the Manager and the Fund for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include:

- disrupted operations;
- misstated or unreliable financial data;
- liability for stolen assets or information;
- increased cybersecurity protection and insurance costs;
- litigation; and
- damage to investor relationships.

As reliance on technology has increased, so have the risks posed to the Manager's information systems, both internal and those it has outsourced. Third parties with which the Manager and the Fund do business (including those that provide services to the Manager and the Fund) also may be targets of cyber-attacks or sources of other technological risks. The Manager outsources certain functions and these relationships allow for the storage and processing of Fund information and assets, as well as certain investor, counterparty, employee and borrower information. While the Manager engages in actions to reduce exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above. Privacy and information security laws and regulation changes, and compliance with those changes, may also result in cost increases due to system changes and the development of new administrative processes.

The Manager's processes and controls to mitigate cyber security risks may not be efficient in preventing a cyber incident affecting the Fund.

The Manager has implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as the increased awareness of the nature and extent of a risk of

a cyber incident, do not guarantee that Fund financial results, operations, business relationships or confidential information will not be negatively impacted by such an incident.

Accounting rules for certain Fund transactions are highly complex and involve significant judgment and assumptions, and changes in such rules, accounting interpretations or assumptions could adversely impact the Fund's ability to timely and accurately prepare its financial statements.

The Fund is subject to Financial Accounting Standards Board, or FASB, interpretations that can result in significant accounting changes that could have a material and adverse impact on the Fund's results of operations and financial condition. Accounting rules for financial instruments, including the origination, acquisition and sales of mortgage loans, and other aspects of Fund operations are highly complex and involve significant judgment and assumptions. For example, Fund estimates and judgments are based on a number of factors, including projected cash flows from the collateral securing loans, the likelihood of repayment in full at the maturity of a loan, potential for a loan refinancing opportunity in the future and expected market discount rates for varying property types. These complexities could lead to a delay in the preparation of financial information and the delivery of this information to Members.

Changes in accounting rules, interpretations or assumptions could also undermine the Fund's ability to prepare timely and accurate financial statements, which could result in a lack of investor confidence in Fund financial information and could materially and adversely affect the offering of Units.

Additional Risks Related to Junior Loans & Land Loans.

Should the Fund make Junior Loans, it will face additional risks if the debtor defaults.

Fund loans may be secured by second priority loans (See "Fund Business & Loan Criteria – Lending Standards and Policies.") To the extent the Fund makes or invests in Junior Loans and is thereafter, required to foreclose on such loan, the debt secured by the senior deeds of trust will need to be satisfied before any proceeds from the sale of the property could be applied toward the debt owed to the Fund. Furthermore, to protect its junior security interest, the Fund may be required to make cash outlays for such items as loan payments to senior lienholders to prevent their foreclosure, property taxes, insurance, property maintenance or repair, etc. If the Fund does not have adequate cash reserves on hand to protect its second priority security interest, the Fund could suffer a loss of its invested capital in such loan.

Should the Fund make Land Loans, it will be subject to the additional risks associated with undeveloped land.

Up to 10% Fund loans may be secured by unimproved properties. For a number of reasons, unimproved real estate is generally considered a riskier and more speculative form of security for a loan than is improved real estate. For example, before improvements can be constructed on undeveloped land the owner of the land may need to secure entitlements (e.g., zoning approvals, variances, and architectural approvals), undergo review of and obtain clearance on environmental impact issues (including issues concerning traffic, open space, school or transit impact, endangered species, wetlands, noise and air quality), obtain building permits, secure access and connections to necessary utilities, obtain construction financing, undertake and complete construction, and find buyers or tenants once the undeveloped land has been improved. Many of these risks are no longer at issue with respect to improved real estate. Moreover, it is likely that unimproved properties will not generate any income that can be used to pay the interest and/or principal owing under the loan or real property taxes assessed against the undeveloped land. Accordingly, the borrower must have other sources of income in order to make these payments.

Even if the owner of unimproved property intends to hold the property for investment, rather than developing the land itself, any prospective purchaser of the property will take these risks into account when it sets the purchase price. Additionally, it can take up to several years or more to market and sell unimproved property. Due to this potentially protracted time frame, it may be difficult for the owner of unimproved property to sell the property in time to pay off the loan at maturity. Finally, most lenders are more reluctant to lend against unimproved property than against improved real estate due to the risks and other matters described above. Due to these considerations, it may be more difficult for the borrower on the loan to sell or refinance the security property in order to repay the loan.

Risks Related to the Manager

The Members must rely on the Manager for the success of the Fund.

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

The Members will not have the ability to control the day to day operations of the Fund or to control the Manager. It will be difficult to remove the Manager.

The Members will not have a voice in the management decisions of the Fund and can exercise only a very limited amount of control over the Manager. The Members have only the voting rights set forth in the Operating Agreement or required by Delaware law. A vote of Members representing more than 75% of all outstanding Units held by the Members (a "Super Majority") is required to remove the Manager. Because there may be a significant number of Members and the Members may have differing opinions with respect to a course of action to take respecting the Fund, it may be difficult, time consuming and costly to solicit adequate votes to remove the Manager.

The Manager is not required to devote its full time to the business of the Fund.

The Manager is not required to devote its full time to the Fund's affairs, but only such time as the affairs of the Fund may reasonably require. The Manager has ongoing businesses and investments outside of, and in addition to, the business of the Fund, and the Manager will be required to allocate its time and resources among such endeavors over the life of the Fund.

The Manager may terminate its business relationship with the Fund adversely affecting the Fund's financial position and results of operations.

The Manager may resign as the Manager of the Fund or terminate its business relationship in whole or in part upon six (6) months' notice to the Members or a shorter period if approved by a Member Majority. In such event, the Members would be required to find one or more third party servicers to perform the various services rendered to the Fund by the Manager. The compensation paid to the Manager as set forth in the "Compensation to the Manager" section of this Memorandum was not determined on an arm's-length basis. If the Fund is required to retain one or more third party servicers the fees payable to such third parties will likely be greater than those payable to the Manager and the Fund's financial position and results of operations would likely be adversely affected in the Manager's absence.

The Manager is subject to conflicts of interest.

There are several areas in which the interests of the Manager will conflict with those of the Fund, which should be carefully considered. (See "Conflicts of Interest.") The Manager will experience conflicts of interest in connection with the management of the Fund, including the following:

- The Manager has legal and financial obligations with respect to other entities that are similar to its obligations to the Fund.
- The Manager has to allocate its time between the Fund and other activities, including other entities with which it is involved.
- The Manager's fees are not determined based on arm's-length negotiations.
- The same legal counsel currently represents the Fund and the Manager.
- The Manager has the right to conduct other business and to compete with the Fund's business.

- The Manager has the exclusive right to select and or arrange all of the loans invested by the Fund and can place loans in the Fund's portfolio or other funds that are also managed by the Manager. Loan origination fees (i.e., "points") and extension fees paid with respect to Fund loans are paid 90% to RMC and 10% to the Fund.
- The Manager must maintain a sufficient net worth and cash flow, which is substantially determined by the fees received from the Fund and the Affiliate Funds, to continue to provide services to the Fund.

The Manager is not registered or certified as an investment advisor and will not select mortgage loan investment based upon the interests of any particular Member.

The Manager is not registered or certified as an investment advisor under the Investment Advisors Act of 1940 (the "IAA") or the California Corporate Securities Law of 1968 (the "Law") based upon the expectation that it is or will be exempt from such requirements. Accordingly, Members will not receive the benefits of any protections that might result from such certification or registration. Moreover, investment decisions made by the Manager will be made based upon the investment objectives of the Fund as a whole rather than those of any particular Member or group of Members. Investors should consult their own investment advisors or other investment professionals with respect to the suitability of an investment in the Fund and its underlying portfolio of mortgage loans as it relates to their own personal financial situation and investment risk profile.

The Fund has no independent board of directors, committees or any audit or compensation committees to provide certain governance oversight.

As is customary for a limited liability company, the Fund does not have a board of directors or any independent directors. In addition, the Fund is not subject to certain of the corporate governance rules under the federal securities laws or under rules established by the national securities exchanges because Units are not registered for trading under the Exchange Act. Among other things, these rules relate to:

- independent director standards;
- audit and compensation committees standards; and
- the use of an audit committee financial expert.

Accordingly, Members will not receive the protections these rules and standards were enacted to provide, such as protections against interested director transactions, conflicts of interest and similar matters.

The Fund does not have an audit or compensation committee. As a result, Members will have to rely on the Manager, which is not independent, to perform these functions. Also, the Manager's president and chief financial officer are the same individual. Thus, there is a potential conflict in that the Manager, which is engaged in management, will participate in decisions concerning management compensation and audit issues that may affect Fund performance.

Conflicts or limitations may arise as a result of The Manager's legal and financial obligations to itself and other mortgage programs.

The Manager and its affiliates are currently involved with two active mortgage programs with investment objectives similar to the Fund. The Manager may also organize other mortgage programs in the future with investment objectives similar to the Fund. The Manager has legal and financial obligations with respect to the other mortgage programs that may at times conflict or require the Manager to limit the resources allocated to the Fund and the other programs.

The Fund cannot precisely determine compensation to be paid to the Manager that may not be commensurate with the Fund rate of return.

The Manager is unable to predict the amounts of its compensation to be paid to it. Any such prediction would necessarily involve assumptions of future events and operating results which cannot be made at this time. As a result, there is a risk that Members will not have the opportunity to judge ahead of time whether the compensation realized by the Manager is commensurate with the return generated by the loans.

Certain officers and other key personnel of the Manager will face competing demands relating to their time and this may cause Fund operations and investments to suffer.

The Fund will rely on certain executive officers and key personnel of the Manager to provide services to the Fund for the day-to-day operation of its business. As a result of their interests in other programs, their obligations to other investors and the fact that they engage in and will continue to engage in other business activities on behalf of themselves and others, these executive officers and key personnel face conflicts of interest in allocating their time between the Fund and other programs sponsored by the Manager and other business activities in which they are involved. Should the Manager and its key personnel devote insufficient time or resources to the Fund's business, Fund returns and the value of Fund Units, may decline.

Conflicts may arise if the Fund participates in loans with other programs organized by the Manager.

In certain limited circumstances and subject to compliance with applicable regulations or guidelines, the Fund may participate in loans or joint ventures with other programs organized by the Manager, where the Fund purchases a fractional interest in a loan. The Fund's portion of the total loan may be smaller or greater than the portion of the loan made by the other programs and participating in loans with other programs organized by the Manager could result in a conflict of interest between the Manager's duties to the Fund and its duties to the other programs involved.

Conflicts may arise if the Fund participates in loans with other unaffiliated lenders.

The Fund may participate in loans with other unaffiliated lenders, where it purchases a fractional undivided interest or other direct participation in a loan. The Fund's portion of the total loan may be smaller or greater than the portion of the loan made by the other lender(s). Such investments may involve risks not otherwise present with other methods of investment, such as reliance on underwriting, due diligence and/or document preparation conducted primarily by a co-lender, which could subject the Fund to liabilities and thus reduce Fund returns on its investment. In addition, disagreements or disputes between the Fund and co-lender(s) regarding certain major decisions, such as loan workouts, foreclosure, protective advances or the sale of the property, could result in litigation and/or a loss of control over the management of the investment.

If the Manager loses or is unable to maintain key personnel, the Fund's ability to implement its strategic plans could be impaired.

The Fund depends on the diligence, experience and skills of certain executive officers and other key personnel of the Manager for the selection, acquisition, structuring and monitoring of the Fund's lending and investment activities. These individuals are not bound by employment agreements with the Manager or the Fund. If any of the Manager's key personnel were to cease their employment with the manager or its affiliates, the Fund's operating results could suffer. The Manager also believes that the Fund's future success depends, in large part, upon the ability of the Manager or its affiliates to hire and retain highly skilled managerial, operational and marketing personnel. The Manager cannot be assured that it will be successful in attracting and retaining such personnel in all cases. Neither the Manager nor the Fund intend to provide key-person insurance for the Manager's key personnel and the loss of key personnel and the inability of the Manager to hire any key person could harm the Fund's business, financial condition, cash flow and results of operations.

Risks Related to the Ownership of Units

There is no market for the Units, and transfer of the Units could be severely restricted by law or market conditions.

There is no public market for the Units and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Units is also restricted by the provisions of the Securities Act of 1933, as amended, and Rule 144 thereunder, and by the provisions of the Operating Agreement. (See "Terms of the Offering – Restrictions on Transfer.") Any sale, transfer or encumbrance of Units also requires the prior written consent of the Manager, which may be withheld in its sole discretion. Furthermore, Members will have only limited rights to redeem Units or withdraw from the Fund or to otherwise obtain the return of their invested capital. (See below.) Therefore, all purchasers of Units must be capable of bearing the economic risks of this investment with the understanding that their interest in the Fund will generally not be liquidated by resale, and should expect to hold their Units for the full term and through the Dissolution Period which are currently expected to exceed ten (10) years.

Members have a limited right to redeem their invested capital and prior to the Scheduled Dissolution Date Member redemptions are subject to the Surrender Charges provided in the Operating Agreement.

The Fund's Operating Agreement makes no provision for Members to withdraw from the Fund or to obtain the return of their invested capital for ninety (90) days from the date of the purchase of Units. Thereafter, a Member may request the withdrawal of all or a portion of a Member's capital; however, withdrawals requested prior to the Scheduled Dissolution Date are subject to an early Surrender Charges based upon when a Member's Withdrawal Notice is received. (See "Summary of the Operating Agreement – Withdrawal & Redemption.") Consequently, Members seeking to withdraw their capital prior to the Scheduled Dissolution Date, will not be entitled to the full return of their invested capital.

Moreover, the Fund will not establish a reserve from which to fund withdrawals of Members' capital and Member withdrawals will only be made to the extent there is sufficient Cash Available for Withdrawals in any calendar quarter to make withdrawal distributions to requesting Members and the Manager has the discretion to withhold New Investment Reserves of up to 50% of the Fund's Cash Available for Withdrawals in any calendar quarter. If at any time the Fund does not have sufficient Cash Available for Withdrawals (after deduction of any New Investment Reserves) to distribute the quarterly amounts due to all Members that have outstanding withdrawal requests, the Fund is only required to distribute that portion of the Cash Available for Withdrawals remaining in such quarter (after deduction of any New Investment Reserves) to all withdrawing Members, pro rata based upon the their relative undisbursed withdrawal request. The Manager also has the discretion: (i) to limit the amount redeemed per quarter per individual Member to a maximum of the greater of \$100,000 or 25% of the Member's outstanding Capital Account balance; (ii) to limit aggregate withdrawals during any single calendar quarter to not more than 2.5%, or in any calendar year to not more than 10%, of the total Fund Capital Accounts outstanding at the beginning of the calendar year; and (iii) to utilize all of the Fund's Cash Available for Withdrawals to liquidate the Capital Accounts of deceased Members, or ERISA plan investors, in whole or in part, before satisfying outstanding withdrawal requests from any other Members. (See "Summary of the Operating Agreement – Withdrawal & Redemption.") In light of these limitations, all purchasers of Units must be capable of bearing the economic risks of this investment with the understanding that redemption of their interest in the Fund may not be available at any given time. Investors should not invest if they do not expect to hold their Units through the full Fund term.

Members will be subject to actions taken by the Member Majority.

The Members have only the voting rights set forth in the Operating Agreement or required by Delaware law and a vote of a Member Majority or Super-Majority (i.e., Members representing more than 50% or 75% of the outstanding Percentage Interests, respectfully) is required to exercise such rights. Consequently, no Member will have the right to require or approve any action of the Fund or the Manager that conflicts with the will of the Member Majority or Super-Majority as applicable and it may be difficult, time consuming and costly to solicit adequate votes to take any action because there may be a significant number of Members with differing opinions and perspectives with respect to a course of action to take.

The Units are not insured or guaranteed by any government agency or public entity.

The Units are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or any other governmental agency or public entity, in contrast to certificates of deposit or accounts offered by banks, savings and loan associations or credit unions. Members in the Fund will be dependent on the Manager's ability to effectively manage the Fund's business to generate sufficient cash flow for the repayment of Members' capital and the generation of any profit. If Fund cash flow proves inadequate, investors could lose part or all of their investments.

The Fund will not set aside any funds to satisfy requests for withdrawals or redemptions from the Fund.

The Manager will not create or contribute funds to a separate account in order to fund requests for withdrawal from the Fund and redemption of any Member's investment. Because funds are not set aside periodically to fund such withdrawals, Members must rely on cash flow from operations and for redemptions made during the Offering Period, funds from the sale of Units to satisfy withdrawal requests. To the extent cash flow from operations and the sale of Units is not sufficient to fund withdrawal requests received from one or more Members at any time, a withdrawing Member's invested capital remaining unredeemed will remain subject to Fund operations, which may include Fund losses.

Fund income may be insufficient to pay the Member's Syndication Advance Amount causing losses to Members.

Members are required to pay their respective Syndication Cost Advance Amounts in installments through Quarterly Syndication Cost Deductions from the income distributable to each Member in each calendar quarter. In the event a Member's share of income for any quarter is less than the Quarterly Syndication Cost Deductions due for a Member for that quarter, the unpaid amount will be deducted from the Member's Capital Account balance as a loss. In the event the Fund is dissolved or Members withdraw from the Fund prior to the Scheduled Dissolution Date any Syndication Advance Amount that remains unpaid by a Member through Quarterly Syndication Cost Deductions will be deducted from the Member's Capital Account on the applicable date of dissolution or withdrawal, as applicable. (See "Terms of the Offerings – Syndication Cost Advances & Deductions.") In the event a Member's share of Fund income is not sufficient to offset these Capital Account deductions, Members may suffer overall losses on their investment and charging Syndication Costs to the Members increases the potential risk for such losses. Such risks will be greater for BD Members than RIA Members because of the higher Syndication Cost Amounts associated with Tier BD Interests.

Fluctuations in interest rates pose risks to the Fund's business.

Mortgage interest rates are subject to abrupt and substantial fluctuations, but the right of Members to withdraw capital from the Fund is subject to substantial restriction and penalties and Units are a relatively illiquid investment. If prevailing interest rates rise above the average interest rate being earned by the Fund's loan portfolio, Members may wish to liquidate their investment in order to take advantage of higher returns available from other investments but may be unable to do so.

The Fund may experience fluctuations in quarterly results.

The Fund could experience fluctuations in its quarterly operating results due to a number of factors, including:

- its ability or inability to make loans that meet its investment criteria;
- the interest rate on loans in its portfolio;
- fluctuations in the timing and level of its expenses;
- the volume, timing and profitability of loan sales to third parties, or whether the Fund is able to sell loans at all;
- variations in and the timing of the recognition of realized and unrealized gains or losses;
- the degree to which the Fund encounters competition in its markets; and
- general economic conditions.

As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

Equity owners have lower priority on liquidation than creditors.

Creditors of the Fund will have priority over payments to holders of Units in the liquidation of the Fund. There are no restrictions in the Operating Agreement regarding the amount of indebtedness that the Fund may incur other than the 35% Leverage Limitation. If the Fund is unable to pay any lender or other creditor, and is unable to obtain additional financing or other sources of capital, the Fund may be forced to sell its loans and other assets at a discounted price, or be forced to cease operations, and Members could lose some or all of their investment.

Delays in the admission of Members may affect overall Member returns.

There may be a delay between the time a subscription is submitted by a prospective investors and the time the Fund accepts and then admits such subscription and the investor becomes a Member. During such time, investors will be invested in an interest bearing Subscription Account which will not yield as high a return as the anticipated return to be earned on Fund loans. The length of these delays may therefore affect the overall investment return to Members.

Members may be obligated to return certain impermissible distributions.

Members are not required to contribute any additional capital to the Fund beyond their investment to pay any debts of the Fund. Under Delaware law, however, limited liability companies such as the Fund are prohibited from making distributions to their members if following such distribution the limited liability company would be unable to pay its debts or following such distribution the company's total liabilities would exceed its total assets. Members receiving such distributions may be obligated to return the distribution but only if such member had actual knowledge of the impropriety of the distribution at the time it was made. Consequently, to the extent that a return of a Member's capital contribution is deemed a distribution, a Member may be required under certain circumstances to return such distributions to the Fund to discharge the Fund's liabilities to creditors who extended credit to the Fund during the period such capital contribution was held by the Fund.

Upon liquidation, Members may experience delays in receiving distributions, may not be able to fully recover their investment or may not receive any distributions.

Under the Operating Agreement, the Fund will continue to operate until the Scheduled Dissolution Date of December 31, 2031, unless extended by the vote of a Member Majority (i.e., Members representing more than 50% of the total Percentage Interests of all Members). The Fund does not currently intend to cease operations prior to the Scheduled Dissolution Date; however, it could be dissolved and terminated earlier by operation of law or upon the occurrence of various events described in the Operating Agreement. Upon dissolution, the Manager will seek to promptly wind down the Fund and liquidate its assets by allowing Fund loans to pay off and/or by selling Fund assets for the best price reasonably obtainable. Proceeds received during the Dissolution Period will be utilized to satisfy the Fund's debts and any remaining proceeds will be distributed to the Members and the Manager in accordance with the terms of the Operating Agreement. Accordingly, the Members' ability to recover all or any portion of their investment under such circumstances will depend on the amount of funds so realized and claims to be satisfied from those proceeds. The Manager may not be immediately successful in liquidating the Fund's assets regardless of whether dissolution occurs on the Scheduled Dissolution Date or an earlier or extended dissolution date. Delays in liquidation could arise due to market conditions and other factors beyond the control of the Manager. In the event the Fund is unable to liquidate on or prior to the end of the anticipated term and depending on the amount of liquidation proceeds the Manager is able to obtain, Members may not receive distributions of remaining proceeds, if any, in a timely manner or at all.

Delays in deploying net proceeds could lower the Fund's rate of return.

Because the Manager has not identified specific loans to fund with the proceeds of the sale of Units, there may be a delay between the time a Member purchases Units and is admitted to the Fund and the time the proceeds from the sale of Units are invested. This delay could adversely affect the overall rate of return paid to Members.

The Units are speculative and contain risks. Members that cannot afford to lose their entire investment should not invest.

Prospective investors should be aware that the Units are speculative and contain risks suitable only for investors of adequate financial means. Members that cannot afford to lose their entire investment, should not invest in Units. Members should not assume that the Units are a suitable and appropriate investment for them if the Fund accepts their investment and should consult with their own qualified investment professional in this regard.

There is no guaranty that periodic distributions of Fund income will be made. Investors that will incur substantial economic hardship in the absence of quarterly income distributions from the Fund should not invest.

An investor in the Fund may, upon purchasing Units, elect to have his or her share of Fund earnings distributed on a quarterly or monthly basis. Neither the amount of, nor the right to, such periodic distributions is guaranteed. (See "Terms of the Offering – Election to Receive Cash Distributions.") In any event, investors purchasing Units are only entitled to distributions equal to their pro-rata share of net income to the extent cash is available for distribution in the applicable period. If the Fund is unable to generate sufficient cash in any given month or quarter to distribute to electing Members no distributions will be made. (See "Summary of Operating Agreement – Cash Distributions.") Consequently, investors that will rely on the quarterly or monthly income received from the Fund to meet their monthly expenses or who will suffer substantial economic hardship in the absence of such income should not invest.

Investors have not been independently represented in the formation of the Fund.

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

Tax Risks

There is no assurance that the Fund will be treated as a partnership for federal income tax purposes.

The Manager expects the Fund to be treated as a partnership (other than a publicly traded partnership) for federal income tax purposes and not as a corporation. A legal opinion confirming this position; however, has not been obtained by the Fund and the Fund will not seek a ruling from the Internal Revenue Service ("IRS") on the tax treatment of the Fund or its Members. Consequently, there is no guaranty that the Fund's position as to its tax treatment would be sustained by a court if challenged by the IRS. (See "Federal Income Tax Considerations.")

There is no assurance that the Fund net income will be treated as a derived from a trade or business for federal income tax purposes.

The Fund expects to report its net income as being derived from the trade or business of mortgage lending, not as portfolio income. The Manager believes this is the proper characterization, but there can be no assurance that it will not be challenged by the Internal Revenue Service. There is no guaranty that the Fund's position as to this tax treatment, particularly as to loan losses, if any, would be sustained by a court if challenged by the IRS. (See "Federal Income Tax Consequences – Character of Income.")

The Members' ability to offset other taxable income with Fund losses may be limited.

The Fund is engaged in mortgage lending. The Manager takes the position that the Fund is engaged in the active conduct of equity-financed lending. Under the applicable Treasury regulations, each Member is required to report separately on his or her income tax return all or a portion of the Member's distributive share of Fund income as non-passive income. Each Member's distributive share of Fund losses, if any, will be reported as passive losses. Passive losses may be used to offset passive income. To the extent that passive losses do not offset passive income, they may be carried forward to offset passive income in future years. It is possible, however, that the IRS could assert that Fund income is properly treated as portfolio income for purposes of those limitations. Such treatment is subject to the interpretation of complex Treasury regulations, and is dependent upon a number of factors, such as whether the Fund is engaged in a trade or business, the extent to which the Fund incurs liabilities in connection with Fund activities, and the proper matching of the allocable expenses incurred in the production of income. There can be no assurance that an IRS challenge to the Manager's characterization of Fund income will not succeed. It also is possible that Members may be subject to other limitations on the deductibility of Fund expenses and losses.

The Members' Syndication Cost obligations may result in an increased tax basis affecting capital gains or losses upon sale or liquidation.

Upon being admitted to the Fund, each Member becomes absolutely obligated to reimburse the Fund for the Syndication Costs incurred by the Fund that are attributable to the Member's Units. (See "Terms of the Offering - Syndication Cost Advances & Reimbursements" and "Summary of the Operating Agreement – Syndication Advances & Quarterly Syndication Cost Reimbursements.") These Syndication Cost obligations may, for tax purposes, be deemed partnership liabilities assumed by the Members and treated as additional contributions of money to the Fund under Section 752 of the Code. (See "Federal Income Tax Consequences – Tax Basis & Syndication Cost Obligations.") If that is the case, the Members' initial tax basis in their Units will be equal to the purchase price paid for the Units *plus* the share of Syndication Costs attributable to such Units (i.e., 2.0% of the gross purchase price paid for RIA Units and 9.0% of the gross purchase price paid for BD Units).

A Member's tax basis in the Fund is important because it acts as a limitation on deducting losses from the Fund, it generally determines how much cash the Member can extract from the Fund on a tax-free basis, and it determines the amount of gain or loss on the sale of Fund Units or on liquidation of a Member's interest in the Fund. To the extent a Member's tax basis is increased by the Member's Syndication Cost obligations, the Members non-taxable distributions and deductible losses from the Fund may be increased. This increase in tax basis, however, may also result in decreased capital gains or a capital loss upon sale or at redemption of a Member's Units because a Member's initial tax basis will be greater than the cash contributed to the Fund at inception.

Member's tax liability may exceed cash distributions received.

A Member's tax liabilities associated with an investment in Units for a given year may exceed the amount of cash the Fund distributes to the Member during such year. Members will be taxed on their allocable share of taxable income whether or not the Member actually receives cash distributions from the Fund. Taxable income of a Member could exceed cash distributions received, for example, if the Member elects to compound its cash distributions that would otherwise be received. (See "Terms of the Offering – Election to Receive Cash Distributions.") Taxable income in excess of cash distributions also could result if the Fund generates so-called "phantom income" (taxable income without an associated receipt of cash). Phantom income could be recognized from a number of sources, including, without limitation, any established loan loss reserves or fluctuation thereof, repayment of principal on loans incurred by the Fund as well as imputed income due to original issue discount, market discount, imputed interest and significant modifications to existing loans. Under very limited circumstances, Members could receive a special distribution to enable Member to pay taxes on specified types of income. The Manager takes the position that the Fund is engaged in a lending trade or business, as a result of which all or a portion of the income earned by Members with respect to their investment in Units will be treated as ordinary income.

The Fund is expected to generate unrelated business taxable income.

Tax-exempt investors (such as an employee pension benefit plan or an IRA) may be subject to tax to the extent that income from the Units is treated as unrelated business taxable income, or UBTI. The Fund may realize

UBTI from the sale of loans if the Fund is deemed to be a "dealer" in the business of selling loans to customers in the ordinary course of trade or business and a particular loan or loans are deemed to be "dealer property." In addition, funds are borrowed on a limited basis, which can cause a portion of Fund income to be treated as UBTI. The Fund may also receive income from services rendered in connection with making or securing loans, which is likely to constitute UBTI. Furthermore, any rental income that the Fund receives from a lease of personal property would constitute UBTI unless the personal property is leased along with real property and the rents received from the personal property are an incidental amount of the total rents received under the lease. While the Fund does not currently intend to own and lease personal property, it is possible the Fund may do so as a result of a foreclosure upon a default. Although the Manager uses reasonable efforts to prevent any borrowings and leases of personal property from causing any significant amount of income from the Units to be treated as UBTI, the Manager expects that some portion of Fund income will be UBTI. Prospective investors that are tax-exempt entities are urged to consult their own tax advisors regarding the suitability of an investment in Units. In particular, an investment in Units may not be suitable for charitable remainder trusts.

Tax audits could result in adjustments to Member's tax returns.

The IRS and state tax authorities could challenge certain federal and state income tax positions, respectively, taken if the Fund is audited. Any adjustment to Fund return resulting from an audit by a tax authority would result in adjustments to Members' tax returns and might result in an examination of items in such returns unrelated to a Member's investment in Units or an examination of tax returns for prior or later years. Moreover, the Fund and its Members could incur substantial legal and accounting costs in contesting any challenge by a tax authority, regardless of the outcome. The Manager will act as the Fund's "partner representative" as provided in the Internal Revenue Code and, in that capacity, will have the authority and power to act for, and bind the Fund in connection with any such audit or adjustment for administrative or judicial proceedings in connection therewith.

Members may be subject to state and local tax laws.

The state in which Member resides may impose an income tax upon his or her share of Fund taxable income. Furthermore, states such as California, in which the Fund will own property, generally impose income tax upon a Member's share of Fund taxable income considered allocable to such states, whether or not a Member resides in that state. As a result, a nonresident member may be required to file a tax return in California and any other such state. Differences may exist between federal income tax laws and state and local income tax laws. The Fund may be required to withhold state taxes from distributions to members in certain instances. Members are urged to consult with their own tax advisers with respect to state and local tax consequences of an investment in Fund Units.

The IRS may argue that Fund allocations to Members do not have substantial economic effect.

For U.S. federal income tax purposes, allocations to Members of Fund income, gain, loss, deduction and credit will be governed by the Fund's Operating Agreement if such allocations have "substantial economic effect." Because the Fund's Operating Agreement generally allocates income and losses (and taxable items) in the same manner as cash distributions are made, the Manager believes these allocations should be respected. However, there can be no assurance that the IRS will not challenge the allocations and will not attempt to reallocate income and losses (and taxable items) among the Members. Any successful challenge by the IRS to such allocations could have a material adverse effect on Members' investment in Units.

Recent tax legislation may have unanticipated effects on the Fund.

On December 22, 2017, the tax legislation commonly referred to as the Tax Cuts and Jobs Act was signed into law, generally applying in taxable years beginning after December 31, 2017. The Tax Cuts and Jobs Act makes significant changes to the U.S. federal income tax rules for taxation of U.S. individuals, pass-through entities, and corporations, reducing the federal income tax rates applicable to taxable U.S. investors on ordinary dividends. In the case of individuals, the income tax brackets are adjusted, the top federal income rate is reduced to 37%, special rules reduce taxation of certain income earned through pass-through entities and REITs, but not regulated investment companies, and various deductions are eliminated or limited. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. For taxable years beginning after December 31, 2017, the top corporate income tax rate is reduced to 21%, which could make taxable corporations viable alternatives to other types of entities for individual investors. The long-term impact of the tax changes on the demand for the loans the Fund intends to make is not yet certain.

Changes in tax laws could have an adverse effect on Members' investment.

Changes in federal, state or local tax law could have an adverse effect on the rate of return on Members' investment in the Fund or on the market value of Fund assets. Members are urged to consult with their own tax advisor with respect to the impact of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in the Fund.

USE OF LEVERAGE

The Fund intends to utilize leverage as part of the Fund's investment strategy. In this context "leverage" refers to the use of borrowed money in the form of one or more loans or lines of credit that are secured by all or a portion of the Fund's loan portfolio. The Manager expects that the primary leverage used by the Fund will be a line of credit obtained by the Fund for the purpose of increasing the Fund's liquidity and to allow the Fund to make or invest in loan opportunities when the Fund has insufficient cash on hand to do so. By obtaining a line of credit, the Fund increases its ability to fund loan opportunities quickly, even when the Fund otherwise lacks cash from other sources. The use of a credit facility also allows the Fund to maximize the amount of Fund capital that remains actively invested over the life of the Fund. This is because, without a credit facility, cash held by the Fund in amounts that are less than the amounts needed to fund an existing loan opportunity must be held idle in Fund bank accounts until additional capital can be raised and the higher interest loan investment can be funded. Utilizing a credit facility to fund the difference between the cash on hand and the amount needed to fund a loan opportunity allows the Fund to reduce the amount of time cash must remain idle between loan payoffs and new investments.

The Fund may also use leverage to fund loan investments with the intent of increasing the yield earned by the Fund. This increased yield will result if the interest earned by the Fund on the leveraged portion of its portfolio exceeds the interest and overall costs that must be paid to the lender on the leverage loan. This "spread" between the interest earned on the leveraged loan portfolio and the interest paid to a lender on borrowed funds used to make loans will accrue to and for the benefit of the Fund. Leveraging the Fund's loan portfolio, however, entails certain risks to the Fund that would not otherwise be present if the Fund funded all of its loans from its own funds.

Additional Risks of Leverage

Risks arise with the use of leverage because the Fund will be required to pledge all or a portion of the Fund's loan portfolio as collateral for the loan or facility and if the Fund defaults under the loan or credit facility the Fund may lose some or all of the pledged assets. Additionally, utilizing leverage may affect the ability of the Fund to make income and withdrawal distributions to Fund Members.

Loan Defaults

Potential reasons for the Fund to default under a leverage loan include:

- *Payment Default.* If the Fund's ability to raise member capital or its lack of loan payoffs or sale of assets are insufficient to pay a leverage loan as and when due, the Fund will risk payment default. A credit facility or leverage loan will, in most cases, be made at an adjustable interest rate. Most Fund loans, however, will be made at fixed rates of interest. If the adjustable rate payable on the leverage loan increases to a monthly payment greater than the interest being earned on the Fund's loan portfolio, it may cause the Fund to default under the applicable loan agreement.
- *Covenant Default.* Other events of default that may occur include the failure of the Fund to observe any of the covenants contained in the applicable loan agreement entered into by the Fund. Covenant defaults under the loan agreement may include: (i) the bankruptcy or insolvency of the Manager, (ii) changes in control of the Manager without lender consent; (iii) the creation of an impermissible lien or encumbrance on Fund assets; and (iv) breach of any other affirmative or negative covenants specified in the loan documents governing the loan. Thus, the Fund is at risk of default on the occurrence of many events that do not directly relate to the performance of the Funds loan portfolio.

Fund Distributions

Use of a leverage loan by the Fund will result in interest charges, fees and costs and other debt service obligations which will reduce Fund income and the amount of cash available for periodic distributions to the Members. Moreover, Members have no right to withdraw their capital from the Fund if such withdrawal would result in a default or additional fees under the leverage loan documents. (See "Summary of the Operating Agreement – Withdrawal from Fund.")

Leverage Limitation

Given the additional risks related to the use of leverage, the Manager has agreed that at no time shall the Fund close any leverage loan or make any draw under any leverage loan if immediately following the closing of such loan, or making such draw, the aggregate outstanding balance of all debt secured by the Fund's loan portfolio would exceed thirty-five percent (35%) of total book value of Fund assets at the time the loan is closed or the draw is made (the "**Leverage Limitation**"). This Leverage Limitation does not apply to any unsecured debt or debt secured by non-loan assets of the Fund including, without limitation, loans secured by any real estate acquired through foreclosure, deed in lieu of foreclosure or otherwise. The Manager will be free to incur such debt without reference to the Leverage Limitation and the principal amount of any such debt will be excluded from the calculation of the thirty-five percent (35%) Leverage Limitation threshold referenced herein.

Unrelated Business Taxable Income

The use of leverage may also create unrelated business taxable income which may have tax implications for otherwise tax exempt qualified pension and profit sharing plans. (See "Federal and State Income Tax Considerations – Unrelated Business Taxable Income.")

CONFLICTS OF INTEREST

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

Manager Compensation

None of the compensation set forth under "Compensation to Manager" was determined by arms' length negotiations. If, in structuring this offering, the Manager reduced the asset management fees payable to the Manager as well as other forms of compensation, a higher rate of return might be obtained for Fund Members. The Manager, however, believes such Manager compensation is reasonable in light of the amount and types of compensation payable to managers and sponsors of similar types of funds in the market.

Other Funds or Businesses

The Manager engages for its own account, or for the account of others, including its principals, in other business ventures, similar to that of the Fund or otherwise, and neither the Fund nor any Member is entitled to any interest therein. The Manager is also involved with the mortgage programs of its Affiliate Funds that have investment objectives similar to the Fund (see, "The Manager & Its Affiliate Mortgage Funds – Affiliate Mortgage Funds) and may organize other similar mortgage programs in the future. The Manager has legal and financial obligations with respect to the other mortgage programs that are similar to its obligations with respect to the Fund and may have contingent liability for the obligations of certain of those programs. The compensation structure applicable to the Manager or its principals in connection with loans that are arranged or originated for the Affiliated Funds or other investors unrelated to the Fund may be different, and depending on the circumstances at a given point in time, may be

more lucrative to the Manager or its principals than the compensation payable to the Manager in connection with managing the Fund. As a result, there may exist a financial incentive for the Manager or its principals to arrange or originate loans for private investors outside the Fund and the Members must rely on the fiduciary duties of the Manager to protect their interests under such circumstances. Moreover, if the Affiliated Funds or other funds or investors have funds to invest at the same time as the Fund, there will then exist conflicts of interest on the part of the Manager as to whether to offer a particular loan opportunity to the Fund or to these other funds or parties. The Manager will decide which loans are appropriate for funding by the Fund or by such other funds after consideration of all relevant factors, including the size of the loan, portfolio diversification and amount of un-invested funds.

Lack of Independent Legal Representation

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

Sale of Loans to Third Parties

The Manager may sell Fund loans (or fractional interests therein) to third parties when the Manager determines that it appears to be advantageous for the Fund to do so, based upon then current interest rates, the length of time that the loan has been held by the Fund or to manage the Fund's credit risk and concentration risk. The Manager will not receive commissions or origination fees with respect to loan sales conducted for the Fund. The Fund may receive premiums over the par value of its loans upon sale. The proceeds from the sale of Fund loans will be reinvested in new loans for which the Manager and the Fund will receive origination fees and other forms of Origination Compensation described in the "Compensation to Manager" section of this Memorandum. The Manager also currently does not receive compensation for servicing Fund loans (other than the portion of the Manager's asset management fee deemed to be for loan survey) but may arrange to service Fund loans for the purchasers following sale and may receive a separate servicing fee in exchange for such services. Consequently, loan sales will, in most cases, generate various different types of income in different percentages and amounts for the Manager and the Fund and the Manager will have a continuing conflict when determining whether loan sales are necessary or prudent to further the Fund's objectives.

Sale of Defaulted Loans or Real Estate Owned to Affiliates

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

The Manager shall undertake to resolve these conflicts by setting a purchase price for each defaulted loan or property which is not less than any of the following: (i) the independently appraised value of such loan or property, if any, at the time of sale; (ii) the amount of any bona fide third-party offer already received, if any; or (iii) the total amount of the Fund's "investment" in the loan or property (as defined below); provided, however, that each of the amounts described in (i)-(iii) may be reduced by the amount of a reasonable and customary brokerage commission that would be payable in connection with a sale of that loan or property to an unrelated party (an "Avoided Commission").

For the purposes stated above, the Fund's "investment" in a loan or property is deemed to include without limitation (i) the unpaid principal amount of the loan or the loan upon which the Fund foreclosed to acquire the property; (ii) all unpaid interest accrued to the earlier of the date of sale or foreclosure; (iii) all expenditures made to

protect the Fund's interest in the loan or property such as payments to senior lienholders and for insurance and taxes, all costs of foreclosure (including attorneys' fees actually incurred to prosecute the foreclosure or to obtain relief from stays in bankruptcy); and (iv) any advances made by or on behalf of the Fund for any of the foregoing.

Notwithstanding the foregoing, the purchase price paid for any defaulted loan or property may be less than the Fund's investment in the loan or property if the following conditions are satisfied: (i) the purchase price is not less than the value of the loan or property as determined by an independent written appraisal prepared within the preceding six months, less the amount of the Avoided Commission; and (ii) the purchaser is obligated to pay to the Fund the amount of any gain realized from the resale or repayment of the subject loan or from the resale of the subject property, up to the amount of the difference between the purchase price and the Fund's "investment" in the loan or property as defined above.

A portion of the purchase price may be paid by the affiliate for a defaulted loan or Fund property by executing a promissory note in favor of the Fund, secured by a deed of trust on the property being sold. The total loan-to-value ratio for the property (including the Fund's note and any senior liens) will not exceed 90% of the purchase price of the property, and the note will otherwise contain terms and conditions comparable to those that would be contained in notes executed by third parties.

If the Manager is unable to sell such property for a price sufficient to cover all above listed costs, the Manager may sell the property for the amount that can reasonably be obtained in light of current market conditions; or at the Manager's discretion, allow the Fund to hold the property (i.e., as an "REO" property) until the Manager is able to sell it for a price which is both reasonable in light of current market conditions and for which the Manager believes such sale is in the best interest of the Fund and its Members.

ERISA CONSIDERATIONS

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

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

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

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain tax considerations which may be relevant to the Fund and to a prospective Member. The information provided herein is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the applicable Treasury regulations adopted thereunder (the "Treasury Regulations"), current administrative rulings, and judicial opinions, all existing as of the date hereof.

The Tax Cuts and Jobs Act of 2017 ("TCJA") signed into law on December 22, 2017 made significant amendments to the Code which affected how individuals and businesses are taxed beginning in the 2018 taxable year. The following information does not purport to cover all of the potential tax considerations applicable to any specific purchaser, nor does it purport to be a definitive statement regarding the effect the TCJA may have on the tax obligations or deductions of any Member or the Fund. The tax consequences of an investment in Units under the TCJA or otherwise are complex and subject to change. Further guidance regarding the application of the TCJA may also be required to fully understand its impact on specific situations. Moreover, pursuant to the terms of the TCJA many provisions of the TCJA applicable to individuals will expire January 1, 2026 unless extended by Congress.

THE FUND IS NOT REQUIRED TO OBTAIN AN OPINION OF COUNSEL AS TO ANY TAX CONSEQUENCES INTENDED TO RESULT FROM AN INVESTMENT IN THE FUND AND THIS SUMMARY DOES NOT CONSTITUTE TAX ADVICE WITH RESPECT TO ANY MEMBER. PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH AND RELY ONLY UPON THEIR OWN TAX ADVISORS FOR ADVICE ON THE FEDERAL, STATE, LOCAL AND OTHER TAX MATTERS DISCUSSED HEREIN WITH SPECIFIC REFERENCE TO THEIR OWN TAX SITUATION, APPLICATION OF THE TCJA, AND THE POTENTIAL EFFECT OF CHANGES IN APPLICABLE LAW IN THE FUTURE.

Taxation of Fund Income

The Manager expects the Fund, as a limited liability company, to be treated as a partnership for federal and state income tax purposes. Under the laws pertaining to federal income taxation of limited liability companies that are treated as partnerships, no federal income tax is paid by the Fund as an entity. Each individual Member will report on his or her federal income tax return his or her distributive share of the Fund's income, gains, losses, deductions and credits, whether or not any actual distribution is made to such Member during a taxable year. Each individual Member may also deduct their distributive share of Fund losses, if any, to the extent of their tax basis in the Fund at the end of the year in which the losses are incurred (see below). The characterization of an item of profit or loss will usually be the same for the Members as it is for the Fund.

Since individual members will be required to include the Fund income in their personal income without regard to whether there are distributions of the Fund income, such investors will become liable for federal and state income taxes on income even though they have received no cash distributions from the Fund with which to pay such taxes. (See "Risk Factors – Tax Risks.")

Tax Basis & Syndication Cost Obligations

The initial tax basis of a member in a limited liability company treated as a partnership for federal tax purposes is generally an amount equal to: (i) the amount of cash contributed to the company; (ii) the adjusted tax basis of any non-cash assets contributed to the company; and (iii) the member's share of any assumed liabilities treated as additional contributions of money to the company under Section 752 of the Code and the Treasury Regulations related thereto ("Section 752 Liabilities"). Thereafter, a member's initial basis in the company is increased over time by the member's distributive share of the company's taxable income and tax-exempt income, increases in the member's share of Section 752 Liabilities and the amount or value of any additional contributions of cash or property to the company. Conversely, a member's initial basis is decreased over time by the member's distributive share of any company losses, decreases in the member's share of Section 752 Liabilities, and the amount or value of any distributions of cash or other property to the member from the company.

Upon being admitted to the Fund, each Member becomes absolutely obligated to reimburse the Fund for the Syndication Costs incurred by the Fund that are attributable to the Member's Units. (See "Terms of the Offering - Syndication Cost Advances & Reimbursements" and "Summary of the Operating Agreement – Syndication Advances

& Quarterly Syndication Cost Reimbursements.") These Syndication Cost obligations may be characterized as Section 752 Liabilities and treated as additional contributions of money to the Fund by the Members upon admission. If that is the case, the Members' initial tax basis in their Units will be equal to the purchase price paid for the Units *plus* the share of Syndication Costs attributable to such Units (i.e., 2.0% of the gross purchase price paid for RIA Units and 9.0% of the gross purchase price paid for BD Units).¹⁰

A Member's tax basis in the Fund is important because it acts as a limitation on deducting losses from the Fund, it generally determines how much cash the Member can extract from the Fund on a tax-free basis, and it determines the amount of gain or loss on the sale of Fund Units or redemption of a Member's interest in the Fund. To the extent a Member's tax basis is increased by the Member's Syndication Cost obligations, the Members non-taxable distributions and deductible losses from the Fund may be increased. This increase in tax basis, however, may also result in decreased gain or increased loss upon sale or at redemption.

The application of Section 752 of the Code and the related Treasury Regulations to the Syndication Cost obligations provided in the Operating Agreement is complex and there is no assurance this position will be taken by the Internal Revenue Service. Potential investors should review the potential consequences of the Syndication Expense obligations attributable to Units with their own tax professional prior to investing.

Distributions of Income

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

Property Held Primarily for Sale; Potential Dealer Status

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

¹⁰ The Members' Syndication Advance Amounts will not be finally determined and allocated to each Member until their O&O Share of the final Organization & Operating Expenses (up to the Maximum O&O Amount) is determined on the O&O Determination Date. Nonetheless, in the event of a dissolution of the Fund or the withdrawal of any Member prior to the O&O Determination Date: (i) the full Maximum O&O Amount (i.e., 2.0% of the gross purchase price paid for Units) is deductible from the Capital Accounts or payable from the Surrender Charges due from all Members; and (ii) the additional amount of Underwriting Compensation (i.e., 7.0% the gross purchase price paid for BD Units) is deductible from the Capital Accounts or payable from the Surrender Charges due from all BD Members. Consequently, the Fund believes that if the Syndication Cost obligations are treated as Section 752 Liabilities, each Member will initially be deemed to be "at risk" for, and will have their tax basis increased by, these amounts in full. If, on the O&O Determination Date, the Members' O&O Share of Fund Organization & Offering Expenses is determined to be less than the full Maximum O&O Amount, the Members' share of Section 752 Liabilities, and the portion of their tax basis attributable thereto, will be reduced accordingly as of that date.

Tax Returns

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

Character of Income

The Fund expects to report its income as being derived from the trade or business of mortgage lending, not as portfolio income. The Manager believes this is the proper characterization, but there can be no assurance that it will not be challenged by the Internal Revenue Service. If the Fund is deemed to be engaged in the trade or business of lending money, its income allocable to that business will generally be characterized as nonpassive income, against which passive losses from other sources may not be offset. This is true even though its net losses allocable to that activity (or that portion of Members' loss on the sale of a unit that is allocable to the Fund's mortgage lending business) will be treated as passive activity losses. If the Fund is not considered engaged in a trade or business of lending money, then income and loss from its mortgage lending activities will be considered portfolio income and loss. In either case, Members will not be permitted to offset passive losses from other activities against Members' share of that portion of income. Under Section 469 of the Code, the Fund's income will not be passive income against which passive losses from other sources may be offset.

Unrelated Business Taxable Income

Units may be offered and sold to certain tax exempt entities (such as qualified pension or profit sharing plans) that otherwise meet the investor suitability standards described elsewhere in this Memorandum. (See "Investor Suitability Standards.") Such tax exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business which generates "unrelated business taxable income," as that term is defined by Section 513 of the Code. Under the Code, tax exempt purchasers of Units may be deemed to be engaged in an unrelated trade or business by reason of interest income earned by the Fund. Although interest income (which will constitute the primary source of income earned by the Fund) ordinarily does not constitute an item of unrelated business taxable income, this exclusion does not apply to the extent interest income is derived from "debt-financed property." To increase Fund profits or increase Fund liquidity, the Manager may borrow funds in order to invest in mortgage loans. This "leveraging" of the Fund's loan portfolio will constitute an investment in "debt-financed property" and the interest income earned on loans funded with borrowed funds will be unrelated business income taxable to ERISA plans. (See "Use of Leverage.") The Fund may also realize unrelated business taxable income by reason of profits earned from the resale or lease of properties acquired through foreclosure that are encumbered by senior mortgage loans.

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

Unrelated business income is taxable only to the extent such income from all sources exceeds \$1,000 per year. The remainder of a tax exempt investor's income will continue to be exempt from federal income taxes to the extent it complies with other applicable provisions of law, and the mere receipt of unrelated business income will not otherwise affect the qualification of an IRA or ERISA plan under the Code. The Manager expects that some portion of the Fund's income each year will be unrelated business taxable income and a tax exempt investor's share of unrelated business taxable income earned by the Fund may exceed this \$1,000 threshold for any tax exempt investor in any year.

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

CERTAIN LEGAL ASPECTS OF FUND LOANS

Most Fund loans will be secured directly or indirectly by a deed of trust, the most commonly used real property security device in California. The deed of trust formally has three parties: a debtor-trustor, a third-party grantee called the "trustee," and the lender-creditor called the "beneficiary." The trustor grants the property, irrevocably until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary. The Fund will be the beneficiary under all deeds of trust securing Fund loans.

Foreclosure

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

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

Anti-Deficiency Legislation

Currently, California has four principal statutory prohibitions which limit the remedies of a beneficiary under a deed of trust. Two statutes limit the beneficiary's right to obtain a deficiency judgment against the trustor following foreclosure of a deed of trust, one based on the method of foreclosure and the other on the type of debt secured. Under one statute, a deficiency judgment is barred where the foreclosure was accomplished by means of a nonjudicial trustee's sale. It is anticipated that all of the Fund's loans will be enforced by means of a nonjudicial trustee's sale, if foreclosure becomes necessary. Under the other statute, a deficiency judgment is barred in any event where the foreclosed deed of trust secured a "purchase money" obligation, i.e., a promissory note evidencing a loan used to pay all or a part of the purchase price of a residential property occupied, at least in part, by the purchaser. This restriction may apply to some Fund loans.

Another statute, commonly known as the "one form of action" rule, requires the beneficiary to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the trustor on the promissory note. The fourth statutory provision limits any deficiency judgment obtained by the beneficiary following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of sale, thereby preventing a beneficiary from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale. Other matters, such as litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws, may have the effect of delaying enforcement of the lien of a defaulted loan and may in certain circumstances reduce the amount realizable from sale of a foreclosed property.

"Due-on-Sale" Clauses

The Fund's forms of promissory notes and deeds of trust, like those of most lenders, contain "due-on-sale" clauses permitting the Fund to accelerate the maturity of a loan if the borrower sells the property. Due-on-sale clauses contained in mortgage loan documents executed by the Fund after October 15, 1982 are enforceable in accordance with their terms. However, acquisition of a property by the Fund by foreclosure on one of its loans would also constitute a "sale" of the property, and would entitle a senior lienholder to accelerate its loan against the Fund. This would be likely to occur if then-prevailing interest rates were substantially higher than the rate provided for under the accelerated loan. In that event, the Fund may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

Due-on-Encumbrance

The Fund's promissory notes and deeds of trust may contain a "due-on-encumbrance" clause that would restrict the ability of the borrower to further encumber the property by placing a deed of trust junior to the Fund's loan. With respect to mortgage loans on residential property containing four or fewer Units, both federal and California law prohibit acceleration of the loan merely by reason of the further encumbering of the property (e.g., execution of a junior deed of trust). This prohibition does not apply to mortgage loans on other types of property.

With respect to junior loans made by the Fund, although most of these loans will be on properties that qualify for the protection afforded by federal law, some loans will be secured by apartment buildings or other commercial properties where the senior loan documents may contain due on encumbrance provisions. In such cases, absent consent by the senior lender, second mortgage loans made by the Fund may trigger acceleration of senior loans on such properties, although both the number of such instances and the actual likelihood of acceleration is anticipated to be minor. Failure of a borrower to pay off the accelerated senior loan would be an event of default and would subject the Fund (as junior lienholder) to the attendant risks.

Prepayment Charges

Certain loans originated by the Fund may provide for prepayment charges to be imposed on the borrowers in the event of certain early payments on the loans.

SUMMARY OF OPERATING AGREEMENT

The following is a summary of the Fund's Limited Liability Company Operating Agreement dated as of September 12, 2019 and is qualified in its entirety by the terms of the Operating Agreement itself. Potential investors are urged to read the entire Operating Agreement which is set forth as Exhibit A to this Memorandum prior to investing.

Membership Tiers

The Operating Agreement designates membership interests in the Fund into Tier BD Interests and Tier RIA Interests for the purpose of allocating the Fund's Syndication Costs among the BD Members and the RIA Members based upon the Syndication Costs attributable to the BD Units and RIA Units, respectively. Members acquiring BD Units through registered broker-dealers will be issued Tier BD Interests subject to Syndication Advance Amounts of up to 9.0% of the gross purchase price paid by each BD Member for their BD Units. Members that acquire RIA Units through a registered investment advisor or directly from the Fund will be issued Tier RIA Units subject to Syndication Advance Amounts of up to 2.0% of the gross purchase price paid by each RIA Member.¹¹ (See "Terms of the Offering

¹¹ Syndication Costs allocated to Members are described as "up to" the stated percentages because following the O&O Determination Date, Members will only be responsible for their O&O Share of the Fund's actual Organization & Offering Expenses, up to their Maximum O&O Amount (i.e., 2.0% of the gross purchase price paid by each Member for their Units). If the actual amount of Organization & Offering Expenses incurred by the Fund is determined to be less than 2.0% of the total amount paid for all Units in the offering, each Member's O&O Share will be less than the full 2.0% Maximum O&O Amount reducing each Member's total Syndication Advance Amount, accordingly. (See "Terms of the Offering – Syndication Cost Advances & Deductions.") Reductions in the Sales Commissions and Marketing Reallowance Fees payable with respect to the BD Units are not expected; however, if any such reductions are negotiated, such reductions will also reduce the total Syndication Advance Amounts

- Syndication Cost Advances & Reimbursements" and "Plan of Distribution – Sales Commissions & Marketing Reallowance Fees.").

Syndication Advance Amounts allocated to the Members will be deducted from each Member's Capital Account balance for the purposes of calculating a Member's Percentage Interest. Consequently, while all Members' Percentage Interests will be affected by their Syndication Advance Amounts, the affect will be greater with respect to Tier BD Interests than for Tier RIA Interests and will affect the rights determined by the Member's relative Percentage Interests accordingly. (See "Description of the Units – Capital Accounts & Percentage Interests" and "Risk Factors – Risks Related to the Ownership of Units.")

Rights & Liabilities of Members

The rights, duties and powers of Members are governed by the Operating Agreement and the Delaware Limited Liability Company Act (the "Act") and the discussion herein of such rights, duties and powers is qualified in its entirety by reference to the Operating Agreement and the Act. Investors who become Members will not be responsible for the financial obligations of the Fund and will be liable only to the extent of their agreed upon capital contributions and their Syndication Advance Amounts.

Members will have no control over the management of the Fund except that, Members holding more than 75% or more of the total outstanding Units (a "Superior Majority") may remove the Manager and name a new Manager and Members holding 50% or more of the outstanding Units (a "Member Majority") may approve or disapprove any of the following matters ("Member Actions"):

- Extension of the Offering Period beyond December 31, 2022;
- Extension of the Scheduled Dissolution Date beyond December 31, 2031;
- Merger or consolidation of the Fund with one or more other entities;
- Amendment of the Operating Agreement (other than in connection with the matters set forth in the "Amendment of the Operating Agreement" subsection, below); and
- Election of a successor manager upon the cessation of the Manager for any reason other than removal by the Member (e.g., withdrawal or resignation).

Members representing 25% or more of the total outstanding Capital Accounts of all Members may call a meeting of the Fund and any such meetings will be noticed and held in accordance with the Act.

Capital Contributions

Investors will make capital contributions by purchasing Units over the course of the Offering Period. The purchase price payable for both BD Units and RIA Units is \$1.00 per Unit. No person may initially acquire less than 25,000 Units (\$25,000); however, the minimum additional investment for existing Members is 10,000 Units (\$10,000) and the Manager may accept investments in lesser amounts at any time in its discretion. To purchase Units an investor must deliver to the Fund a Subscription Agreement in the form attached to this Memorandum as Exhibit B. (See "Terms of the Offering – Subscribing for Units & Admission to the Fund.")

allocated to the applicable BD Members. In the event of a dissolution or withdrawal prior to the O&O Determination date, Syndication Costs allocated to the Members or included in a Member's Surrender Charge will be based upon the Maximum O&O Amount.

Capital Accounts & Percentage Interests

The Manager will establish a Capital Account for each Member ("Capital Account") and upon being admitted to the Fund, each Member will receive a credit to their Capital Account in the full amount paid by such Member for their Units. Thereafter, each Member's Capital Account will be adjusted as follows:

(i) Each Member's Capital Account will be credited with any additional capital contributions made in exchange for Units by a Member, such Member's share of net income and any items in the nature of income or gain (from unexpected adjustments, allocations or distributions) that are specially allocated to a Member and the amount of any Fund liabilities that are assumed by such Member or that are secured by any Fund property distributed to such Member.

(ii) Each Member's Capital Account will be debited in the amount of any cash distributions made to the Member, the Gross Asset Value of any Company property distributed to such Member pursuant to the Operating Agreement, the amount of each applicable Quarterly Syndication Cost Deduction when made over the course of the Deduction Period, each Member's share of losses, and any items in the nature of expenses or losses that are specially allocated to a Member and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Fund.

The Manager intends to maintain the Capital Accounts of the Members in compliance with Treasury Regulation Section 1.704-1(b). In the event the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to comply with the then existing Treasury Regulations, the Manager may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member upon the Fund's dissolution.

Each Member's Percentage Interest in the Fund will be based upon the Member's relative Capital Account balances as of any date, less the unpaid Syndication Advance Balance as of any date. Consequently, rights based upon the Members' relative Percentage Interests in the Operating Agreement (including operating income allocations and voting rights) will be determined net of a Member's Syndication Advance Amount during the Deduction Period.

Rights, Powers & Duties of Manager

Subject to the right of the Members to vote on specified matters, the Manager will have complete charge of the business of the Fund. The Manager is not required to devote full time to Fund affairs but only such time as is required for the conduct of Fund business. The Manager acting alone has the power and authority to act for and bind the Fund. The Manager is granted the special power of attorney of each Member for the purpose of executing the documents which the Members have expressly agreed to execute and deliver or which are required to be executed, delivered and/or filed under applicable law.

Removal of the Manager

The Manager is only removable by a Super Majority of the Members (*i.e.*, Members holding more than 75% of the total outstanding Units as of any date exclusive of Units held by the Manager or its affiliates). Under the Operating Agreement, such removal requires written notice to the Manager executed by a Super Majority and such removal is only made effective upon written acceptance of the duties of manager by a successor manager approved by Member Majority. The Manager has the right to continue to manage the Company pending any such acceptance. (See "Risk Factors – Risks Related to the Manager.")

Syndication Advances & Quarterly Syndication Cost Reimbursements

In the first calendar quarter following the termination of the Offering Period the Manager will determine the total Organization & Offering Expenses incurred by the Fund and the total number of Units sold in the Offering. Each Member will then be allocated a portion of the Fund's Syndication Costs based upon the relative Syndication Cost amounts incurred in connection with the offer and sale of Units in that Member's Membership Tier. The Syndication Advance Amount for both BD Members and RIA Members will include a Member's O&O Share of the Fund's

Organization & Offering Expenses (as determined on the O&O Determination Date) up to a Maximum O&O Amount equal to 2.0% of the gross purchase price paid by a Member for their Units. A Member's O&O Share of Organization & Offering Expenses will be based upon the number of Units purchased by each Member relative to the total number of Units purchased by all Members in the Offering. Underwriting Compensation paid by the Fund with respect to BD Units will be allocated to the BD Members, only, and will increase the Syndication Advance Amounts attributable Tier BD Interests, and the BD Members, accordingly. (See "Terms of the Offering – Syndication Cost Advances & Reimbursements.")

Each Member's Syndication Advance Amount will be allocated to the Member on the O&O Determination Date. This amount will then be repaid to the Fund through Quarterly Syndication Cost Deductions made from the quarterly income otherwise allocable to each Member over the Reimbursement Period. The amount of each Member's Quarterly Syndication Cost Reimbursement will be the Quarterly Deduction Amount determined by dividing a Member's Syndication Advance Amount by the total number of quarterly payment dates within the Reimbursement Period (e.g., 36 if the Reimbursement Period begins on March 31, 2023 and terminates on the Scheduled Dissolution Date as expected).

During the Reimbursement Period, Quarterly Syndication Cost Reimbursements will be paid on the last day of each calendar quarter and will reduce the amount of net income otherwise to be credited to the Member's Capital Account for the applicable quarter by the Member's Quarterly Reimbursement Amount.¹² (See, Description of the Units – Cash Distributions to the Members.") If net income allocable to any Member in any quarter is less than the Quarterly Reimbursement Amount due for such quarter, the insufficiency will result in a corresponding reduction of the Member's Capital Account balance as of the distribution date. (See "Risk Factors – Risks Related to the Ownership of Interests.")

Each Member's Syndication Advance Amount is due and payable to the Fund whether or not it is fully repaid over the expected Fund term through Quarterly Syndication Cost Reimbursements. Consequently, in the event the Fund is dissolved prior to the Scheduled Dissolution Date for any reason, any Syndication Advance Amount that remains unpaid by a Member will be deducted from the Members' Capital Account on the applicable date of dissolution. Moreover, Members seeking to withdraw from the Fund prior to the Fund's Scheduled Dissolution Date will have their unpaid Syndication Advance Amount paid from the Surrender Charge deducted from the Redemption Balance paid to such Member in satisfaction of the remaining Syndication Advance Amount then due and any excess Surrender Charge will be retained by the Fund for the benefit of the non-withdrawing Members (see the "Withdrawal & Redemption" discussion below).

Net Income & Losses

Net income or losses of the Fund will be determined by the Manager on a quarterly basis in accordance with generally accepted accounting principles and based upon accounting policies determined by the Manager and the Fund's accountants and allocated among the Members based upon their relative Percentage Interests as of the allocation date. Fund income (loss) calculated over the course of any calendar quarter or other accounting period will be based upon the information available to the Manager at the time such calculations are made. Such income (loss) calculations will not be reconciled until the end of each year in connection with the final reconciliation of the Fund's books and records for such year and may require adjustment in light of events occurring in subsequent periods (e.g., unanticipated recognition of losses or receipt of unanticipated income).

If a Member purchases Units following the first day of the month (or a Member's interest is otherwise increased or decreased during a calendar month), income and or losses allocable to such Member for that month will be allocated based upon and the number of days during such month that the Member held his, her or its Capital Account balance (or the applicable increase or decrease is reflected therein). Upon transfer of a Member's membership interest in the Fund (if permitted under the Operating Agreement and applicable law), income and losses will be allocated to the transferee beginning on the date of the transfer.

¹² Members electing monthly rather than quarterly distributions will have one-third (1/3) of their Quarterly Syndication Cost Deductions deducted proportionately each month.

Cash Distributions

Upon subscription for Units, a Member must elect whether to receive quarterly distributions from the Fund or to have their share of net income credited to their Capital Accounts and compounded quarterly over the Fund term. Elections to switch from compounding to receiving distributions, or vice versa, may be made by giving the Manager notice of such election not less than fifteen (15) days prior to the next calendar quarter for which the election is to be made effective. Change notices received within fifteen (15) days of the last day of any calendar quarter may be made effective by the Manager as of the last day of the next calendar quarter following receipt.¹³ Members electing to switch from receiving distributions to compounding must also meet the suitability standards and other requirements for investing in the Fund at the time such election is made. (See "Investor Suitability Standards.")

Distributions to electing Members will be made quarterly on or about the 15th day of the month following the last day of each calendar quarter; however, the Manager may arrange for monthly distributions to Members upon request and subject to the Manager's approval. Unless otherwise agreed by the Manager at the time monthly distributions are approved: (i) monthly distributions will be made on or about the 15th day following the last day of each calendar month; (ii) the amount distributed to each requesting Member in the first two months of each calendar quarter will be equal to one-third (1/3) of the Member's share of quarterly net income determined as of the last day of the prior calendar quarter; and (iii) distributions made in the third month of each quarter will be adjusted by the Manager to the extent necessary to make aggregate distributions to the Member for that quarter, or on an annualized basis, accurate in light of the then current quarterly net income/loss calculations made for all Members.

The Manager also has the right, in any quarter to distribute income to ERISA Plan Members otherwise electing to compound their earnings to the extent the Manager determines such distributions are necessary to comply with the ERISA plan asset regulations ("Required ERISA Distributions").

All requested distributions are subject to the availability of Fund cash flow. For this purpose, Fund cash flow will only be deemed available for distribution to members electing distributions after: (i) payment of all Fund expenses including Fund debt service obligations and any asset management fees, loan servicing fees and any other fees and compensation payable to the Manager, (ii) deduction of adequate reserves for payment of future obligations and investments of the Fund, as determined by the Manager in its sole discretion; and (iii) any Required ERISA Distributions have been made or reserved for in full. In the event available cash flow in any quarter is insufficient to pay the full amount due to Members electing distributions, the Fund will distribute the total amount of available cash to such Members pro rata based upon their relative Percentage Interests, until each such Member has received distributions equal to their allocated but undistributed income as of the date of the distribution.

The Manager reserves the right, at any time, to withhold all or a portion of periodic cash distributions otherwise payable to Members who have elected to receive such distributions if, in the Manager's discretion, such withholding is reasonably necessary in light of increased expense obligations of the Fund. The Manager may also delay any quarterly distributions to the extent necessary to ensure all necessary Capital Account adjustments (due to loan impairments or otherwise) are accurately reflected in the Fund's books and records. (See "Risk Factors – Risks Related to the Ownership of Units.")

Net income allocable to compounding Members retained by the Fund is available for investing in loans or for other business purposes. The additional earnings from these loans will be allocated among all Members; however, compounding Members will be credited with an increasing share of the net income of the Fund than Members who receive quarterly distributions since their Capital Accounts (upon which the Member's Percentage Interests are calculated) will increase over time.

¹³ If a Member receiving Manager approved monthly distributions elects to change to compounding, that Member's final monthly distribution payment will be made on the last day of the quarter in which the request notice is received (whether received prior to or within the described fifteen (15) day period), and quarterly compounding will begin for that Member on the last day of the following calendar quarter during which no further monthly distributions will be made.

Meetings

The Manager, or Members representing at least 25% of the outstanding Capital Accounts of all Members, may call a meeting of the Fund and all meetings shall be noticed and conducted in accordance with the Act. Member approvals may also be obtained by written consent of a Member Majority or Super-Majority solicited by the Manager or any Member.

Annual Reports, Financial Statements & Tax Information

The Manager will cause to be prepared and furnished to the Members an annual report of the Fund's operation, which will include financial statements audited by an independent accounting firm. Following dissolution and while the Fund is winding-up its assets, a financial review completed by an independent accounting firm may replace audited financial statements. The Members will also be furnished with all information necessary to enable them to complete their own tax returns in accordance with all regulatory requirements. Members will have the right to inspect the books and records of the Fund required under the Delaware Limited Liability Company Act.

Amendment of the Operating Agreement

The Operating Agreement may, in most cases, be amended by the Manager only upon the vote of a Member Majority. The Manager may, however, amend the Operating Agreement unilaterally without the approval of the Members with respect to the following matters: (i) changing the name of the Fund or the amount of the contribution of any Member; (ii) substituting a Member; (iii) admitting additional Members; (iv) admitting a successor or additional Manager in accordance with the terms of the Operating Agreement; (v) correcting a false or erroneous statement in the Operating Agreement; or (vii) changing the Operating Agreement in order to cure an ambiguity, accurately represent the agreement among the Members or to reflect a term disclosed in this Memorandum.

Withdrawal & Redemption

It is expected that Members will remain invested in the Fund through the Scheduled Dissolution Date, upon which date all Member's Syndication Cost Advance Amounts will be repaid in full. The Manager may elect to extend the term of the Fund and postpone the actual date of dissolution beyond the Scheduled Dissolution Date provided the extension is approved by a Member Majority (i.e., Members representing more than 50% of the total outstanding Percentage Interests in the Fund). In the event of such an extension it is further expected that Members will remain invested in the Fund following the Scheduled Dissolution Date and through the later date of dissolution so approved (the "Extended Term"). To provide some liquidity to investors, however, the Operating Agreement provides that ninety (90) days following a Member's purchase or Units (the "Holding Period") and prior to the Fund's actual dissolution, a Member may request the withdrawal and redemption of all or a portion of the Member's invested capital by giving written notice to the Manager indicating the Member's desire to withdraw capital from the Fund and the amount of capital to be withdrawn (a "Withdrawal Notice"). Thereafter, the withdrawing Member will be entitled to the Member's "Redemption Balance" subject to the withdrawal limitations set forth in the Operating Agreement and summarized below.

Surrender Charges & Redemption Balances

The amount received by a withdrawing Member will be the Member's Capital Account balance as of the date of the applicable Withdrawal Notice reduced by a percentage (a "Surrender Charge") calculated based upon the applicable Membership Tier and the date upon which a Member's Withdrawal Notice is received. A withdrawing Member's Capital Account balance after deduction of the applicable Surrender Charge (the "Redemption Balance") will be distributed to a requesting Member on the last day of the calendar quarter following the date of the Withdrawal Notice; however, if the Withdrawal Notice is received by the Manager less than thirty (30) days prior to the end of any calendar quarter, the Manager may delay making the requested withdrawal distribution until the last day of the immediately following calendar quarter in its discretion.

The Surrender Charges attributable to BD Interests and RIA Interests are set forth in the tables, below.

Surrender Charge – BD Interests

| Date Withdrawal Notice Received | Surrender Charge |
|--|-------------------------|
| Prior to one-year following the O&O Determination Date | 10.00% |
| 2nd year following O&O Determination Date | 9.00% |
| 3rd year following O&O Determination Date | 8.00% |
| 4th year following O&O Determination Date | 7.00% |
| 5th year following O&O Determination Date | 6.00% |
| 6th year following O&O Determination Date | 5.00% |
| 7th year following O&O Determination Date | 4.00% |
| 8th year following O&O Determination Date | 3.00% |
| 9th year following O&O Determination Date | 2.00% |
| Following Scheduled Dissolution Date | 0.00% |

Surrender Charge – RIA Interests

| Date Withdrawal Notice Received | Surrender Charge |
|--|-------------------------|
| Prior to one-year following the O&O Determination Date | 4.00% |
| 2nd year following O&O Determination Date | 3.75% |
| 3rd year following O&O Determination Date | 3.50% |
| 4th year following O&O Determination Date | 3.25% |
| 5th year following O&O Determination Date | 3.00% |
| 6th year following O&O Determination Date | 2.75% |
| 7th year following O&O Determination Date | 2.50% |
| 8th year following O&O Determination Date | 2.25% |
| 9th year following O&O Determination Date | 2.00% |
| Following Scheduled Dissolution Date | 0.00% |

The early redemption Surrender Charge will be applied to, and discharge, the withdrawing Member's remaining Syndication Advance obligations to the Fund and any excess will be retained by the Fund for the benefit of the non-withdrawing Members. In the event the Scheduled Dissolution Date is extended, withdrawal requests from Members will be accepted by the Fund over the Extended Term and any such withdrawal requests will be made without Surrender Charge deductions.

Amounts distributable to withdrawing Members (after deduction of the applicable Surrender Charge) will be distributed in one or more quarterly withdrawal distributions, subject to certain limitations provided in the Operating Agreement and summarized below.

Withdrawal Limitations

The Fund will not establish a reserve from which to fund withdrawals of Members' capital and such withdrawals are subject to the availability of cash in any calendar quarter to make withdrawal distributions. For this purpose cash will be deemed available for withdrawal distributions ("Cash Available for Withdrawals") only after: (i) all current Fund expenses have been paid (including compensation to the Manager and its affiliates as described in this Memorandum); (ii) adequate reserves have been established for anticipated Fund operating costs and other expenses and advances to protect and preserve the Fund's investments in loans (such as enforcement costs and protective advances to senior lien holders); (iii) adequate provision has been made for the payment of all periodic cash distributions owing to Members who elected to receive such distributions and for payment of all Sales Commissions and Marketing Reallowance Fees to third party broker dealers. Moreover, the Manager may, in its sole discretion, withhold up to 50% of the Fund's Cash Available for Withdrawals in any calendar quarter in order to make loans or otherwise preserve Fund liquidity for the benefit of the non-withdrawing Members ("New Investment Reserves").

If at any time the Fund does not have sufficient Cash Available for Withdrawals (after deduction of any New Investment Reserves) to distribute the quarterly amounts due to all Members that have outstanding withdrawal requests, the Fund is not required to liquidate any Fund loans prior to maturity for the purpose of liquidating the Capital Account of withdrawing Members. In such circumstances, the Fund is merely required to distribute that

portion of the Cash Available for Withdrawals remaining in such quarter (after deduction of any New Investment Reserves) to all withdrawing Members, pro rata based upon the relative undisbursed withdrawal request amounts of such Members as of the date of each withdrawal distribution.

Notwithstanding the foregoing, the Manager reserves the right to utilize all Cash Available for Withdrawals to liquidate the Capital Accounts of deceased Members, or ERISA plan investors, in whole or in part, before satisfying outstanding withdrawal requests from any other Members. The Manager also reserves the right, at any time, to liquidate the Capital Accounts of ERISA plan investors to the extent the Manager determines, in its sole discretion, that any such liquidation is necessary in order to remain exempt from the Department of Labor's "plan asset" regulations.

Additionally, the Manager has the discretion: (i) to limit the amount redeemed per quarter per individual Member to a maximum of the greater of \$100,000 or 25% of the Member's outstanding Capital Account balance; and (ii) to limit aggregate withdrawals during any single calendar quarter to not more than 2.5%, and during any calendar year to not more than 10%, of the total Fund Capital Accounts of all Members that were outstanding at the beginning of the calendar year. For withdrawal requests requiring more than one quarter to fully redeem, the Surrender Charge percentage that applies when the redemption payments begin continues to apply throughout the redemption period.

Effect of Dissolution

Following an event of dissolution (whether such dissolution occurs on, before or after the Scheduled Dissolution Date) all proceeds received from the Fund's assets over the Dissolution Period will be distributed to all Members proportionately in accordance with the dissolution and wind-down provisions of the Operating Agreement (see "Dissolution & Wind-Down," below). During this time: (i) no new withdrawal requests will be accepted by the Manager; (ii) any previously pending withdrawal requests will automatically terminate; and (iii) any undisbursed amounts payable with respect to terminated withdrawal requests will be disbursed to requesting Members in accordance with the liquidation provisions rather than the early withdrawal provisions of the Operating Agreement (i.e., pro rata among all Members in accordance with their Capital Account balances).

Term of Fund

The Fund will be dissolved upon the earliest of: (i) the election of the Manager; (ii) the entry of a decree of judicial dissolution; and (iii) the Scheduled Dissolution Date (i.e., December 31, 2031), unless extended by the Manager with the consent of a Member Majority. Upon dissolution, the Fund will not immediately terminate but will continue over a wind-down period during which the assets of the Fund will be liquidated through sale or through the collection loan payments and loan payoffs either through the sale of the property or in accordance with the terms of its remaining loans. The wind-down or liquidation period is expected to last approximately two (2) years from the dissolution date; however, this period may be longer or shorter on the assets held by the Fund at dissolution and if the Manager determines that market conditions are such that the liquidation period should be extended until the reasonable value of such assets can be obtained (see "Dissolution & Winding-Up," below).

Dissolution & Wind-Down

Upon dissolution of the Fund, the Manager will wind down the Fund's affairs as follows: (1) no new loans will be made or purchased; and (2) the Manager will liquidate the Fund's remaining assets as promptly as is consistent with obtaining the fair current value thereof, either by sale to third parties or by collecting loan payments under the terms of the loan. All funds received by the Fund during the wind-down period will be applied and distributed to all Members (including Members previously electing to compound their earnings) after deduction for reserves deemed necessary by the Manager. Upon dissolution of the Fund, outstanding withdrawal requests will no longer be paid to withdrawing Members based upon their withdrawal requests, but instead all Members will participate in the Fund's liquidating distributions in proportion to their relative Capital Accounts.

Limitations on Transferability

Article VIII of the Operating Agreement places substantial limitations upon transferability of membership interests. Any transferee (including a donee) must be a person or entity which would have been qualified to purchase

Units in this offering. A transferee must complete and execute a Subscription Agreement and submit it to the Manager. Manager must accept such Subscription to validate the transfer of ownership. A transferee who does not become a substituted Member will own an economic interest which entitles him or her only to the share of income or return of capital to which the transferor would be entitled. Economic interest holders will have no voting or inspection rights.

Merger with Other Business Entities

The Manager will only have the right to merge the Fund with one or more other business entities (of which the Manager may be a sponsor or cosponsor) following the consent of a Member Majority.

LEGAL MATTERS

The Manager has engaged the law firm of Hanson Bridgett LLP to serve as Fund counsel and to advise the Fund and the Manager in connection with the preparation of this Memorandum and the Operating Agreement, as well as the offer and sale of the Units. Counsel to the Fund may also be counsel to the Manager or any affiliate of the Manager with respect to other matters to the extent permitted under The California Rules of Professional Conduct or similar rules in other jurisdictions to the extent applicable.

Fund counsel has represented only the interests of the Fund and the Manager and not the Members in connection with the formation of the Fund and the preparation and negotiation of the Operating Agreement and related offering documents. Such counsel has not been retained to provide legal services nor has it represented the interests of any Member in connection with the terms of the offering or the Units offered hereby. Investors purchasing Units that wish to obtain the benefit of review by legal counsel on their behalf must retain their own attorneys to do so.

ADDITIONAL INFORMATION AND UNDERTAKINGS

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

EXHIBIT A
OPERATING AGREEMENT

THE LIMITED LIABILITY COMPANY MEMBERSHIP INTEREST UNITS GOVERNED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER THE SECURITIES LAWS ANY STATE OR OTHER JURISDICTION. SUCH UNITS MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME WITHOUT SUCH REGISTRATION AND QUALIFICATION OR AN OPINION OF COUNSEL SATISFACTORY TO THE MANAGER OF THE COMPANY THAT SUCH REGISTRATION AND QUALIFICATION IS NOT REQUIRED. THERE ARE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFER, AS SET FORTH IN THIS AGREEMENT.

LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
REDWOOD MORTGAGE INVESTORS X, LLC
a Delaware limited liability company

THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT (this "Agreement") of Redwood Mortgage Investors X, LLC (the "Company") is made effective as of September 12, 2019 by Redwood Mortgage Corp., a California corporation ("Manager"), and those Persons admitted as members of the Company pursuant to this Agreement.

RECITALS

- A. The Company was organized as a Delaware limited liability company upon the filing its Certificate of Formation with the Delaware Secretary of State on September 12, 2019.
- B. The parties now desire to adopt and approve a written limited liability company operating agreement for the Company on the terms and conditions provided herein.

AGREEMENT

NOW THEREFORE, the parties, by this Agreement, set forth the limited liability company operating agreement for the Company under the laws of the State of Delaware and hereby agree that the business and affairs of Company shall be conducted in accordance with the provisions hereof.

ARTICLE I
DEFINITIONS

1.1 Defined Terms. When used in this Agreement, the following terms shall have the meanings set forth below. All terms used in this Agreement that are not defined in this Article I shall have the meanings given elsewhere in this Agreement.

(a) "Act" means the Delaware Limited Liability Company Act, 6 Del. C. §§ 18-101 et. seq., as the same may be amended from time to time. All references herein to sections of the Act shall include any corresponding provisions of succeeding law.

(b) "Affiliate" means (a) any Person directly or indirectly controlling, controlled by or under common control with another Person, (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such other Person, (c) any officer, director, manager or partner of such Person, or (d) if such other Person is an officer, director, manager or partner, any company for which such Person acts in any such capacity.

(c) "Affiliate Funds" means (a) the Manager's ongoing Affiliate mortgage fund programs, Redwood Mortgage Investors VIII, a California limited partnership and Redwood Mortgage Investors IX, LLC, a Delaware limited liability company; and (b) any mortgage fund programs formed and managed by the Manager or its Affiliates in the future.

(d) "Agreement" means this Limited Liability Company Operating Agreement, as amended, modified, supplemented or restated from time to time.

- (e) "Asset Management Fee" has the meaning given in Section 11.2.
- (f) "Assets Under Management" means, as of any date, the aggregate capital of the Company, as of such date, including cash, Company loans (at book value), real estate owned (at book value), accounts receivable, advances made to protect Loan security, unamortized organizational expenses and any other Company assets valued in accordance with GAAP.
- (g) "BD Units" means units of Tier BD Interests issued to Tier BD Members at the rate of one (1) Tier BD Unit for each \$1.00 subscribed for by the BD Member and admitted to the Company in accordance with Section 4.1.
- (h) "Capital Account" means, with respect to any Member, the Capital Account maintained for such Member in accordance with Section 4.6.
- (i) "Capital Contribution" means the gross amount of cash and the fair market value of property contributed to the Company by a Member, or all Members, as the case may be.
- (j) "Capital Transaction Proceeds" means the net proceeds received by the Company from the repayment or prepayment of the principal amount of a Loan, and the foreclosure, sale, exchange, condemnation, eminent domain taking or other disposition of a Loan or of a property securing a Loan to the extent classified as a return of capital for federal income tax purposes, or the payment of insurance or a guarantee with respect to a Loan.
- (k) "Cash Available for Distribution" means Cash Flow less amounts set aside by the Manager for creation or restoration of reserves.
- (l) "Cash Flow" means cash funds received by the Company from operations (including without limitation, interest, points, revenue participations, participations in property appreciation, and interest or dividends from interim investments but excluding repayment of Loan principal) and investment of, or the sale or refinancing or other disposition of, Company assets during any calendar quarter or other accounting period (but excluding Capital Transaction proceeds), after deducting cash funds used to pay operating expenses and debt payments of the Company during such quarter, including any adjustments for bad debt reserves, principal payments on outstanding debt, or deductions as the Manager may deem appropriate, all determined in accordance with GAAP.
- (m) "Certificate" means the Certificate of Formation of the Company and any and all amendments thereto and restatements thereof filed on behalf of the Company with the office of the Secretary of State of the State of Delaware pursuant to the Act.
- (n) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any corresponding provisions of subsequent revenue laws.
- (o) "Company" means Redwood Mortgage Investors X, LLC, a Delaware limited liability company.
- (p) "Company Minimum Gain" shall have the same meaning as "partnership minimum gain" as set forth in Treasury Regulations Sections 1.704-2(d).
- (q) "Compounding Members" has the meaning given in Section 4.4.
- (r) "Deduction Commencement Date" has the meaning given in 4.8.
- (s) "Deduction Period" means the period commencing on the Deduction Commencement Date and continuing until the earlier of: (i) the Scheduled Dissolution Date; and (ii) the dissolution of the Company prior to the Scheduled Dissolution Date under Section 10.1.
- (t) "Depreciation" means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year, except that if the Gross Asset

Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted tax basis; provided however, that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Company.

(u) "Distribution Members" has the meaning given in Section 4.4.

(v) "Economic Interest" means a Person's right to share in the income, gains, losses, deductions, credits, or similar items of the Company, and to receive distributions from the Company, but excluding any other rights of a Member, including the right to vote or to participate in management, or, except as may be provided in the Act, any right to information concerning the business and affairs of the Company.

(w) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

(x) "ERISA Plan Investor" means a Member or potential Member who is subject to ERISA or who would otherwise subject the Company or Manager to the ERISA Restrictions.

(y) "ERISA Restrictions" means the ERISA "plan asset regulations," the "prohibited transaction" provisions of ERISA and Section 4975 of the Code and any similar restrictions potentially applicable to the Company and the Manager under ERISA and the Code.

(z) "Excess Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-3(a)(3).

(aa) "Fiscal Year" means the calendar year ending December 31st.

(bb) "GAAP" means generally accepted accounting principles in the United States of America.

(cc) "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

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

(ii) the Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (A) the acquisition of an additional Membership Interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution (other than Membership Interests acquired in exchange for Units sold in the Offering under Section 4.1; (B) the distribution by the Company to a Member of more than a de minimis amount of Company property other than money, unless all Members receive simultaneous distributions of undivided interests in the distributed property in proportion to their interests in the Company; and (C) the termination of the Company for federal income tax purposes pursuant to Code Section 708(b)(1)(B); *provided, however*, that adjustments pursuant to clauses (A), (B) and (C), above, need not be made if the Manager reasonably determines that such adjustment is not necessary or appropriate to reflect the relative economic interests of the Members and that the absence of such adjustment does not adversely and disproportionately affect any Member;

(iii) immediately prior to the distribution by the Company of any Company asset to a Member, the Gross Asset Value of such asset shall be adjusted to its gross fair market value as of the date of such Distribution;

(iv) The Gross Asset Value of Company assets will be increased (or decreased) to reflect any adjustments to the adjusted basis of these assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining the Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m); and

(v) If the Gross Asset Value of an asset has been determined or adjusted pursuant to clause (A), (B) or (C) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation, amortization or other cost recovery deduction allowable which is taken into account with respect to such asset for purposes of computing profits and losses for U.S. federal income tax purposes.

(dd) "Initial Member" has the meaning given in Section 4.3.

(ee) "Initial Member Capital" has the meaning given in Section 4.3.

(ff) "Leverage Limitation" has the meaning given in Section 3.3.

(gg) "Loans" means mortgage loans made or acquired by the Company.

(hh) "Majority of the Members" means Members holding more than fifty percent (50%) of the total outstanding Percentage Interests of the Company as of a particular date.

(ii) "Manager" means Redwood Mortgage Corp., a California corporation, or any Person substituted in place thereof pursuant to this Agreement.

(jj) "Members" collectively means all Tier BD Members and Tier RIA Members; and "Member" means any one of the Members.

(kk) "Membership Interest" means, as applicable, a BD Member's Tier BD Interests or Tier RIA Member's Tier RIA Interests in the Company, including all Economic Interests, rights to vote or participate in management of the Company and any right to information concerning the business and affairs of the Company attributable thereto under this Agreement or the Act.

(ll) "Membership Tier" means Tier BD or Tier RIA.

(mm) "Member Minimum Gain" shall mean "partner non-recourse debt minimum gain" as determined under Treasury Regulations Section 1.704-2(i)(3).

(nn) "Member Non-Recourse Debt" shall mean "partner non-recourse debt" as set forth in Treasury Regulations Section 1.704-2(b)(4).

(oo) "Member Non-Recourse Deductions" shall mean "partner non-recourse deductions," and the amount thereof shall be, as set forth in Treasury Regulations Section 1.704-2(i).

(pp) "Memorandum" means the Private Placement Memorandum for the Offering dated November 15, 2019 and as amended or supplemented from time to time.

(qq) "Non-Recourse Debt" shall have the meaning set forth in Treasury Regulations Section 1.704-2(b)(3).

(rr) "Non-Recourse Deductions" shall have the meaning, and the amount thereof shall be, as set forth in Treasury Regulations Section 1.704-2(c).

(ss) "Offering" means the offer and sale of Units by the Company during the Offering Period and as described in the Memorandum.

(tt) "Offering Period" means the Period commencing on the date of the Memorandum and terminating on December 31, 2022, unless extended by the Manager with the affirmative consent of a Majority of the Members.

(uu) "O&O Determination Date" means the date within the first calendar quarter following the termination of the Offering Period and otherwise selected by the Manager for determining the final amount Organization & Offering Expenses incurred by the Company and each Member's O&O Share thereof.

(vv) "O&O Share" means for each Member, such Member's pro rata share of the Company's Organization & Offering Expenses determined on the O&O Determination Date by dividing the number of Units acquired by the Member in the Offering by the total number of Units acquired by all Member's in the Offering.

(ww) "O&O Share Amount" has the meaning given in Section 4.7.

(xx) "Organization & Offering Expenses" means, all expenses incurred in connection with the formation of the Company and the offer and sale of Units in the Offering other than Underwriting Compensation. Organization & Offering Expenses shall include, without limitation, all costs and expenses (including all legal and accounting fees and expenses) incurred in connection with: (i) preparing and filing the Certificate; (ii) preparing this Agreement, the Memorandum, the Subscription Agreement and all other Offering documents together with any amendments or supplements thereto; (iii) issuing Units to Members; (iv) marketing the Company and the sale of Units (including printing, mailing, regulatory review and filing of marketing materials, state and/or federal filings for the Company, and distributing sales materials); (v) reimbursing the Manager and associates of the Manager for registration, sponsorship, travel and other costs of participating in conferences and sales presentations; and (vi) reimbursing participating broker-dealers and registered investment advisors for bona fide due diligence expenses payable under the sales agreements between the Manager and participating broker-dealers and registered investment advisors.

(yy) "Percentage Interest" means the percentage calculated for each Member as follows: (i) on any date other than during the Deduction Period, a Member's Percentage Interest shall be calculated by dividing the Member's then current Capital Account balance by the total outstanding Capital Account balances of all Members; and (ii) on any date within the Deduction Period, a Member's Percentage Interest shall be calculated by deducting the Member's outstanding Syndication Advance Balance from the Member's then current Capital Account balance and dividing the resulting amount by the total outstanding Capital Account balances of all Members, after deduction of the aggregate Syndication Advance Balances of all Members as of that date.

(zz) "Person" means any natural person, partnership, corporation, limited liability company, trust, estate, unincorporated association or other legal entity.

(aaa) "Profits" and "Losses" mean, for each Fiscal Year or any other period, an amount equal to the Company's net income or loss for such Fiscal Year or other given period, determined in accordance with GAAP.

(bbb) "Quarterly Deduction Amount" has the meaning given in Section 4.8(a).

(ccc) "Quarterly Deduction Date" means the last day of each calendar quarter occurring during the Deduction Period.

(ddd) "Quarterly Syndication Cost Deductions" shall have the meaning given in Section 4.8.

(eee) "RIA Units" means units of Tier RIA Interests issued to Tier RIA Members at the rate of one (1) Tier RIA Unit for each \$1.00 contributed to the Company under Section 4.1.

(fff) "Securities Act" means the Securities Act of 1933, as amended.

(ggg) "Subscription Agreement" has the meaning given in Section 4.1(c).

(hhh) "Subscription Account" has the meaning set forth in Section 4.1(d).

(iii) "Super-Majority of the Members" means Members holding more than seventy-five percent (75%) of the total outstanding Percentage Interests of the Company as of a particular date.

(jjj) "Syndication Advance Amount" has the meaning given in Section 4.7(c).

(kkk) "Syndication Advance Balance" means for each Member, as of any date, the Member's Syndication Advance Amount less the total amount of Quarterly Syndication Cost Deductions made with respect to that Member as of such date.

(lll) "Tier BD Members" means those Persons purchasing BD Units in the Offering from participating Broker-Dealers and admitted to the Company as Members, and "Tier BD Member" means any one of the Tier BD Members.

(mmm) "Tier BD Interests" means the Membership Interests in the Company issued to Tier BD Members and all rights, benefits and privileges attributable to Tier BD Interests provided in this Agreement.

(nnn) "Tier RIA Members" means those Persons admitted as members of Tier RIA in accordance with this Agreement.

(ooo) "Tier RIA Interests" means Membership Interests in the Company issued to Tier RIA Members and all rights, obligations, benefits and privileges attributable to Tier RIA Interests provided in this Agreement.

(ppp) "Treasury Regulations" means the Treasury Regulations promulgated under the Code.

(qqq) "Underwriting Compensation" means compensation of in the form of sales commissions and marketing fees payable to broker-dealers participating in the sale of Units. Underwriting Compensation is expected to be comprised of commissions equal to 6.0% of the gross purchase price for BD Units and marketing allowance fees equal to 1.0% of the gross purchase price paid for BD Units. In no event shall Underwriting Compensation advanced by the Company under this Agreement exceed: (i) with respect to any BD Member, seven percent (7.0%) of the gross purchase price paid by the BD Member for their BD Units; and (ii) with respect to the Offering, seven percent (7.0%) of the aggregate gross purchase price paid with respect to all BD Units sold in the Offering by participating broker-dealers.

(rrr) "Units" collectively means the Tier BD Units and the Tier RIA Units.

1.2 Number & Gender. Definitions in this Agreement apply, as the context required, to both the singular and plural forms of the defined terms. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine, or neuter, singular or plural, as the identity of the Person or Persons may require.

ARTICLE II ORGANIZATIONAL MATTERS

2.1 Formation. The parties agree that the Company was formed by the Manager as a Delaware limited liability company upon the filing of the Certificate and that all rights, duties and obligations of the Members and the Manager shall be governed by the Act and this Agreement. In the event of any inconsistency between the Act and this Agreement, this Agreement shall be controlling except to the extent expressly required under the Act. All actions taken by the Manager with respect to filing the Certificate and forming the Company are hereby approved by the Members in all respects.

2.2 Name. The name of the Company is Redwood Mortgage Investors X, LLC. The business of the Company will be conducted under such name, as well as any other name or names as the Manager may from time to time determine.

2.3 Principal Place of Business. The principal place of business of the Company shall be located at 177 Bovet Road, Suite 520, San Mateo, California 94402, until changed by designation of the Manager, with notice to all Members. The Company may have such other offices as the Manager may designate from time to time in its sole discretion.

2.4 Delaware Agent & Registered Office. The Company shall continuously maintain an office and registered agent in the State of Delaware as required by the Act. The initial registered agent and office shall be as stated in the Certificate. The Manager shall be authorized to designate another registered agent or agents or another location or locations for the registered office of the Company in Delaware at any time in its sole discretion.

2.5 Other Jurisdictions. The Manager is hereby authorized to cause the Company to be qualified, formed or registered under assumed or fictitious name statutes or similar laws in any jurisdiction in which the Company transacts business, including without limitation, California. The Manager of the Company shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business, including without limitation, California.

2.6 Purpose. The principal business activity and purposes of the Company shall be to engage in business as a mortgage lender for the primary purpose of making or investing in Loans secured by deeds of trust on real properties and as described in the Memorandum and to distribute to the electing Distribution Members the Company's Cash Available for Distribution arising from its operations over the Company term. The Company may engage in all activities and transactions as may be related, incidental, necessary, advisable, or desirable to carry out the foregoing. The Company shall have all of the powers necessary or convenient to achieve its purposes and to further its business.

2.7 Objectives. The business of the Company shall be conducted with the following primary objectives:

(a) To yield a favorable rate of return from the Company's business of making and/or investing in Loans;

(b) To preserve and protect Company capital by making and/or investing in mortgage loans secured primarily by California real estate with up to 15% secured by properties in other states; and

(c) To generate and distribute Cash Flow to electing Members from the foregoing mortgage lending and investment activities.

2.8 Term. The Company commenced on the date the Certificate was filed and shall continue operations until dissolved on December 31, 2031 (the "Scheduled Dissolution Date") unless: (i) the Scheduled Dissolution Date is extended by the Manager with the affirmative consent of Majority I of the Members; or (ii) the Company is dissolved prior to the Scheduled Dissolution Date by the Manager pursuant to this Agreement or by operation of law. Upon dissolution, the Company term will continue through the final liquidation of its assets and termination pursuant to Article X.

2.9 No State Law Partnership. The Company is a Delaware limited liability company that will be treated as a partnership only for federal income tax purposes, and if applicable, state tax purposes, and no Member shall be deemed to be a partner or joint venturer of any other Member, for any purposes other than federal income tax purposes and, if applicable, state tax purposes, and this Agreement shall not be construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for federal and, if applicable, state income tax purposes, and each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

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

(a) This Agreement, the Certificate and any amendments thereof required under the laws of the State of Delaware and of any other state, or which the Manager deems advisable to prepare, execute and file;

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

(c) Any documents which may be required to effect the continuation of the Company, the admission of an additional or substituted Member, or the dissolution and termination of the Company, provided that the continuation, admission, substitution or dissolution or termination, as applicable, is in accordance with the terms of this Agreement.

Each Member hereby agrees to execute and deliver to the Manager within five (5) days after receipt of the Manager's written request therefore, such other and further statements of interest and holdings, designations, and further statements of interest and holdings, designations, powers of attorney and other instruments that the Manager deems necessary to comply with any laws, rules or regulations relating to the Company's activities.

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

ARTICLE III MANAGEMENT OF THE COMPANY

3.1 Authority of the Manager. The Manager shall have all of the rights and powers of a manager in a Delaware limited liability company, except as otherwise provided herein.

3.2 General Management Authority of the Manager. Except as expressly provided herein or required by non-waivable provisions of applicable law, the Manager shall have sole and complete authority, power and discretion to manage, operate and control the business and affairs of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business. The Manager shall have the authority to act on behalf of the Company as to any matter for which the action or consent of the Manager is required or permitted. Without limitation upon the generality of the foregoing, the Manager shall have the specific authority:

(a) To expend Company funds in furtherance of the business of the Company and to acquire and deal with assets upon such terms as it deems advisable;

(b) To determine the terms of the Offering of Units, including the right to increase the size of the Offering or offer additional Units over the Offering Period, the amount for discounts allowable or commissions to be paid and the manner of complying with applicable law;

(c) To employ, at the expense of the Company, such agents, employees, independent contractors, attorneys and accountants as they deem reasonable and necessary, and to enter into agreements and contracts with such persons on terms and for compensation that the Manager determines to be reasonable;

(d) To purchase liability and other insurance to protect the Company's property and business and to protect the assets of the Manager and its employees, agents or Affiliates;

(e) To pay, collect, compromise, arbitrate, or otherwise adjust any and all claims or demands against the Company;

(f) To identify and determine the terms of conditions applicable to Company investments and to bind the Company in all transactions involving the Company's Loans, the security properties and its general business affairs, including execution of all loan documents and other documents and instruments related to Company Loans, the sale of notes or real estate owned, and any other documents or agreements made to further the Company's investment objectives;

(g) To amend this Agreement with respect to the matters described in Section 12.4 (a) through (e) of this Agreement;

(h) To determine the accounting method or methods to be used by the Company, which methods may be changed by the Manager from time to time;

(i) To open accounts in the name of the Company in one or more banks, savings and loan associations or other financial institutions, and to deposit Company funds therein, subject to withdrawal upon the signature of the Manager or any person authorized by the Manager;

(j) To borrow funds for the purpose of making Loans on such terms as the Manager deems appropriate subject to the Leverage Limitation provided in Section 3.3, below, and in connection with such borrowings, to pledge, encumber, hypothecate all or a portion of the assets of the Company as security for such Loans;

(k) To hold reserves of the Company in cash, bank accounts, certificates of deposits, money market accounts, short-term bankers acceptances, publicly traded bond funds or any other liquid assets;

(l) To execute, acknowledge (as appropriate) and deliver on behalf of the Company all instruments and documents, including checks, drafts, notes and other negotiable instruments, mortgages or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage or disposition of the Company's property, assignments, bills of sale, leases, contracts, partnership agreements, operating agreements and limited liability company agreements of other limited liability companies, and any other instruments or documents necessary, desirable or conducive in the opinion of Manager to the business of the Company;

(m) To repay in whole or in part, refinance, increase, modify, or extend, any obligation, affecting Company property;

(n) To maintain, at the expense of the Company, adequate records and accounts of all operations and expenditures and furnish the Members with annual statements of account as of the end of each calendar year, together with all necessary tax-reporting information;

(o) To refinance, recast, modify, consolidate, extend or permit the assumption of any Loan or other investment owned by the Company;

(p) To file tax returns on behalf of the Company and to make any and all elections available under the Code;

(q) To sue and be sued, to prosecute, settle or compromise all claims against third parties, to compromise, settle and consent to, or accept judgment with respect to, claims against the Company, and to execute all documents and make all representations, admissions and waivers in connection therewith;

(r) To determine and pay all expenses of the Company, and to make all accounting and financial determinations and decisions with respect to the Company;

(s) To enter into, make and perform all contracts, agreements and other undertakings as may be determined by the Manager, in its discretion, to be necessary or advisable or incident to the carrying out of the foregoing purposes and powers, the execution thereof by the Manager to be conclusive evidence of such determination;

(t) To execute and file with the appropriate governmental authorities all certificates, documents or other instruments of any kind or character which the Manager, in its discretion, determines to be necessary or appropriate in connection with the business of the Company, the execution thereof by a Manager to be conclusive evidence of such determination; and

(u) To do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business in the Manager's discretion.

3.3 Leverage Limitation. The authority of the Manager to incur debt on behalf of the Company under Section 3.2(j), above or otherwise, and to secure such debt with all or a portion of the Company's loan portfolio shall be subject to the following limitation (the "Leverage Limitation"): At no time shall the Company close any loan or draw on any line of credit if immediately following the closing of such loan or making such draw the aggregate outstanding balance of all debt secured by the Company's loan portfolio would exceed 35% of the aggregate book value of all Company assets at the time the loan is closed or the draw is made.

(b) Nothing in subsection (a), above, shall limit the ability of the Company to incur unsecured debt or debt secured by non-loan assets of the Company including, without limitation, any real estate or other collateral acquired by the Company following the foreclosure of one or more Company Loans. Such debt shall neither be subject to the Leverage Limitation set forth in subsection (a) hereof nor be included in calculating the 35% limitation set forth therein.

3.4 Performance of Duties; Limited Liability. The Manager shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage shall have been the result of intentional fraud, intentional misconduct, or a knowing and willful violation of law by the Manager. No Person who is a Manager or officer or both a Manager and officer of the Company shall be personally liable under any judgment of a court, or in any other manner, for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise, by reason of being a Manager or officer or both a Manager and officer of the Company.

3.5 Compensation to Manager. The Manager shall be entitled to be compensated and reimbursed for expenses incurred in performing their management functions in accordance with the provisions of Article 11 thereof, and may receive compensation from parties other than the Company.

3.6 Allocation of Time to Company Business. The Manager and its officers and employees shall not be required to devote full time to the affairs of the Company, but shall devote whatever time, effort and skill they deem to be reasonably necessary for the conduct of the Company's business. The Manager and its Affiliates may engage in any other businesses or activities, including businesses related to or competitive with the Company. Each Member acknowledges and agrees that the Manager has existing commitments to other entities and that such commitments will continue during the term of the Company and that new commitments will be entered into by the Manager during the term of the Company. The Manager and its shareholders, officers, employees and Affiliates currently and may in the future participate in the management of other funds or investments and are involved, and in the future may be involved, in other business ventures, which may give rise to potential conflicts of interests, all of which are hereby waived by the Members. The Company and the Members will have no claim to any income or profit derived from or any interest in such other business ventures or other activities.

3.7 Removal of Manager. A Manager may be removed upon the following conditions:

(a) By affirmative vote or written consent of a Super-Majority of the Members (excluding any Percentage Interest of the Manager being removed). Members may exercise such right by presenting to the Manager a notice, with due verification of such vote or consent, to the effect that the Manager is removed; and setting forth the grounds for removal and the date on which removal is to become effective;

(b) Concurrently with such notice or within thirty (30) days thereafter by notice similarly given, a Super-Majority of the Members shall designate a successor as Manager;

(c) Substitution of a new Manager, if any, shall be effective upon written acceptance of the duties and responsibilities of a Manager by the new Manager. Upon effective substitution of a new Manager, this Agreement shall remain in full force and effect, except for the change in the Manager, and business of the Company shall be continued by the new Manager.

(d) The removal of the Manager pursuant to this Section 3.7, shall not affect any rights of the Manager as a Member with respect to any Membership Interests held by the Manager as of the removal date.

3.8 Withdrawal by a Manager. The Manager may voluntarily withdraw as the manager of the Company upon not less than six (6) months written notice of the same to all Members or such lesser period approved by a Majority of the Members ("**Notice Period**"). The withdrawing Manager shall not be liable for any debts, obligations or other responsibilities of the Company or this Agreement arising after the effective date of the withdrawal. During the Notice Period described in this section, the Majority of the Members (excluding any Percentage Interest of the withdrawing Manager), shall have the right, by affirmative vote or consent, to continue the business and, by the end of the Notice Period described in this section, elect and admit a new Manager who agrees to continue the existence of the Company.

3.9 Payment to Withdrawn or Removed Manager. Upon the retirement, removal or withdrawal of a Manager, the Company shall be required to pay the Manager in cash all amounts then accrued and owing to the Manager under this Agreement (including, without limitation, the Asset Management Fee pursuant to Section 11.2 through the effective date of the Manager's termination).

3.10 Reliance by Third Parties. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to:

- (a) The identity of any Manager or Member;
- (b) The existence or nonexistence of any fact or facts which constitute a condition precedent to acts by a Manager or which are in any further manner germane to the affairs of the Company;
- (c) The persons who are authorized to execute and deliver any instrument or document of the Company or to withdraw funds from any bank account of the Company; or
- (d) Any act or failure to act by the Company or any other matter whatsoever involving the Company or any Member or a Manager.

3.11 Sole and Absolute Discretion. Except as otherwise provided in this Agreement, all actions which any Manager may take and all determinations which any Manager may take and all determinations which any Manager may make pursuant to this Agreement may be taken and made at the sole and absolute discretion of such Manager.

3.12 Delegation of Authority; Transactions with Manager or Affiliates. A Manager may contract with other persons and entities, including its Affiliates, to perform any of the Manager's duties for or on behalf of the Company, but such delegation shall not relieve the Manager of its responsibility for such duties. A Manager or any of its Affiliates may, directly or indirectly, render services to or otherwise deal with the Company in connection with carrying out the business and affairs of the Company, including the provision of leasing, brokerage, management, consulting or any other services to the Company. The approval of the Members shall not be required for any such transactions, provided that the compensation payable to such Persons or Affiliates in connection with such transaction is in the amounts disclosed in the Memorandum or is not substantially more than the compensation generally payable to unrelated third parties for the performance of similar services.

3.13 Performance of Duties & Limited Liability. The Manager shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage shall have been the result of intentional fraud, intentional misconduct, or a knowing and willful violation of law by the Manager. No Person who is a Manager or officer or both a Manager and officer of the Company shall be personally liable under any judgment of a court, or in any other manner, for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise, by reason of being a Manager or officer or both a Manager and officer of the Company.

3.14 Indemnification of Manager & Affiliates. The Company shall indemnify any Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he, she or it is or was a Member, Manager, officer, employee or other agent of the Company or that, being or having been such a Member, Manager, officer, employee or agent, he or she is or was serving at the request of the Company as a manager, director, officer, employee or other agent of another limited liability company, corporation, Company, joint venture, trust or other enterprise (all such persons being referred to hereinafter as an "agent"), to the

fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The Manager shall be authorized, on behalf of the Company, to enter into indemnity agreements from time to time with any Person entitled to be indemnified by the Company hereunder, upon such terms and conditions as the Manager deems appropriate in its business judgment.

ARTICLE IV CAPITALIZATION & SYNDICATION COSTS

4.1 Offering of Units & Member Contributions. Members shall contribute capital to the Company by purchasing Units in the Offering on the terms and conditions provided herein and described in the Memorandum.

(a) Units will be comprised of BD Units and RIA Units. Purchasers of BD Units will be issued Tier BD Interests and admitted as BD Members. Purchasers of RIA Units will be issued Tier RIA Interests and admitted as RIA Members.

(b) Units shall be issued for a purchase price of one dollar (\$1.00) per Unit with a minimum purchase of 25,000 Units (i.e., \$25,000) for each new subscription and 10,000 Units (i.e., \$10,000) for any additional subscriptions made by existing Members during the Offering Period. Notwithstanding the foregoing, the Manager may accept subscriptions in amounts less than the minimums set forth herein and may issue fractional Units to any one or more Persons at any time in its discretion.

(c) Members purchasing Units shall deliver to the Manager: (i) a completed and executed copy of the Subscription Agreement and Power of Attorney provided with the Memorandum ("Subscription Agreement"), and (ii) the full purchase price payable for the Units subscribed for therein. Subscriptions shall be accepted or rejected by the Manager on behalf of the Company within ten (10) days of their receipt by the Company, and if rejected, all funds shall be returned to subscribers without interest. Upon acceptance, Subscription Agreements are irrevocable and, except as provided in subsection (e), subscription funds are nonrefundable.

(d) Persons subscribing for Units will only be issued Units and admitted as Members of the Company after subscriptions (and/or Initial Member Capital) equal to or greater than the Minimum Capitalization Amount are received and only when such Person's subscription funds are deposited into the Company operating account (the "Operating Account"). Except as provided in subsection (g), below, the Manager may delay transferring subscription funds into the Operating Account until the Manager determines that all or a portion of the subscription funds are required by the Company to: (i) fund or invest in a Loan; (ii) pay Company debts (including Underwriting Compensation and O&O Expenses due with respect to the Offering) or to create appropriate reserves therefore; (iii) pay withdrawal requests to existing Members; or (iv) pay other proper expenses of the Company as determined by the Manager. Prior to being transferred to the Operating Account, subscription funds may be placed by the Manager into a segregated interest bearing subscription account in the name of the Company at a bank selected by the Manager (the "Subscription Account"). Transfers from the Subscription Account into the Company's Operating Account will generally be made in the order that subscriptions are received from investors on a first-in, first, out basis; however, the Manager may admit Members based upon the amount of a subscriber's subscription or any other criteria reasonably determined by the Manager, including delaying the admission of ERISA Plan Investors to the extent necessary to ensure that the Company remains exempt from all applicable ERISA Restrictions.

(e) Upon having their subscription funds transferred into the Company's Operating Account the subscribing Person shall: (i) be admitted as a Member of the Company; (ii) receive a Capital Account credit in the amount transferred; and (iii) be issued Units at the rate of one (1) Unit per \$1.00 transferred (or deemed transferred) into the Operating Account on the Member's behalf. No Asset Management Fees (as described in Section 11.2) shall be payable on or with respect to any funds held in the Subscription Account. Interest earned on subscription funds while in the Subscription Account will be returned to the subscriber by the Company promptly following admission.

(f) At any time prior to the receipt of the Minimum Capitalization Amount, the Manager may, in its sole and absolute discretion, return such subscriptions and fully refund any consideration paid for Units without interest, and without any liability or obligation whatsoever.

(g) Notwithstanding subsection (d), above, funds held in the Subscription Account for forty-five (45) days following the date the applicable subscription is accepted by the Manager shall be deposited into the Company's Operating Account and the subscribing party will be admitted as a Member on the last day of such forty-five (45) day period. Such forty-five (45) day period may be extended and the Manager may delay admitting ERISA Plan Investors beyond such period to the extent deemed necessary for the Company and the Manager to remain exempt from applicable ERISA Restrictions. ERISA Plan Investors whose subscription funds are held in the Subscription Account beyond the forty-five (45) day period provided herein may request the return of such funds at any time. Provided such requests are received by the Manager prior to the date the ERISA Plan Investor's subscription funds are transferred from the Subscription Account into the Operating Account and the admission becomes effective, the Manager shall promptly return the ERISA Plan Investor's funds to the ERISA Plan Investor without interest.

(h) The initial maximum Offering of Units shall be 50,000,000 Units (i.e., \$50,000,000); however the Manager may increase this maximum at any time during the Offering Period without notice to the Members.

(i) The Manager and any Affiliate or employee thereof may also purchase RIA Units from the Company upon the same terms as any other RIA Member, and upon such purchase shall have the same rights with respect to RIA Units purchased hereunder as any other RIA Member under this Agreement.

4.2 No Mandatory Additional Contributions. No Member shall be obligated to make Capital Contributions to the Company, in addition to the initial Capital Contributions made by each Member under Section 4.1, above.

4.3 Capital Contributions of Initial Member. The Manager or a principal or Affiliate thereof may elect to serve as the initial Member of the Company (the "Initial Member") for the purpose of contributing all or a portion of the capital necessary for the Company to reach the Minimum Capitalization Amount and to commence operations. Capital Contributed for the this purpose ("Initial Member Capital") may be redeemed from the proceeds of the sale of Units over the Offering Period and to the extent so redeemed shall not be subject to the ninety (90) day Holding Period or withdrawal provisions (including any Surrender Charges) provided in Article IX. Any Initial Member Capital that has not been redeemed by the last day of the Offering Period will be deemed contributed by the Initial Member in exchange for RIA Units and shall become subject to all of the rights, obligations and restrictions applicable to RIA Units as of that date.

4.4 Distribution & Compounding Elections. Upon subscription for Units, Members must elect to either receive periodic distributions from the Company ("Distribution Members") or to have their share of Profits credited to their Capital Accounts and compounded quarterly ("Compounding Members"). Distributions to the Distribution Members will be made on a quarterly basis in accordance with Section 6.2(b); however, the Manager may arrange for monthly distributions to Distribution Members upon request and subject to the Manager's approval ("Monthly Distributions"). Monthly Distributions, if any, shall be based upon a Distribution Member's quarterly share or Profits which shall be distributed monthly over the course of each quarter in accordance with Section 6.2(c). A Distribution Member may elect to become a Compounding Member or a Compounding Member may elect to become a Distribution Member at any time by giving written notice to the Manager (a "Change Request"). Change Requests received by the Manager will be made effective as follows:

(a) Except as set forth in subsection (b): (i) Change Requests received by the Manager at least fifteen (15) days prior to the last day of any calendar quarter, will be made effective as of the last day of such quarter; and (ii) Change Requests received within fifteen (15) days of the last day of any calendar quarter may be made effective by the Manager as of the last day of the next calendar quarter following the Change Request's receipt.

(b) Notwithstanding subsection (a), if a Distribution Member receiving monthly distributions elects to change to a Compounding Member, that Member's final monthly distribution payment will be made on the last day of the quarter in which the request notice is received, whether received prior to or within the fifteen (15) day period set forth in subsection (a), and quarterly compounding will begin for that Member on the last day of the following calendar quarter during which no further monthly distributions will be made.

4.5 Escrow Account. No escrow account shall be established and all proceeds from the sale of Units will be remitted directly to the Company.

4.6 Capital Accounts.

(a) The Company shall establish and maintain an individual Capital Account for each Member in accordance with the following provisions:

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

(ii) To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Company property distributed to such Member pursuant to any provision of this Agreement, such Member's share of Losses, the amount of each applicable Quarterly Syndication Cost Deduction when made over the Deduction Period under Section 4.8, any other items in the nature of expenses or losses that are specially allocated to a Member and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company.

(iii) In the event any interest in the Company is transferred in accordance with Article VIII of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In the event the Gross Asset Values of the Company assets are adjusted pursuant to the definition of Gross Asset Value provided in Article I, the Capital Accounts of all Members shall be adjusted simultaneously to reflect the aggregate net adjustment as if the Company recognized gain or loss equal to the amount of such aggregate net adjustment.

(b) The provisions of this Section 4.6 and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulation Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with such regulations. In the event it is necessary to modify the manner in which the Capital Accounts are computed in order to comply with such regulations, the Manager shall make such modifications. The Manager shall adjust the amounts debited or credited to the Capital Accounts with respect to (i) any property contributed to the Company or distributed to any Member and (ii) any liabilities that are secured by such contributed or distributed property or that are assumed by the Company in the event the Manager shall determine that such adjustments are necessary or appropriate pursuant to Regulations Section 1.704-1(b)(2)(iv). The Manager shall also make any adjustments that are necessary or appropriate to maintain equality between the aggregate Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, and are otherwise in accordance with Regulations Section 1.701-1(b)(2)(iv)(q). The Manager shall also make appropriate modifications if unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704 1(b).with the definition thereof set forth above.

4.7 Syndication Cost Advances. Each Member shall be allocated a Syndication Advance Amount determined in accordance with this Section 4.7 which shall thereafter be subject to the Quarterly Syndication Cost Deduction provisions of Section 4.8.

(a) On the O&O Determination Date, the Manager shall determine the total amount of Organization & Offering Expenses paid by the Company with respect to the Offering and the total number of Units purchased by all Members in the Offering.

(b) Based upon the determination made by the Manager under subsection (a), the Manager shall allocate each Member their O&O Share of the amount of the Organization & Offering Expenses incurred by the Company as determined, up to a maximum amount of 2.0% of the gross purchase price paid by each Member for their Units (each Member's "O&O Share Amount").

(c) Upon determining a Member's O&O Share Amount the Manager shall determine and allocate to each Member a syndication advance amount determined as follows (each Member's "Syndication Advance Amount"):

(i) the Syndication Advance Amount for each BD Member shall be the sum of the BD Member's finally determined O&O Share Amount and the Underwriting Compensation amount paid by the Company with respect to the BD Member's BD Units.

(ii) The Syndication Advance Amount for each RIA Member shall be the RIA Member's finally determined O&O Share Amount, only.

4.8 Quarterly Syndication Cost Deductions. Beginning on the last day of the calendar quarter following the O&O Determination date (the "Deduction Commencement Date") and continuing thereafter on each Quarterly Deduction Date during the Deduction Period, each Member shall be subject to quarterly Capital Account deductions made in accordance with the following provisions ("Quarterly Syndication Cost Deductions"):

(a) The amount of each Quarterly Syndication Cost Deduction will be determined by the Manager prior to the Deduction Commencement Date by dividing the Syndication Advance Amount of a Member by the number of Quarterly Deduction Dates occurring from (and including) the Deduction Commencement Date for such Member through (and including) the Scheduled Termination Date (each Member's "Quarterly Deduction Amount").

(b) Except as provided in subsection (c), below, each Member's Quarterly Deduction Amount shall be deducted from the applicable Member's Capital Account on each Quarterly Deduction Date (after, and netted against, any Profits allocated to the Member under Section 6.1 as of such date) and shall reduce that Member's outstanding Syndication Advance Balance on a dollar-for-dollar basis at the time each Quarterly Syndication Cost Deduction is made.

(c) For so long as any Distribution Member is receiving Monthly Distributions under Section 6.1(c), one-third (1/3) of the Distribution Member's Quarterly Deduction Amount shall be deducted from the applicable Member's Capital Account on the last day of each month during each applicable calendar quarter and shall reduce that Member's outstanding Syndication Advance Balance on a dollar-for-dollar basis at the time each such deduction is made.

(d) Upon dissolution of the Company any remaining Syndication Advance Balance remaining shall be deducted from each Member's Capital Account on the applicable dissolution date.

(e) Surrender Charges paid by Members withdrawing under Article IX of this Agreement shall be retained by the Company in full satisfaction of any Syndication Advance Balance due as of the applicable withdrawal date and any balance will be retained by Company in accordance with Section 9.4(e).

ARTICLE V MEMBERS & MEMBERSHIP TIERS

5.1 Membership Tiers. Membership Interests in the Company are comprised of two tiers designated Tier BD Interests and Tier RIA Interests (each, a "Membership Tier"). The rights and privileges of each Membership Tier shall be identical except that: (i) Tier BD Interests shall be issued to BD Members that acquire BD Units in the Offering through a registered broker-dealer; (ii) the Syndication Cost Amount allocated to each Tier BD Member under Section 4.7 and repaid through Quarterly Syndication Cost Deductions over the Deduction Period shall include the BD Member's O&O Share Amount (determined in accordance with Section 4.7) and the Underwriting Compensation advanced by the Company on behalf of each BD Member; (iii) Tier RIA Interests shall be issued to RIA Members that acquire RIA Units in the Offering through a registered investment advisor or directly from the Company; and (iv) the Syndication Cost Amount allocated to each Tier RIA Member under Section 4.7 and repaid through Quarterly Syndication Cost Deductions over the Deduction Period shall be the RIA Member's O&O Share Amount (determined in accordance with Section 4.7) without the addition of any Underwriting Compensation. Each Member's Membership Tier designation shall be made at the time the Member's Units are acquired and shall be irrevocable over the Company term.

5.2 Limited Liability. No Member shall be personally liable for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise.

5.3 Withdrawal. No Member may withdraw or resign from the Company or withdraw such Member's Capital Contribution prior to the dissolution and wind down of the Company except as set forth in Article IX below.

5.4 Members Are Not Agents. No Member, acting solely in the capacity of a Member, is an agent of the Company nor can any Member in such capacity bind nor execute any instrument on behalf of the Company.

5.5 Voting Rights of Members. The Manager shall have the right to take all actions in furtherance of the Company's operations as it deems necessary in its sole discretion including, without limitation, to all actions set forth in Article III and elsewhere in this Agreement. Notwithstanding the foregoing, (i) the Members shall have the right, without the consent of the Manager, to remove the Manager or any successor Manager with the affirmative consent of a Super-Majority of the Members and as otherwise provided in Section 3.7; and (ii) an affirmative vote, consent or ratification by Majority of the Members shall be required for the Manager to take any of the following actions (the "Member Actions").

(a) Extending the term of the Company beyond the Scheduled Dissolution Date or beyond a previously extended term approved by a Majority of the Members;

(b) Amending this Agreement, provided that this subsection (b) shall not apply to the matters set forth in Section 12.4 below, with respect to which the Manager alone may amend this Agreement;

(c) Merging or consolidating the Company pursuant to Section 10.7 below; and

(d) Selling all or substantially all of the Company's assets other than in the ordinary course of the Company's business.

5.6 Meetings. The Manager, or Members representing twenty five percent (25%) of the outstanding Percentage Interests may call a meeting of the Company for any matters for which Members may vote as set forth in this Agreement. If Members representing the requisite Percentage Interests present to the Manager a written request stating the purpose of the meeting, the Manager shall fix a date for such meeting and shall, within ten (10) days after receipt of such request, provide written notice to all of the Members of the date of such meeting and the purpose for which it has been called. With respect to a meeting duly requested by Members, such meeting shall be held at a date not less than fifteen (15) and not more than sixty (60) days after the Company's receipt of the Members' written request for the meeting, and, unless otherwise specified in the notice for such meeting, the meeting shall be held at 2:00 p.m. on such date at the principal place of business of the Company as set forth in Section 2.3. At any meeting of the Company, Members may vote in person or by proxy. A Majority of the Members, present in person or by proxy, shall constitute a quorum at any Company meeting. Any question relating to the Company which may be considered and acted upon by the Members hereunder may be considered and acted upon by vote at a Company meeting, and any consent required to be in writing shall be deemed given by a vote by written ballot. Except as expressly provided above, additional meeting and voting procedures shall be in conformity with Section 18-302 of the Act.

5.7 Representation of Company. Each of the Members hereby acknowledges and agrees that the attorneys representing the Company and the Manager and its Affiliates do not represent and shall not be deemed under the applicable codes of professional responsibility to have represented or be representing any or all of the Members in any respect at any time. Each of the Members further acknowledges and agrees that such attorneys shall have no obligation to furnish the Members with any information or documents obtained, received or created in connection with the representation of the Company, the Manager and/or its Affiliates.

5.8 Substitution of Member. A Member may assign all or a portion of its Membership Interest and substitute another person in his place as a Member only in compliance with the terms and conditions of Article VIII.

**ARTICLE VI
PROFITS & LOSSES; CASH DISTRIBUTIONS**

6.1 Profits & Losses. Except as provided in Section 6.4, Profits and Losses of the Company shall be calculated by the Manager no less than quarterly and allocated among the Members pro rata based upon their relative Percentage Interests as of the date of allocation.

6.2 Operating Distributions. Quarterly Profits allocated to the Members under Section 6.1 above shall be distributed to the Distribution Members electing to receive such distributions under Section 4.4 as follows ("Quarterly Distributions"):

(a) Quarterly Distributions will be made only from Cash Available for Distribution as of the last day of each calendar quarter for which Quarterly Distributions are being made and only to the Members that are Distribution Members as of such date.

(b) Except as provided in subsection (c), below, all Quarterly Distributions shall be made on or about the fifteenth (15th) day following the last day of each calendar quarter (the "Quarterly Distribution Date").

(c) In the event Monthly Distributions are approved by the Manager for one or more Distribution Members: (i) monthly distributions will be made on or about the fifteenth (15th) day following the last day of each calendar month; (ii) the amount distributed to each Distribution Member receiving Monthly Distributions in the first two months of each calendar quarter will be equal to one-third (1/3) of the Quarterly Distribution that would be payable to the Distribution Member under subsection (a) as of the last day of the prior calendar quarter; and (iii) Monthly Distributions made in the third month of each quarter will be adjusted by the Manager to the extent necessary to make aggregate distributions to the Distribution Member for that quarter, or on an annualized basis, accurate in light of the then current quarterly Profit/Loss calculations made with respect to all Distribution Members under this Section 6.2.

(d) During the Deduction Period the Quarterly Distributions made to Distribution Members under this Section 6.2 shall be net of the Quarterly Syndication Cost Deductions made pursuant to Section 4.8.

(e) In the event Cash Available for Distribution is insufficient to pay the full amount of all distributions provided in this Section 6.2 in a given quarter, the Company shall distribute the amount of Cash Available for Distribution available for that quarter to the Requesting Members pro rata, based upon their relative Percentage Interests and any remaining, undistributed Profits will be credited to the applicable Members' Capital Accounts as of the applicable distributions date.

(f) Assignees of a Membership Interest shall be deemed to be the owner of such Membership Interest as of the first day following the day the transfer of such Membership Interest is completed in accordance with Sections 8.2 and 8.3 and shall not participate in distributions for the period prior to which the transfer occurs.

6.3 Liquidating Distributions. Following the occurrence of an event of dissolution under Section 10.1, all distributions to the Members shall be made in accordance with Article X.

6.4 Special Allocations. Notwithstanding the provisions of Section 6.1, the following provisions shall be controlling:

(a) If there is a net decrease in Company Minimum Gain during any Fiscal Year, each Member shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, in subsequent fiscal years) in an amount equal to the portion of such Member's share of the net decrease in Company Minimum Gain that is allocable to the disposition of Company property subject to a Nonrecourse Liability, which share of such net decrease shall be determined in accordance with Regulations Section 1.704-2(g)(2). Allocations pursuant to this subsection (a) shall be made in proportion to the amounts required to be allocated to each Member under this subsection (a). The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f). This subsection (a) is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) If there is a net decrease in Company Minimum Gain attributable to a Member Nonrecourse Debt, during any Fiscal Year, each member who has a share of the Company Minimum Gain attributable to such Member Nonrecourse Debt (which share shall be determined in accordance with Regulations Section 1.704-2(i)(5)) shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, in subsequent Fiscal Years) in an amount equal to that portion of such Member's share of the net decrease in Company Minimum Gain attributable to such Member Nonrecourse Debt that is allocable to the disposition of Company property subject to such Member Nonrecourse Debt (which share of such net decrease shall be determined in accordance with Regulations Section 1.704-2(i)(5)). Allocations pursuant to this subsection (b) shall be made in proportion to the amounts required to be allocated to each Member under this Section 6.4(b). The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4). This subsection (b) is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(c) Any nonrecourse deductions (as defined in Regulations Section 1.704-2(b)(1)) for any Fiscal Year or other period shall be specially allocated to the Members in proportion to their Percentage Interests.

(d) Those items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditures which are attributable to Member Nonrecourse Debt for any Fiscal Year or other period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such items are attributable in accordance with Regulations Section 1.704-2(i).

(e) If a Member unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), or any other event creates a deficit balance in such Member's Capital Account in excess of such Member's share of Company Minimum Gain, items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate such excess deficit balance as quickly as possible. Any special allocations of items of income and gain pursuant to this subsection (e) shall be taken into account in computing subsequent allocations of income and gain pursuant to this Article VI so that the net amount of any item so allocated and the income, gain, and losses allocated to each Member pursuant to this Article VI to the extent possible, shall be equal to the net amount that would have been allocated to each such Member pursuant to the provisions of this subsection (e) if such unexpected adjustments, allocations, or distributions had not occurred.

(f) Notwithstanding any other provision in this Article VI, in accordance with Code Section 704(c) and the Regulations promulgated thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value on the date of contribution. Allocations pursuant to this Section are solely for purposes of federal, state and local taxes. As such, they shall not affect or in any way be taken into account in computing a Member's Capital Account or share of profits, losses, or cash distributions pursuant to any provision of this Agreement

6.5 Allocation of Company Items. Except as otherwise provided herein, whenever a proportionate part of Profit or Loss is allocated to a Member, every item of income, gain, loss or deduction entering into the computation of such Profit or Loss, and every item of credit or tax preference related to such allocation and applicable to the period during which such Profit or Loss was realized shall be allocated to the Member in the same proportion. Any elections or other decisions relating to such allocations shall be made by the Manager in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 6.5 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Person's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

ARTICLE VII BOOKS AND RECORDS, REPORTS AND RETURNS

7.1 Books and Records. The Manager shall cause the Company to keep the following:

(a) Complete books and records of account in which shall be entered fully and accurately all transactions and other matters relating to the Company.

- (b) A copy of the Certificate and all amendments thereto.
- (c) Copies of the Company's federal, state and local income tax returns and reports, if any, for the six (6) most recent years.
- (d) Copies of this Agreement, including all amendments thereto, and the financial statements of the Company for the three (3) most recent years.

All such books and records shall be maintained at the Company's principal place of business and shall be available for inspection and copying by, and at the sole expense of, any Member, or any Member's duly authorized representatives, during reasonable business hours.

7.2 **[Reserved]**

7.3 Tax Information. The Manager shall cause to be prepared and distributed to the Members all Company information necessary to enable them to complete their own tax returns in accordance with all regulatory requirements.

7.4 Annual Report. The Manager shall cause to be prepared at least annually, at Company expense, an annual report containing audited financial statements accompanied by a report of an independent registered public accounting firm. Notwithstanding the foregoing, following an event of dissolution under Section 10.1, and while the Company is winding down its assets, the Manager may elect to terminate annual audits and provide financial statements subject to a financial review completed by an independent accounting firm rather than the audited financial statements provided prior to dissolution.

7.5 Filings and Tax Payments. The Manager, at Company expense, shall (i) prepare and timely file, or shall cause the Company to prepare and timely file, all tax and information returns that the Company is required to file with the appropriate federal and state tax authorities and (ii) pay, or shall cause the Company to pay, all taxes and fees required to be paid with such tax and information returns. The Manager, at Company expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, all reports required to be filed with those entities under the then current applicable laws, rules and regulations. The reports shall be prepared on the accounting or reporting basis determined by the Manager in consultations with the Company's accountants. Any Member shall be provided with a copy of any of the reports upon request without expense.

7.6 **Tax Matters for the Company**

(a) The Company shall adopt a Fiscal Year beginning on the first day of January of each year and ending on the last day of December; provided, however, that the Manager in its sole discretion may, subject to any required approval by the Internal Revenue Service and the applicable state taxing authorities, at any time without the approval of the Members change the Company's Fiscal Year to a period to be determined by the Manager.

(b) Net income (i.e., Profits) of the Company for income tax purposes shall be determined in accordance with GAAP.

(c) Upon the transfer of an interest in the Company, the Company may, at the sole discretion of the Manager, elect pursuant to Section 754 of the Internal Revenue Code of 1986, as amended, to adjust the basis of the Company property as allowed by Sections 734(b) and 743(b) thereof.

(d) The Company shall have a "partnership representative" (the "Partnership Representative") as provided in Section 6223(a) of Subchapter C of Chapter 63 of the Code as amended by the Bipartisan Budget Act of 2015 (the "Revised Partnership Audit Rules") (or under any applicable state or local law providing for an analogous capacity). The Manager shall be the initial Partnership Representative and shall serve in such capacity in accordance with the following provisions:

(i) The Partnership Representative shall be authorized and required to represent the Company in connection with all examinations of the affairs of the Company by any federal, state, local or foreign taxing authority

("Taxing Authority"), including any resulting administrative and judicial proceedings, and to expend funds of the Company for professional services and costs associated therewith. Each Member agrees that any action taken by the Partnership Representative in connection with audits of the Company shall be binding upon such Member and that such Member shall not independently act with respect to tax audits or tax litigation affecting the Company. The Partnership Representative shall have sole discretion to determine whether the Company (either on its own behalf or on behalf of the Members) will contest or continue to contest any tax deficiencies assessed or proposed to be assessed by any Taxing Authority. Each Member agrees to cooperate with the Partnership Representative and to do or refrain from doing any or all things reasonably requested by the Partnership Representative with respect to the conduct of examinations by Taxing Authorities and any resulting proceedings; *provided*, that a Member shall not be required to file an amended federal income tax return, as described in Section 6225(c)(2)(A) of the Code, or pay any tax due and provide information to the U.S. Internal Revenue Service as described in Section 6225(c)(2)(B) of the Code.

(ii) Except as otherwise set forth herein, in the event of an audit of the Company that is subject to the Revised Partnership Audit Rules, the Partnership Representative, in its sole discretion, shall have the right to make any and all elections and to take any actions that are available to be made or taken by the Partnership Representative or the Company under the Revised Partnership Audit Rules. The Partnership Representative shall make an election under Section 6221(b) of the Code. However, to the extent that the Partnership Representative does not make an election under Section 6221(b) of the Code, the Partnership Representative shall use commercially reasonable efforts to reduce to the extent possible the amount of tax owed by the Company pursuant to an audit under the Revised Partnership Audit Rules by either (i) making any modifications available under Section 6225(c)(4) of the Code (reduction of applicable tax rate) or (ii) making a timely election under Section 6226 of the Code (push out of the adjustments to the reviewed year Members). If a push out election under Section 6226(a) of the Code is made, the Company shall furnish to each Member for the year under audit a statement of the Member's share of any adjustment set forth in the notice of final partnership adjustment, and each Member shall take such adjustment into account as required under Section 6226(b) of the Code.

(iii) Each Member agrees that such Member shall not treat any Company item inconsistently on such Member's federal, state, foreign or other income tax return with the treatment of the item on the Company's return. Any deficiency for taxes imposed on any Member (including penalties, additions to tax or interest imposed with respect to such taxes and any tax deficiency imposed pursuant to Section 6226 of the Code) will be paid by such Member and if required to be paid (and actually paid) by the Company, will be recoverable from such Member.

ARTICLE VIII TRANSFER OF INTERESTS OF MANAGER AND MEMBERS

8.1 Transfer of Membership Interest. Except as specifically provided in this Article VIII, none of the Members shall sell, transfer, encumber or otherwise dispose of, by operation of law or otherwise, all or any part of his or its Membership Interest. No assignment shall be valid or effective unless in compliance with the conditions contained in this Agreement, and any unauthorized transfer or assignment shall be void ab initio. No assignee of the whole or any portion of a Membership Interest shall have an Economic Interest or any other rights of a Member until such assignee becomes a substituted Member in accordance with Section 8.3.

8.2 Substituted Members. No assignee of the whole or any portion of a Membership Interest in the Company shall have the right to become a substituted Member in place of his assignor, unless the following conditions are first met.

(a) The assignor shall designate such intention in a written instrument of assignment, which shall be in a form and substance reasonably satisfactory to the Manager;

(b) The written consent of the Manager to such substitution shall be obtained, which consent shall not be unreasonably withheld, but which, in any event, shall not be given if the Manager determines that such sale or transfer (i) is to a minor or incompetent (unless a guardian, custodian or conservator has been appointed to handle the affairs of such person); (ii) would violate any of the transfer restrictions provided in this Article VIII; or (iv) would jeopardize the Company's existence or qualification as a limited liability company under Delaware law and or under the applicable laws of any other jurisdiction in which the Company is then conducting business;

(c) The assignor and assignee named therein shall execute and acknowledge such other instruments as the Manager may deem necessary to effectuate such substitution, including, but not limited to, a power of attorney with provisions more fully described in Sections 2.10 and 2.11 above;

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

(e) Such assignee shall pay or, at the election of the Manager, obligate himself to pay all reasonable expenses connected with such substitution, including but not limited to reasonable attorneys' fees associated therewith; and

(f) The Company has received, if required by the Manager, a legal opinion satisfactory to the Manager that such transfer will not violate the registration provisions of the Securities Act or any of the restrictions set forth in Section 8.3, which opinion shall be furnished at the Member's expense.

8.3 Further Restrictions on Transfers. Notwithstanding any provision to the contrary contained herein, the following restrictions shall also apply to any and all proposed sales, assignments and transfer of Membership Interests, and any proposed sale, assignment or transfer in violation of same shall be void ab initio.

(a) No Member shall make any transfer or assignment of all or any part of his Membership Interest if said transfer or assignment, when considered with all other transfers during the same applicable twelve month period, would, in the opinion of counsel for the Company, result in the termination of the Company's status as a partnership for federal or state income tax purposes.

(b) No Member shall make any transfer or assignment of all or any of his Membership Interest if the Manager determines such transfer or assignment would result in the Company being classified as an association taxable as a corporation or a "publicly traded partnership" within the meaning of Section 7704(b) of the Code (determined without reference to Code Section 469(i)) or any regulations or rules promulgated thereunder.

8.4 Elimination or Modification of Restrictions. Notwithstanding any of the foregoing provisions of this Article VIII, the Manager may amend this Agreement to eliminate or modify any restriction on substitution or assignment to the extent the Manager determines the restriction is no longer necessary.

ARTICLE IX WITHDRAWAL & REDEMPTION

9.1 Withdrawal by Members. No Member shall have the right to withdraw from the Company or otherwise obtain the return of all or any portion of such Member's invested capital for a period of ninety (90) days after the date of the Member's initial purchase of Units (the "Holding Period"). After the expiration of the Holding Period, a Member may withdraw all or a portion of such Member's invested capital on the terms and conditions set forth in this Article IX ("Withdrawal Distributions").

9.2 Election to Withdraw. A Member wishing to withdraw capital (a "Requesting Member") must mail or deliver a written request to the Company indicating the Member's desire to withdraw capital from the Company and the amount of capital to be withdrawn (a "Withdrawal Notice"). Upon receipt of a valid Withdrawal Notice from a Member, the Company will distribute to the Requesting Member such Member's Redemption Balance as determined under Section 9.3 and subject to the withdrawal limitations set forth in Section 9.4 and the priorities set forth in Section 9.5.

9.3 Redemption Balance & Surrender Charges. The amount received by a withdrawing Member will be the Member's Redemption Balance (as defined herein) as of the date of the applicable Withdrawal Notice (the "Withdrawal Determination Date"). For this purpose, a Member's "Redemption Balance" shall be the Member's Capital Account balance as of the Withdrawal Determination Date, reduced by the applicable surrender charge percentage determined in accordance with subsection (a) or (b), below as applicable (the "Surrender Charge").

(a) Subject to subsections (c) and (d), below, withdrawal requests made by BD Members shall be subject to the following Surrender Charges, as applicable:

(i) If the Withdrawal Notice is received by the Company prior to the one (1) year anniversary of the O&O Determination Date, the Surrender Charge shall be 10.0%;

(ii) If the Withdrawal Notice is received by the Company on or after the one (1) year anniversary date of the O&O Determination Date but prior to the two (2) year anniversary of the O&O Determination Date, the Surrender Charge shall be 9.0%;

(iii) If the Withdrawal Notice is received by the Company on or after the two (2) year anniversary of the O&O Determination Date, but prior to the three (3) year anniversary of the O&O Determination Date, the Surrender Charge shall be 8.0%;

(iv) If the Withdrawal Notice is received by the Company on or after the three (3) year anniversary of the O&O Determination Date but prior to the four (4) year anniversary of the O&O Determination Date, the Surrender Charge shall be 7.0%;

(v) If the Withdrawal Notice is received by the Company on or after the four (4) year anniversary of the O&O Determination Date but prior to the five (5) year anniversary of the O&O Determination Date, the Surrender Charge shall be 6.0%;

(vi) If the Withdrawal Notice is received by the Company on or after the five (5) year anniversary of the O&O Determination Date but prior to the six (6) year anniversary of the O&O Determination Date, the Surrender Charge shall be 5.0%;

(vii) If the Withdrawal Notice is received by the Company on or after the six (6) year anniversary of the O&O Determination Date but prior to the seven (7) year anniversary of the O&O Determination Date, the Surrender Charge shall be 4.0%;

(viii) If the Withdrawal Notice is received by the Company on or after the after the seven (7) year anniversary of the O&O Determination Date but prior to the eight (8) year anniversary of the of the O&O Determination Date, the Surrender Charge shall be 3.0%;

(ix) If the Withdrawal Notice is received by the Company on or after the after the eight (8) year anniversary of the O&O Determination Date but prior to the nine (9) year anniversary of the O&O Determination Date, the Surrender Charge shall be 2.0%;

(x) If the Withdrawal Notice is received by the Company on or after the after the nine (9) year anniversary of the O&O Determination Date but prior to or following the Scheduled Dissolution Date (if extended in accordance with this Agreement), no Surrender Charge shall apply.

(b) Subject to subsections (c) and (d), below, withdrawal requests made by RIA Members shall be subject to the following Surrender Charges, as applicable:

(i) If the Withdrawal Notice is received by the Company after the expiration of the Holding Period but prior to the one (1) year anniversary of the O&O Determination Date, the Surrender Charge shall be 4.0%;

(ii) If the Withdrawal Notice is received by the Company on or after the one (1) year anniversary of the O&O Determination Date but prior to the two (2) year anniversary of the O&O Determination Date, the Surrender Charge shall be 3.75%;

(iii) If the Withdrawal Notice is received by the Company on or after the two (2) year anniversary of the O&O Determination Date but prior to the three (3) year anniversary of the O&O Determination Date, the Surrender Charge shall be 3.50%;

(iv) If the Withdrawal Notice is received by the Company on or after the three (3) year anniversary of the O&O Determination Date but prior to the four (4) year anniversary of the O&O Determination Date, the Surrender Charge shall be 3.25%;

(v) If the Withdrawal Notice is received by the Company on or after the four (4) year anniversary of the O&O Determination Date but prior to the five (5) year anniversary of the O&O Determination Date, the Surrender Charge shall be 3.0%;

(vi) If the Withdrawal Notice is received by the Company on or after the after the five (5) year anniversary of the O&O Determination Date but prior to the six (6) year anniversary of the O&O Determination Date, the Surrender Charge shall be 2.75%;

(vii) If the Withdrawal Notice is received by the Company on or after the six (6) year anniversary of the O&O Determination Date but prior to the seven (7) year anniversary of the O&O Determination Date, the Surrender Charge shall be 2.50%;

(viii) If the Withdrawal Notice is received by the Company on or after seven (7) year anniversary of the O&O Determination Date but prior to the eight (8) year anniversary of the O&O Determination Date, the Surrender Charge shall be 2.25%;

(ix) If the Withdrawal Notice is received by the Company on or after eight (8) year anniversary of the O&O Determination Date but prior to the nine (9) year anniversary of the O&O Determination Date, the Surrender Charge shall be 2.00%;

(x) If the Withdrawal Notice is received by the Company on or after the after the nine (9) year anniversary of the O&O Determination Date but prior to or following the Scheduled Dissolution Date (if extended in accordance with this Agreement), no Surrender Charge shall apply.

(c) In the event a Member requests the withdrawal of less than all of such Member's invested capital, the Surrender Charge otherwise applicable to the withdrawal shall be reduced by the same ratio the amount requested for withdrawal bears to the Member's total Capital Account balance as of the Withdrawal Determination Date.

9.4 Withdrawal Limitations. All distributions of capital to Requesting Members made pursuant to this Article IX shall be subject to the priorities provided for in Section 9.5 below and the following additional limitations:

(a) The Company will not establish a cash reserve from which to fund withdrawals and the Manager may reserve up to 50% of the Company's Cash Available for Distribution to fund further investments by the Company or otherwise enhance the Company's liquidity for the benefit of the non-withdrawing Members ("New Investment Reserves"). Accordingly, the Company shall only be obligated to distribute 50% of the Company's Cash Available for Withdrawals (as defined herein) in any calendar quarter or other period to pay any outstanding withdrawal requests submitted pursuant hereto, and the remaining 50% of such cash may be retained as New Investment Reserves. The term "Cash Available for Withdrawals" as used herein, shall mean the cash available to the Company on the last day of each calendar quarter, after (1) all current Company expenses have been paid (including all Asset Management Fees and other compensation to the Manager); (2) adequate reserves have been established for anticipated Company operating costs and other expenses and advances to protect and preserve the Company's investments (such as enforcement costs and protective advances to senior lien holders) in such amounts as the Manager shall determine in its sole discretion; and (3) adequate provision has been made to make all Quarterly Distributions (and any authorized Monthly Distributions) requested for such quarter by electing Distribution Members. In no event shall the Company be obligated to sell or liquidate any mortgage loans prior to maturity or to sell any other investments or assets for the purpose of generating funds to liquidate the Capital Accounts of withdrawing Members.

(b) If cash available for withdrawals is inadequate to make quarterly withdrawal payments of all Capital Accounts with respect to which Notices of Withdrawal have been received, or if the limitations described in this Section 9.4 are applicable, then liquidating distributions among withdrawing Members shall be made on a pro rata basis, based upon the relative amounts to which each Member is entitled for that quarterly period; provided, that the

Manager shall have the discretion to accord priority to Notices of Withdrawal received from Deceased Members and ERISA Plan Investors as described in Section 9.5 below.

(c) In no event shall the Company be required to make distributions of capital to Requesting Members if such distributions would violate or cause the Company to incur any fee or expense under any credit line loan agreement or other obligation of the Company. The maximum amount which may be redeemed by a Member in any calendar quarter shall not exceed the greater of (i) \$100,000, or (ii) 25% of the Member's total Capital Account Balance. For withdrawal requests that require more than one quarter to fully redeem, redemption payments will be made at the end of each calendar quarter. Each Withdrawing Member's Surrender Charge shall first be applied toward the Member's Syndication Advance Amount until the Member's Syndication Advance Balance has been reduced to zero. Any remaining Surrender Charge shall be retained by the Company for the benefit of the non-withdrawing Members.

(f) Notwithstanding the foregoing, in no event shall the Company be required to redeem in any calendar quarter more than 2.5%, or to redeem in any calendar year more than 10%, of the aggregate Capital Account balances of all Members outstanding on the first day of that year.

(g) In the event that a Member has an unfulfilled withdrawal request, the Member may withdraw the withdrawal request at any time by sending a written notice to the Company terminating the applicable Withdrawal Notice. If the Company receives the termination notice on a date that is less than thirty (30) days prior to the next scheduled redemption payment, then that payment shall be made but all subsequent payments to the Member pursuant to the applicable Withdrawal Notice shall cease. If the Company receives the termination notice on a date that is more than thirty (30) days prior to the next scheduled redemption payment, then all redemption payments to such Member shall cease.

(h) After terminating a pending Withdrawal Notice in accordance with subsection (g) above, the Requesting Member may thereafter submit another Withdrawal Notice to the Company at a later date. The Redemption Balance applicable to the withdrawal request covered by such later Withdrawal Notice shall be determined based on the date of the later Withdrawal Notice and, accordingly, may be higher due to a reduced Surrender Charge applicable to the request.

9.5 Priority Withdrawals & Liquidation Notwithstanding any provision herein to the contrary, the Company shall have the right, but not the obligation, to give priority to the return of the Redemption Balances of certain Members, as follows:

(a) Upon the death of a Member or of the sole beneficiary of a corporate pension or profit-sharing plan, Individual Retirement Account or other ERISA Plan Investor (a "Deceased Member"), the return of such Deceased Member's Redemption Balance may be given priority over the return of other withdrawing Members' Redemption Balance, in the Manager's sole and absolute discretion

(b) The Manager, in its sole and absolute discretion, shall also have the right at any time to immediately liquidate all or a portion of the Capital Accounts of one or more ERISA Plan Investors regardless whether that ERISA Plan Investor has given a Notice of Withdrawal, if the Manager determines such liquidation is required in order to ensure that the Company remains exempt from applicable ERISA Restrictions. Each ERISA Plan Investor agrees that its Capital Account may be liquidated involuntarily and will be made without deduction of a Surrender Charge and pursuant to this Section 9.5(b). Any such liquidation of an ERISA Plan Investor's Capital Account may be given priority over the liquidation of all other withdrawing Members' Capital Accounts, including those of Deceased Members.

9.6 Capital Account Adjustments During any withdrawal period the Capital Account of a withdrawing Member shall remain subject to adjustment pursuant to Section 4.6 above and Regulation Section 1.704(b), including any adjustments that are necessary or appropriate to maintain equality between the aggregate Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, or as otherwise required by Regulations Section 1.701-1(b)(2)(iv)(q). Any reduction in said Capital Account by reason of an allocation of Losses, if any, shall reduce all subsequent withdrawal payments proportionately. In no

event shall any Member receive cash distributions upon withdrawal from the Company if the effect of such distribution would be to create a deficit in such Member's Capital Account.

9.7 Effect of Dissolution. If the Company dissolves pursuant to Section 10.1 below at a time when any Members who have previously given Notices of Withdrawal have not yet received the return of their respective full Redemption Balances, then, the wind down provisions of Section 10.2 below shall apply and the distribution provisions of Section 10.3 shall be controlling, such that liquidation payments shall thereafter be made proportionately to all Members pursuant to Section 10.3 and no further payments shall be made pursuant to this Article IX.

ARTICLE X DISSOLUTION OF THE COMPANY; MERGER OF THE COMPANY

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

- (a) The election of the Manager with notice to the Members.
- (b) The resignation, dissolution or bankruptcy of a Manager unless, within ninety (90) days after any such event a Majority of the Members agree to continue the business of the Company and to the appointment of a successor Manager who executes a written acceptance of the duties and responsibilities of a Manager hereunder.
- (c) Any other event causing the dissolution of the Company under the laws of the State of Delaware.

10.2 Winding Down & Termination. Upon the occurrence of an event of dissolution, the Company shall immediately be dissolved, but shall continue until its affairs have been wound down according to the provisions of the Act. Upon dissolution of the Company, unless the business of the Company is continued as provided above, the Manager will wind down the Company's affairs as follows:

- (a) No new Loans shall be made or purchased and all withdrawals described in Article IX shall immediately terminate and no further redemption payments shall be made;
- (b) Except as may be agreed upon by a Majority of the Members in connection with a merger or consolidation described in Section 10.7, the Manager shall liquidate the assets of the Company as promptly as is consistent with recovering the fair market value thereof, either by sale to third parties or by servicing the Company's outstanding Loans in accordance with their terms; provided, however, the Manager shall liquidate all Company assets for the best price reasonably obtainable in order to completely wind down the Company's affairs within five (5) years after the date of dissolution;
- (c) Except as may be agreed upon by a Majority of the Members in connection with a merger or consolidation described in Section 10.7, all sums of cash held by the Company as of the date of dissolution, together with all sums of cash received by the Company during the wind down process from any source whatsoever, shall be distributed in accordance with Section 10.3 below.

10.3 Order of Distribution of Assets. In the event of dissolution as provided in Section 10.1 above, the cash of the Company shall be distributed as follows:

- (a) All of the Company's debts and liabilities to persons other than Members and Manager shall be paid and discharged;
- (b) All of the Company's debts and liabilities to Members and Manager shall be paid and discharged;
- (c) The balance of the cash of the Company shall be distributed to the Members and Manager in accordance with their respective positive Capital Account balances after deduction, if any, of the Members' outstanding Syndication Advance Balances outstanding as of the dissolution date (if any) and after taking into account allocations of Profits and Losses for the Company's Fiscal Year during which the liquidation occurs including the tax effect of the liquidation itself.

10.4 Deficit Capital Account Balances. Notwithstanding anything contained in this Agreement to the contrary, if upon the dissolution and liquidation of the Company and after final allocation of all Profits and Losses resulting therefrom, any Member has a negative balance remaining in its Capital Account, such Member shall have no obligation whatsoever to restore such negative balance or any part thereof to the Company or any Member.

10.5 No Recourse to Manager. Upon dissolution, each Member shall look solely to the assets of the Company for the return of its Capital Contribution, and if the Company assets remaining after the payment or discharge of the debts and liabilities of the Company are insufficient to return the Capital Contribution of each Member, such Member shall have no recourse against the Manager or any other Member. Winding down the affairs of the Company and the distribution of its assets shall be conducted exclusively by the Manager. The Manager is hereby authorized to do any and all acts and things authorized by law for these purposes. In the event of insolvency, dissolution, bankruptcy or resignation of the Manager or removal of the Manager by the Members, the winding down of the affairs of the Company and the distribution of its assets shall be conducted by such person or entity as may be selected by the affirmative vote or consent of the Majority of the Members, which person or entity is hereby authorized to do any and all acts and things authorized by law for such purposes.

10.6 Certificates, Etc. At the appropriate times and in the appropriate places, the Liquidator shall cause to be filed a Certificate of Dissolution and a Certificate of Cancellation, and shall cause a Notice of Dissolution to be published, mailed and filed. As soon as practicable the Liquidator shall also cause a final statement of its assets and liabilities to be prepared and furnished to all Members.

10.7 Merger or Consolidation of the Company. The Company may be merged or consolidated with one or more other entities, which may be Affiliates of the Company or the Manager, if the principal terms of any such merger or consolidation are first approved by the Manager and by the affirmative vote of a Majority of the Members. Any such merger or consolidation may be effected by way of a sale of the assets of, or units in, the Company or purchase of the assets of, or units in, one or more other entities. The foregoing shall not be interpreted as setting forth the exclusive means of merging or consolidating the Company, and the Company may utilize any method by which the Company may be merged or consolidated pursuant to the Act or any other provision of applicable law.

ARTICLE XI TRANSACTIONS BETWEEN THE COMPANY, THE MANAGER AND AFFILIATES

11.1 Origination Compensation. The Manager will select Company Loans and will arrange or otherwise facilitate Loan transactions with the borrowers on Company Loans. In connection with such services the Manager or its Affiliates will collect fees and other amounts payable by borrowers in connection with Company Loans which for each loan may include any one or more of the following: (i) loan origination fees, or "points," paid by borrowers at loan closing as a percentage of the principal balance of an applicable Loan ("Origination Fees"); (ii) loan processing and escrow fees paid by borrowers at loan closing for services in connection with notary, document preparation, credit investigation and other escrow services "Processing & Escrow Fees"; (iv) extension fees paid by borrowers in exchange for extensions of a Loan term ("Extension Fees"); (v) reconveyance fees paid by borrowers upon full payment of a Loan and reconveyance of the deed of trust ("Reconveyance Fees"); (vi) assumption fees paid by borrowers in connection with a loan assumptions and forbearance fees paid by borrowers as a condition loan assumptions for forbearances ("Assumption & Forbearance Fees"); (vii) fees payable by borrowers as a condition of early payoff of all or a portion of a Loan ("Prepayment Fees"); (viii) late fees charged to borrowers in connection with late payments ("Late Fees"); and (ix) "default interest" or interest in excess of the note rate charged to borrowers following a default ("Default Interest"). The rights of the Company and Manager with respect to the foregoing amounts to the extent collected in connection with Company loans shall be as follows:

(a) Origination Fees charged on each Company Loan shall be determined by the Manager on a case by case basis and paid, to the extent collected, 90% to the Manager and 10% to the Company.

(b) Extension fees charged on each Company Loan shall be determined by the Manager on a case by case basis and paid, when and if collected, 90% to the Manager and 10% to the Company.

(c) The Manager shall have the right to retain 100% of all Reconveyance Fees, Assumption Fees, Escrow & Processing Fees and other miscellaneous transactions fees, which shall be charged to borrowers in amounts equal to the fees customarily charged for comparable services in the geographical area where the property securing each Loan is located.

(d) All Prepayment Fees, Late Fees and Default Interest shall be paid 100% to the Company.

11.2 Asset Management Fee. In addition to the amounts provided in Section 11.1, the Manager shall be entitled to receive an annual asset management fee in an amount equal to 1.25% of the Company's Assets Under Management ("Asset Management Fee") payable monthly (i.e., 0.104% per month), of which approximately 0.021% monthly (0.25% annually) of beginning monthly loan principal will be deemed to be a loan servicing fee for purposes of the Manager's accounting and the remainder shall be compensation for management of the Company's Loan portfolio and general Company operations. Asset Management Fees shall be payable to the Manager on the first day of each calendar month based upon the total outstanding Assets Under Management of the Company as of each such date.

11.3 Sale of Defaulted Loans or Real Estate. In the event a loan owned by the Company becomes delinquent or the Company becomes the owner of any real property by reason of foreclosure on a Company loan or receipt of a deed in lieu of foreclosure, the Company may sell such loan or property to the Manager or an Affiliate of the Manager but only so long as the following conditions are satisfied:

(a) Subject to subsection (b) below, the purchase price shall not be less than any of the following amounts: (i) any bona fide third-party offer previously received, if any; (ii) the value of such loan or property as determined by any independent appraisal (if any) prepared within the preceding six months; and (iii) the total amount of the Company's "investment" (as hereafter defined) in the loan or property; *provided*, however, that each of the amounts described in the foregoing clauses (i)-(iii) shall be reduced by the amount of a reasonable and customary real estate brokerage commission that would be payable in connection with a sale of that loan or property to an unrelated party (the "Avoided Commission").

(b) Notwithstanding the foregoing, the purchase price may be less than the Company's investment in the loan or property if the following conditions are satisfied: (i) the purchase price is not less than the value of the property as determined by an independent written appraisal prepared by a certified appraiser within the preceding six months, less the amount of the Avoided Commission; and (ii) the purchaser is obligated to pay to the Company the amount of any gain realized from the resale or repayment of the subject loan or from the resale of the subject property, up to the amount of the difference between the purchase price and the Company's "investment" in the loan or property as defined in subsection (c).

(c) For purposes of this Agreement, the Company's "investment" in a loan or property includes, without limitation, the following: (i) the unpaid principal amount of the Company's loan or the loan foreclosed upon; (ii) all unpaid interest accrued to the earlier of the date of sale or foreclosure; (iii) all expenditures made by the Company to protect the Company's interest in the loan or property such as payments to senior lienholders and for insurance and taxes, costs of foreclosure (including attorneys' fees actually incurred to prosecute the foreclosure or to obtain relief from stays in bankruptcy), and (iv) any advances made by or on behalf of the Company for any of the foregoing.

(d) Neither the Manager nor any of its Affiliates shall receive a real estate commission in connection with such a sale. Neither the Manager nor any of its Affiliates shall have any obligation whatsoever to purchase any loans or property from the Company.

11.4 Purchase of Loans from Manager or Affiliates. The Company may purchase existing loans from the Manager or Affiliates (including the Affiliate Funds), provided that the following conditions are met:

(a) At the time of purchase the borrower shall not be default under the loan;

(b) The purchase price for such loan does not exceed the unpaid balance of principal, accrued interest and other charges owing thereunder; and

(c) The loan satisfies the loan underwriting criteria customarily applied by the Company with respect to loans made to or purchased from unrelated third parties.

11.5 Participation in Loans. The Company may participate in Loans with Affiliates (including the Affiliate Funds), whereby the Company acquires a fractional undivided interest in a Loan. The Company may also participate in Loans with nonaffiliated lenders, individuals or pension funds.

11.6 Reimbursement of Manager for Certain Expenses. The Manager shall be reimbursed by the Company for all Organization & Offering Expenses up to the Maximum O&O Amount and for all other Syndication Expenses and operating expenses incurred on behalf of the Company, including without limitation, out-of-pocket general and administrative expenses of the Company, accounting and audit fees, legal fees and expenses, postage, and preparation of reports to Members.

11.7 Deferral of Fees & Expense Reimbursement. The Manager may defer payment of any fee or expense reimbursement provided for herein. The amount so deferred shall be treated as a non-interest bearing debt of the Company and shall be paid from any source of funds available to the Company, including Cash Available for Distribution prior to the distributions to Members provided for in Article 5.

11.8 Payment Upon Termination. Upon the occurrence of a terminating event specified in Article 10, the Company shall pay the Manager, within thirty (30) days of the terminating event, in cash all amounts then accrued and owing to the Manager under this Agreement.

11.9 No Loans to Related Parties. The Company shall not make or purchase any loan under which the borrower or any guarantor is an Affiliate of the Manager.

11.10 Loans by Manager. In the event that the Manager determines at any time that the cash available to the Company is insufficient to meet the then existing and projected needs of the Company, the Manager, in addition to exercising its rights to cause the Company to borrow funds from third party sources, may in its sole discretion loan or cause an Affiliate thereof to loan necessary funds to the Company in accordance with the provisions of this Section 11.10. Any loan by the Manager or its Affiliate(s) to the Company may be repaid from Company funds available therefore in the reasonable judgment of the Manager. Any such loan from the Manager or its Affiliate(s) to the Company shall be at a rate of interest and on such other terms as the Manager determines in its reasonable business judgment are not more onerous to the Company than those that an unaffiliated third party would charge the Company in an arms-length transaction. Any such lender shall have the same rights and obligations with respect to such transactions or loans as a Person who is not a Manager or Affiliate thereof and the Members hereby waive, to the fullest extent permitted under applicable law, any fiduciary duty or duties that would impose any additional obligations on any such lender.

11.11 Contracts With Affiliates. In addition to the foregoing, the Manager may cause the Company to enter into other agreements whereby the Manager or its Affiliates or other Persons, or entities controlled by any of the foregoing, provide or sell or purchase services or property to or from the Company. The Manager and such Affiliates or Persons may be compensated for such services or property, and are reimbursed for expenses incurred on behalf of the Company in providing such services or property, so long as each such agreement and compensation is on terms and conditions that are fair and reasonable to the Company as determined by the Manager in its reasonable discretion and are at least as favorable to the Company as those generally available from unaffiliated Persons capable of similarly performing them in similar transactions between parties operating at arm's length, as determined by the Manager in its reasonable discretion.

ARTICLE XII MISCELLANEOUS

12.1 Covenant to Sign Documents. Without limiting the power granted by Sections 2.10 and 2.11, each Member covenants, for himself and his successors and assigns, to execute, with acknowledgment or verification, if required, any and all certificates, documents and other writings which may be necessary or expedient to form the Company and to achieve its purposes, including, without limitation, the Certificate and all amendments thereto, and all such filings,

records or publications necessary or appropriate laws of any jurisdiction in which the Company shall conduct its business.

12.2 Notices. Except as otherwise expressly provided for in this Agreement, all notices which any Member may desire or may be required to give any other Members shall be in writing and shall be deemed duly given when delivered personally or when deposited in the United States mail, first-class postage pre-paid. Notices to Members shall be addressed to the Members at the last address shown on the Company records. Notices to the Manager or to the Company shall be delivered to the Company's principal place of business, as set forth in Section 2.3 above or as hereafter charged as provided herein. Notice to any Manager shall constitute notice to all Manager.

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

12.4 Amendment. This Agreement is subject to amendment by the affirmative vote or consent of the Majority of the Members with the concurrence of the Manager. In addition, and notwithstanding anything to the contrary contained in this Agreement, the Manager shall have the right to amend this Agreement, without the vote or consent of any of the Members, in the following circumstances:

- (a) To change in the name of the Company or the amount of the contribution of any Member;
- (b) To admit any Person as an additional or substituted as a Member in accordance with this Agreement;
- (c) To admit a successor or additional Manager in accordance with the terms of this Agreement;
- (d) To cure any ambiguity, to correct any provision of this Agreement which may be inconsistent with any other provision or to make any other provisions with respect to matters or questions arising under this Agreement, which are not inconsistent with the provisions of this Agreement or the Memorandum; or
- (e) To accurately represent the agreement among the Members or to reflect a term disclosed in the Memorandum

The Manager shall notify the Members within a reasonable time of the adoption of any amendment pursuant to subsections (a) through (e) hereof.

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

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

12.7 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

12.8 Application of Delaware Law. This Agreement and the application or interpretation thereof shall be governed, construed, and enforced exclusively by its terms and by the law of the State of Delaware.

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

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

12.11 Waiver of Action for Partition. Each of the parties hereto irrevocably waives during the term of the Company any right that it may have to maintain any action for partition with respect to any property of the Company.

12.12 Assignability. Each and all of the covenants, terms, provisions and arguments herein contained shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto, subject to the requirements of Article VIII.

12.13 No Mandatory Arbitration of Disputes. Nothing in this Agreement or the Subscription Agreement shall be deemed to require the mandatory arbitration of disputes between a Member and the Company or any Manager. Nothing in this Section 12.13 is intended to apply to preexisting contracts between Members and any broker-dealer or registered investment advisor.

[Signatures on next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first above written.

MANAGER:

REDWOOD MORTGAGE CORP.
a California corporation

By: _____
Michael R. Burwell, President

INITIAL MEMBER:

REDWOOD MORTGAGE CORP.
a California corporation

By: _____
Michael R. Burwell, President

EXHIBIT B
SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY

SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY

**REDWOOD MORTGAGE INVESTORS X,
a Delaware limited liability company**

The undersigned ("Investor") hereby applies to become a member of Redwood Mortgage Investors X, LLC, a Delaware limited liability company (the "Company"), and subscribes to purchase membership interests units in Tier BD of the Company ("BD Units") on the terms and conditions described in the Company's Private Placement Memorandum dated November 15, 2019 (as amended or supplemented from time to time, the "Memorandum"). All capitalized terms not otherwise defined herein have the meanings given in the Memorandum.

PART I – GENERAL REPRESENTATIONS, WARRANTIES & AGREEMENTS

1. Representations & Warranties. The undersigned represents and warrants to the Company and its manager, Redwood Mortgage Corp. ("Manager"), as follows:

(a) *Offering Documents.* I have received, read and fully understood the Memorandum and the Limited Liability Company Operating Agreement for the Company, dated September 12, 2019 attached as Exhibit A, thereto (the "Operating Agreement"). In making this investment I am relying on the information provided in the Memorandum, the Operating Agreement and this Subscription Agreement & Power of Attorney ("Subscription Agreement" and together with the Memorandum and Operating Agreement, the "Offering Documents"). I have not relied on any statements or representations inconsistent with those contained in the Offering Documents.

(b) *Acknowledgment of Risks & Conflicts.* I have carefully reviewed and understand the risks and other considerations relating to a purchase of BD Units, including the information set forth in the "Risk Factors" and "Conflicts of Interest" sections of the Memorandum.

(c) *Receipt of Material Information.* I and my representatives, if any, have been furnished all materials relating to the offering of BD Units and RIA Units (collectively "Units") and the Company's activities, or anything set forth in the Memorandum or the Operating Agreement that I or they have requested, and have been afforded the opportunity to obtain any additional information deemed necessary to verify the accuracy of any representations or information set forth in the Memorandum. The Manager of the Company has answered all my inquiries concerning the Company and all other matters relating to the offer and sale of Units and I have requested and received from the Manager all information I have deemed relevant and material to my decision to invest in the BD Units subscribed for herein.

(d) *Securities Representations.* I understand that none of the Company's Units (including the BD Units purchased hereby) have been registered under the Securities Act of 1933, as amended (the "Act"), and all Units are being offered in reliance upon exemptions from registration provided under Section 4(a)(2) of the Act and Regulation D thereunder. I further understand that none of the Company's Units (including the BD Units purchased hereby) have been qualified under the securities laws of any state or other jurisdiction where purchasers of Units may reside, in reliance on exemptions from such qualification available to certain private or limited offerings including those conducted under Regulation D. I acknowledge and understand that the availability of these exemptions depends in part upon the accuracy of the representations and warranties contained herein (including those made regarding my accredited status set forth in Sections 1 or 2 of Part III hereof), which I hereby make with the intent that they may be relied upon by the Manager.

(e) *Entity Subscribers.* If I am executing this Subscription Agreement on behalf of a trust, a business entity or other non-individual subscriber (an "Entity Subscriber"), I represent and warrant that the Entity Subscriber was not formed specifically to purchase Company Units.

(f) *Non-Disqualification.* Neither I or, if applicable, the Entity Subscriber:

(i) have, within ten years before the date hereof, been convicted of any felony or misdemeanor: (1) in connection with the purchase or sale of any security; (2) involving the making of any false filing with the

Securities and Exchange Commission ("SEC"); or (3) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment advisor or paid solicitor of purchasers of securities;

(ii) are subject to any order, judgment or decree of any court of competent jurisdiction, entered within five years before the date hereof, that, as of the date hereof, restrains or enjoins me or the Entity Subscriber (if applicable) from engaging or continuing to engage in any conduct or practice: (1) in connection the with purchase or sale of any security; (2) involving the making of any false filing with the SEC; or (3) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment advisor or paid solicitor of purchasers of securities;

(iii) are, to my knowledge, subject to any final order of state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that: (1) as of the date hereof, bars me or Entity Subscriber (if applicable) from: (A) association with an entity regulated by such commission, authority, agency, or officer; (B) engaging in the business of securities, insurance or banking; or (C) engaging in savings association or credit union activities; or (2) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within ten years before such sale;

(iv) are subject to any order of the SEC entered pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") or the Investment Advisers Act of 1940 (the "IAA") that, as of the date hereof: (1) suspends or revokes my or Equity Subscriber's (if applicable) registration as a broker, dealer, municipal securities dealer or investment advisor; (2) places limitations on my or Equity Subscriber's (if applicable) activities, functions or operation; or (3) bars me or Equity Subscriber (if applicable) from being associated with any entity or from participating in the offering of any penny stock;

(v) are subject to any order of the SEC entered within five years before the date hereof that, as of the date hereof, orders me or Equity Subscriber (if applicable) to cease and desist from committing or causing a violation or future violation of: (1) any scienter based anti-fraud provision of the federal securities laws, including without limitation any anti-fraud provision set forth in the Securities Act, the Exchange Act, the IAA, or any rule or regulation promulgated thereunder; or (2) Section 5 of the Securities Act;

(vi) are currently suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(vii) have filed (as a registrant or issuer), or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the SEC that, within five years of the date hereof, was the subject of a refusal order, stop order, or order suspending the regulation A exemption, or is, as of the date hereof, the subject of any investigation or proceeding to determine whether a stop order or suspension order should be issued.

(viii) are subject to a United States Postal Service false representation order entered within five years of the date hereof, or, as of the date hereof, subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations;

(ix) have, within the last ten years, been convicted of or pleaded nolo contendere to a crime, or committed an act involving dishonesty, fraud, or deceit, which crime or act was substantially related to the qualifications, functions, or duties of a person engaged in business as a California finance lender;

(x) has violated any provision of the California Finance Lenders Law set forth in Division 9 of the California Financial Code (§§ 22000, et. seq.) or the rules of the California Commissioner of Business Oversight promulgated thereunder or any similar regulatory scheme of the State of California or a foreign jurisdiction.

(g) *Limited Liquidity.* I understand that my ability to withdraw my investment is limited and that early withdrawals are subject to the surrender charges set forth in the Operating Agreement and described in the Memorandum. I further understand that Units (including the BD Units purchased hereunder) may not be sold or otherwise disposed of without the prior written consent of the Manager, which consent may be granted or withheld in its sole discretion. I have liquid assets sufficient to assure myself that (i) my investment in the BD Units subscribed for herein will not cause me undue financial difficulty, and (ii) I can provide for my current and future cash needs, both anticipated and unanticipated without the need for any income distributions from the Company or the return of my invested capital prior to dissolution and liquidation of the Company as described in the Memorandum. If I am the trustee of a trust, the lack of liquidity of Units will not cause any difficulty for the trust in meeting the trust's obligations to make distributions to its beneficiaries in a timely manner.

(h) *Investment Purpose.* I am purchasing BD Units solely for my own account and not with a view to or for a sale in connection with any further sale or distribution of such BD Units.

(i) *Authorization & Experience.* If I am executing this Subscription Agreement on behalf of an Entity Subscriber, I am duly authorized to act for such Entity Subscriber and to execute and deliver this Subscription Agreement to Manager on the Entity Subscriber's behalf. I have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of this investment or I have been advised with respect to my purchase of BD Units by someone with such knowledge and experience. I am 18 years of age or older.

2. Power of Attorney. The undersigned hereby irrevocably constitutes and appoints the Manager as his true and lawful attorney-in-fact, with full power and authority for him, and in his name, place and stead, to execute, acknowledge, publish and file:

(a) *Formation Documents.* The Certificate of Formation and the Operating Agreement of the Company and any amendments thereto or cancellations thereof required under the laws of the State of Delaware or authorized thereby;

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

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

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

3. Acceptance. This Subscription Agreement will be accepted or rejected by the managers within ten (10) days of its receipt by the Company. If rejected I will have my subscription funds returned without interest. Upon acceptance, I will be obligated to purchase the number of BD Units specified herein and this subscription will become irrevocable and non-cancelable and subscription funds will be non-refundable for any reason unless I am subscribing on behalf of an ERISA plan which is not admitted to the Company by the Manager within forty-five (45) days of the acceptance date. If I am subscribing on behalf of an ERISA plan Investor, this subscription will be irrevocable and non-cancellable and my subscription funds will be non-refundable for forty-five (45) days following acceptance and only if the ERISA plan has not been admitted to the Company during this time may I request the return of the ERISA plan's subscription funds. In such event, and provided my request is received by the Manager prior to the effective admission of the ERISA plan into the Company, the ERISA plan's subscription funds will be promptly returned to me without interest. The Manager will return a countersigned copy of this Subscription Agreement to accepted members, which copy (together with my canceled check) will be evidence of my purchase of BD Units.

4. Payment of Subscription Price. The full purchase price for BD Units is \$1.00 per Unit, payable in cash concurrently with delivery of this Subscription Agreement. I understand that will not be admitted as a member of the Company until this Subscription Agreement has been accepted by the Manager and my subscription funds are required to fund a Company loan or for other proper Company purposes and are transferred into the Company's Operating Account. In the interim, my subscription funds will earn interest at money market account rates. Such interest will be returned to me after I am admitted to the Company.

5. Indemnification. The undersigned agrees to indemnify and hold the company and its manager, members and other agents and employees harmless from and against any and all claims, demands, liabilities and damages (including, without limitation, all attorneys' fees which shall be paid as incurred) which any of them may incur, in any manner or to any person, by reason of the falsity, incompleteness or misrepresentation of any information furnished by the undersigned herein or in any document submitted herewith. The effect of this Section 4 is that the undersigned will be financially responsible for all losses, damages, expenses and liabilities incurred by the Company and/or its Manager as a result of a breach of any of the representations and warranties made by the undersigned.

PART II – INVESTOR INFORMATION
(Please complete all applicable sections and information.)

1. Type of Ownership. In what capacity is Investor seeking to purchase BD Units (please check one):

- INDIVIDUAL**
- TRUST** (Trustee signature required)
(Title page, Successor Trustee page and signature pages of the Trust Agreement must be enclosed)
- * **JOINT TENANTS WITH RIGHTS OF SURVIVORSHIP**
- * **COMMUNITY PROPERTY**
- * **TENANTS IN COMMON**
- TOD – Transfer On Death**
(must be titled as an Individual or as Joint Tenants only – special form required)
- * **IRA** (Investor and Custodian must sign)
- * **ROTH IRA** (Investor and Custodian must sign)
- * **SEP/IRA** (Investor and Custodian must sign)
- PENSION PLAN** (Trustee signature required)
- PROFIT SHARING PLAN** (Trustee signature required)
- 401(k)** (Trustee signature required)
- OTHER** (Please describe)

* Two or more signatures required

2. Investor Name & Address (*Complete for all accounts*). All checks and correspondence will go to this address unless another address is listed in Items 2 or 5 below. If Investor is in a qualified plan the custodial information in Section 3, below, must also be completed.

Mr. Mrs. Ms. Dr.

Name as it will appear on the account (how title should be held)

(Additional Name(s) if held in joint tenancy, community property, tenants-in-common)

Street Address

City State Zip Code

Home Phone Number

Alternate Phone Number

Social Security # / Taxpayer ID # (A Social Security Number or Tax ID is required for all accounts.)

Date of Birth

3. Custodian Registration (*if applicable*). If Investor is in qualified plan the following information must also be completed.

Name of Custodian (Please print here the exact name of Custodian)

Address

City State Zip Code

Taxpayer ID#

Client Account Number

CUSTODIAN SIGNATURE

Number of BD Units to be purchased

4. Subscription for BD Units (*Complete for all accounts*). Please complete the following information as applicable.

Check One: Initial Investment (New Member) (\$25,000/25,000 Unit Minimum Investment)
 Additional Investment (Existing Member) (\$10,000/10,000 Unit Minimum Investment)

Number of BD Units Purchased

Amount of payment enclosed

(Please make check payable to "Redwood Mortgage Investors X, LLC")

A completed Subscription Agreement is required for each initial and additional investment.

5. Distributions (*complete for all accounts*). Please check one of the following. Please note that all custodial account distributions made to electing Members will be directed to the custodian listed in Item 2.

- Check as Applicable :**
- I elect to compound my earnings with respect to my BD Units.
 - I elect to receive cash distributions of earnings paid:
 - Quarterly
 - Monthly (*subject to approval by the Manager*)

6. Alternate Address For Distributions (*if applicable*). If cash distributions are to be sent to an address other than that listed in Item 1 or 2, please enter the information here. All other communications will be mailed to Investor's registered address of record under Item 1. In no event will the Company or its affiliates be responsible for any adverse consequences of direct deposits.

Name Client Account #

Address

City State Zip Code

7. Direct Deposit (*Electronic Funds Transfer*). Must attach original voided check for checking account deposits deposit slip for savings account deposits.

- Check one:** Checking Savings

PART III – INVESTOR QUALIFICATION
(Please complete all applicable sections and information)

1. Investor Qualification & Verification (Individuals). If you are investing in your individual capacity, please initial which, if any of the following accredited investor standards apply as of the date hereof.

(a) *Net Worth Standard.* I hereby represent and warrant to the Manager and the Company as follows (please initial which of the following, if any, is true):

_____ My individual net worth at the time of purchase (exclusive of the net value of my primary residence) currently exceeds \$1,000,000.*

_____ My joint net worth, together with my spouse at the time of purchase (exclusive of the net value of our primary residence), exceeds \$1,000,000.*

(b) *Income Standard.* I hereby represent and warrant to the Manager and the Company as follows (please initial which of the following, if any, is true):

_____ My individual income exceeded \$200,000 in each of the two most recent years, and I have a reasonable expectation of reaching the same income level in the current year.

_____ My joint income with my spouse exceeded \$300,000 in each of the two most recent calendar years, and we have a reasonable expectation of reaching the same income level in the current year.

2. Investor Qualification & Verification (Entities). If you are signing this Subscription Agreement on behalf of a Subscribing Entity, please initial which of the following (if any) are true as of the date hereof.

_____ The Investor is an *irrevocable* trust not formed for the specific purpose of acquiring Units with total assets in excess of \$5,000,000 whose purchase is directed by a person with such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of an investment in Units.

_____ Investor is a corporation, partnership or limited liability company all the equity owners of which are Accredited Investors.

_____ Investor is an employee benefit plan within the meaning of Title I of the U.S. Employment Retirement Income Security Act, as amended from time to time ("ERISA Plan") which has total assets in excess of \$5,000,000.

_____ Investor is an ERISA Plan and the investment decision is being made by a fiduciary which is a bank, savings and loan association, insurance company or registered investment advisor.

* For this purpose, the "net value" of your primary residence means the estimated fair market value of your primary residence less the total principal amount of any debt that is secured by your primary residence as of the date of your subscription for Units. Debt secured by your primary residence, up to the estimated fair market value of such residence, should be excluded as a liability for determining your net worth unless: (i) the amount of such debt outstanding at the time of subscription exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, in which case the amount of such excess must be included as an additional liability; or (ii) the total amount of indebtedness secured by your primary residence exceeds the estimated fair market value of the primary residence at the time of investment, in which case the amount of such excess must also be included as a liability.

- _____ Investor is a revocable grantor trust and the grantor is an individual that meets the standards for being an Accredited Investor set forth in Section 1 above.

- _____ Investor is a self-directed ERISA Plan whose investment decisions are made by a person who is an individual that meets the standards for being an Accredited Investor set forth in Section 1, above.

- _____ Investor is an individual retirement account ("IRA") and the beneficial owner meets the standards for being an accredited investor under Section 1, above.

- _____ Investor is an organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership with total assets (regardless of liabilities) in excess of \$5,000,000.

PART IV – EXECUTION SECTION

I hereby subscribe to purchase the BD Units indicated in this Subscription Agreement. By signing below I acknowledge that I understand the meaning and legal consequences of the representations and warranties made by me in this Subscription Agreement, and that the Manager will rely on such representations and warranties in making its determination to accept or reject this subscription.

IN WITNESS WHEREOF, the undersigned has executed below this _____ day of _____,
20____, at _____ (City).

Investor's primary residence is in _____ (State).

(Investor Signature and Title)

(Investor Signature and Title)

This Subscription Agreement shall be effective only upon acceptance by the Company's Manager and Investor's receipt of a countersigned copy of the Acceptance set forth below. Upon acceptance, this subscription shall be irrevocable and non-cancelable and subscription funds shall be non-refundable for any reason.

PART V – BROKER-DEALER INFORMATION

1. Registered Representative/Financial Advisor. The registered representative or advisor, by signing below ("Advisor"), certifies that: (i) all representations set forth in the Selected Broker-Dealer Agreement between Advisor's broker-dealer ("Broker-Dealer") and Company ("BD Agreement") are true and correct as of the date of this Subscription Agreement; (ii) a copy of the Memorandum together with all exhibits thereto, as amended and/or supplemented to date, has been delivered to subscribing Investor as required under the BD Agreement; and (iii) Advisor or Broker-Dealer has made all applicable filings and complied with all FINRA and SEC rules applicable to Broker-Dealer and Advisor with respect to the sale of BD Units to Investor including validating Investor's status as an accredited investor and conducting all due diligence deemed necessary to determine the suitability of this investment for Investor.

Name: _____

Street Address: _____

City, State, Zip Code: _____

Phone Number: _____

Email: _____

Name *(please print)*

Registered Representative/Advisor Signature

2. Broker-Dealer. The undersigned broker-dealer ("Broker-Dealer") hereby certifies that: (i) all representations set forth in the Selected Broker-Dealer Agreement between Broker Dealer and Company ("BD Agreement") are true and correct as of the date of this Subscription Agreement; (ii) a copy of the Memorandum together with all exhibits thereto, as amended and/or supplemented to date, has been delivered to subscribing Investor as required under the BD Agreement; and (iii) Broker-Dealer has made all applicable filings and complied with all FINRA and SEC rules applicable to Broker-Dealer with respect to the sale of BD Units to Investor including validating Investor's status as an accredited investor and conducting all due diligence deemed necessary to determine the suitability of this investment for Investor.

Broker-Dealer Name: _____

Street Address: _____

City, State, Zip Code: _____

Phone Number: _____

Email: _____

Name *(please print)*

Broker-Dealer Authorized Signature

(Authorized signature of broker-dealer required on all applications by broker-dealer affiliated representatives)

ACCEPTANCE
(Office Use Only)

This Subscription Agreement shall be effective only upon acceptance by the Company's Manager and Investor's receipt of a countersigned copy of this Acceptance.

The following subscription has been accepted as of _____, 20_____.

Company REDWOOD MORTGAGE INVESTORS X, LLC
 177 Bovet Road, Suite 520
 San Mateo, CA 94402
 (650) 365-5341

Investor/Member: Investor Name: _____

Investor #: _____ Date Entered: _____

Check Amount \$ _____ Check Date: _____

BD Units Purchased: No. _____ Amount _____

Manager Acceptance: REDWOOD MORTGAGE CORP.

By: _____

Name: _____

Its: _____

Instructions for completing Subscription Agreement
Redwood Mortgage Investors X, LLC

Please follow these instructions and complete each section carefully, as failure to do may result in rejection of your Subscription Agreement.

PART II – INVESTOR INFORMATION

Item 1. Type of Ownership

Check the appropriate box to indicate what type of investment you are making. Note under each classification any additional signatures or documents that may be required. If the investment type you are making is not listed, enter it in the section titled OTHER.

Item 2. Investor Name and Address

Enter the full name of the Investor. For trust accounts and non-custodial qualified plans enter the name of the trustee(s) on the first line and the trust or plan name on the second line. On custodial accounts this section must be completed for the benefit plan investor; custodial information is entered in Item 2.

Enter the Investor's mailing address, phone and Social Security Number or Tax ID Number. If the investment is made in more than one name, only one Tax ID Number will be used and should be that of the first person listed.

Item 3. Custodian Registration

Custodian should complete this section, entering all pertinent information and signing accordingly.

Item 4. Subscription for BD Units

Mark whether the investment is an initial or additional investment.

Enter the number of BD Units purchased and the dollar amount of the investment (at \$1.00 per BD Unit).

Item 5. Distributions

Check the appropriate box to indicate whether the Investor elects to compound its earnings, or to have earnings distributed quarterly or monthly. Monthly distribution elections are subject to Manager approval.

Each Investor who elects to have distributions reinvested agrees to notify the company and the broker-dealer named in the Subscription Agreement in writing if at any time he or she fails to meet the applicable suitability standards or he or she is unable to make any other representations and warranties as set forth in the Memorandum or Subscription Agreement.

Item 6. Alternate Address for Distributions

If distributions are to be sent to an address other than that provided in Item 2 or 3, provide the name, address and account number.

Item 7. Direct Deposit

If distributions are to be made to a checking or savings account via electronic funds transfer, check the appropriate box and attach an original voided check for checking accounts or an original deposit slip for savings accounts.

Your request for EFT deposit may be rejected if it is not accompanied by the proper bank document as indicated above.

PART III – INVESTOR QUALIFICATION

Item 1. Investor Qualification and Verification (Individuals)

If Investor is an individual, initial each of the representations in subsection (a) and/or (b), if any, that are true for Investor as of the date of this Subscription Agreement.

Item 2. Investor Qualification and Verification (Entities)

If Investor is an Entity Subscriber (i.e., a trust, corporation, partnership or other business entity) the individual completing this Subscription Agreement must initial each of the representations listed, if any, that are true for the Investor as of the date of this Subscription Agreement.

PART IV – EXECUTION SECTION

Enter the date, city and state the Subscription Agreement was signed. If the investment is held jointly or severally all individuals jointly or severally investing must sign the Subscription Agreement. Only original signatures will be accepted.

PART V – BROKER-DEALER INFORMATION

For sales made by, or arranged through, a broker-dealer, the registered representative or advisors and the broker-dealer should complete and sign the applicable sections in Part V. Subscription Agreements submitted by registered representatives or advisors of a broker-dealer must, in all cases, include the broker-dealer information and the authorized signature of the representative or advisor's broker-dealer under Item 2 of Part V to be accepted.

ACCEPTANCE

The acceptance section is for Redwood Mortgage Investors office use only.

SUBMISSION

Forward the completed and signed original Subscription Agreement along with your payment to the following address. Wiring instructions are available. Please contact Investor Services for current wiring instructions.

Mailing Address:

Redwood Mortgage Investors X, LLC
c/o Redwood Mortgage Corp.
177 Bovet Road, Suite 520
San Mateo, CA 94402

If you have any questions or require additional assistance in completing the Subscription Agreement, please contact Investor Services at (800) 659-6593, option 5.

SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY

REDWOOD MORTGAGE INVESTORS X, a Delaware limited liability company

The undersigned ("Investor") hereby applies to become a member of Redwood Mortgage Investors X, LLC, a Delaware limited liability company (the "Company"), and subscribes to purchase membership interests units in Tier RIA of the Company ("RIA Units") on the terms and conditions described in the Company's Private Placement Memorandum dated November 15, 2019 (as amended or supplemented from time to time, the "Memorandum"). All capitalized terms not otherwise defined herein have the meanings given in the Memorandum.

PART I – GENERAL REPRESENTATIONS, WARRANTIES & AGREEMENTS

1. Representations & Warranties. The undersigned represents and warrants to the Company and its manager, Redwood Mortgage Corp. ("Manager"), as follows:

(a) *Offering Documents.* I have received, read and fully understood the Memorandum and the Limited Liability Company Operating Agreement for the Company, dated September 12, 2019 attached as Exhibit A, thereto (the "Operating Agreement"). In making this investment I am relying on the information provided in the Memorandum, the Operating Agreement and this Subscription Agreement & Power of Attorney ("Subscription Agreement" and together with the Memorandum and Operating Agreement, the "Offering Documents"). I have not relied on any statements or representations inconsistent with those contained in the Offering Documents.

(b) *Acknowledgment of Risks & Conflicts.* I have carefully reviewed and understand the risks and other considerations relating to a purchase of RIA Units, including the information set forth in the "Risk Factors" and "Conflicts of Interest" sections of the Memorandum.

(c) *Receipt of Material Information.* I and my representatives, if any, have been furnished all materials relating to the offering of RIA Units and BD Units (collectively "Units") and the Company's activities, or anything set forth in the Memorandum or the Operating Agreement that I or they have requested, and have been afforded the opportunity to obtain any additional information deemed necessary to verify the accuracy of any representations or information set forth in the Memorandum. The Manager of the Company has answered all my inquiries concerning the Company and all other matters relating to the offer and sale of Units and I have requested and received from the Manager all information I have deemed relevant and material to my decision to invest in the RIA Units subscribed for herein.

(d) *Securities Representations.* I understand that none of the Company's Units (including the RIA Units purchased hereby) have been registered under the Securities Act of 1933, as amended (the "Act"), and all Units are being offered in reliance upon exemptions from registration provided under Section 4(a)(2) of the Act and Regulation D thereunder. I further understand that none of the Company's Units (including the RIA Units purchased hereby) have been qualified under the securities laws of any state or other jurisdiction where purchasers of Units may reside, in reliance on exemptions from such qualification available to certain private or limited offerings including those conducted under Regulation D. I acknowledge and understand that the availability of these exemptions depends in part upon the accuracy of the representations and warranties contained herein (including those made regarding my accredited status set forth in Sections 1 or 2 of Part III hereof), which I hereby make with the intent that they may be relied upon by the Manager.

(e) *Entity Subscribers.* If I am executing this Subscription Agreement on behalf of a trust, a business entity or other non-individual subscriber (an "Entity Subscriber"), I represent and warrant that the Entity Subscriber was not formed specifically to purchase Company Units .

(f) *Non-Disqualification.* Neither I or, if applicable, the Entity Subscriber:

(i) have, within ten years before the date hereof, been convicted of any felony or misdemeanor: (1) in connection with the purchase or sale of any security; (2) involving the making of any false filing with the

Securities and Exchange Commission ("SEC"); or (3) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment advisor or paid solicitor of purchasers of securities;

(ii) are subject to any order, judgment or decree of any court of competent jurisdiction, entered within five years before the date hereof, that, as of the date hereof, restrains or enjoins me or the Entity Subscriber (if applicable) from engaging or continuing to engage in any conduct or practice: (1) in connection the with purchase or sale of any security; (2) involving the making of any false filing with the SEC; or (3) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment advisor or paid solicitor of purchasers of securities;

(iii) are, to my knowledge, subject to any final order of state securities commission (or an agency or officer of a state performing like functions); a state authority that supervises or examines banks, savings associations, or credit unions; a state insurance commission (or an agency or officer of a state performing like functions); an appropriate federal banking agency; the U.S. Commodity Futures Trading Commission; or the National Credit Union Administration that: (1) as of the date hereof, bars me or Entity Subscriber (if applicable) from: (A) association with an entity regulated by such commission, authority, agency, or officer; (B) engaging in the business of securities, insurance or banking; or (C) engaging in savings association or credit union activities; or (2) constitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct entered within ten years before such sale;

(iv) are subject to any order of the SEC entered pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") or the Investment Advisers Act of 1940 (the "IAA") that, as of the date hereof: (1) suspends or revokes my or Equity Subscriber's (if applicable) registration as a broker, dealer, municipal securities dealer or investment advisor; (2) places limitations on my or Equity Subscriber's (if applicable) activities, functions or operation; or (3) bars me or Equity Subscriber (if applicable) from being associated with any entity or from participating in the offering of any penny stock;

(v) are subject to any order of the SEC entered within five years before the date hereof that, as of the date hereof, orders me or Equity Subscriber (if applicable) to cease and desist from committing or causing a violation or future violation of: (1) any scienter based anti-fraud provision of the federal securities laws, including without limitation any anti-fraud provision set forth in the Securities Act, the Exchange Act, the IAA, or any rule or regulation promulgated thereunder; or (2) Section 5 of the Securities Act;

(vi) are currently suspended or expelled from membership in, or suspended or barred from association with a member of, a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(vii) have filed (as a registrant or issuer), or was named as an underwriter in, any registration statement or Regulation A offering statement filed with the SEC that, within five years of the date hereof, was the subject of a refusal order, stop order, or order suspending the regulation A exemption, or is, as of the date hereof, the subject of any investigation or proceeding to determine whether a stop order or suspension order should be issued.

(viii) are subject to a United States Postal Service false representation order entered within five years of the date hereof, or, as of the date hereof, subject to a temporary restraining order or preliminary injunction with respect to conduct alleged by the United States Postal Service to constitute a scheme or device for obtaining money or property through the mail by means of false representations;

(ix) have, within the last ten years, been convicted of or pleaded nolo contendere to a crime, or committed an act involving dishonesty, fraud, or deceit, which crime or act was substantially related to the qualifications, functions, or duties of a person engaged in business as a California finance lender;

(x) has violated any provision of the California Finance Lenders Law set forth in Division 9 of the California Financial Code (§§ 22000, et. seq.) or the rules of the California Commissioner of Business Oversight promulgated thereunder or any similar regulatory scheme of the State of California or a foreign jurisdiction.

(g) *Limited Liquidity.* I understand that my ability to withdraw my investment is limited and that early withdrawals are subject to the surrender charges set forth in the Operating Agreement and described in the Memorandum. I further understand that Units (including the RIA Units purchased hereunder) may not be sold or otherwise disposed of without the prior written consent of the Manager, which consent may be granted or withheld in its sole discretion. I have liquid assets sufficient to assure myself that (i) my investment in the RIA Units subscribed for herein will not cause me undue financial difficulty, and (ii) I can provide for my current and future cash needs, both anticipated and unanticipated without the need for any income distributions from the Company or the return of my invested capital prior to dissolution and liquidation of the Company as described in the Memorandum. If I am the trustee of a trust, the lack of liquidity of Units will not cause any difficulty for the trust in meeting the trust's obligations to make distributions to its beneficiaries in a timely manner.

(h) *Investment Purpose.* I am purchasing RIA Units solely for my own account and not with a view to or for a sale in connection with any further sale or distribution of such RIA Units.

(i) *Authorization & Experience.* If I am executing this Subscription Agreement on behalf of an Entity Subscriber, I am duly authorized to act for such Entity Subscriber and to execute and deliver this Subscription Agreement to Manager on the Entity Subscriber's behalf. I have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of this investment or I have been advised with respect to my purchase of RIA Units by someone with such knowledge and experience. I am 18 years of age or older.

2. Power of Attorney. The undersigned hereby irrevocably constitutes and appoints the Manager as his true and lawful attorney-in-fact, with full power and authority for him, and in his name, place and stead, to execute, acknowledge, publish and file:

(a) *Formation Documents.* The Certificate of Formation and the Operating Agreement of the Company and any amendments thereto or cancellations thereof required under the laws of the State of Delaware or authorized thereby;

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

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

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

3. Acceptance. This Subscription Agreement will be accepted or rejected by the managers within ten (10) days of its receipt by the Company. If rejected I will have my subscription funds returned without interest. Upon acceptance, I will be obligated to purchase the number of RIA Units specified herein and this subscription will become irrevocable and non-cancelable and subscription funds will be non-refundable for any reason unless I am subscribing on behalf of an ERISA plan which is not admitted to the Company by the Manager within forty-five (45) days of the acceptance date. If I am subscribing on behalf of an ERISA plan, this subscription will be irrevocable and non-cancelable and my subscription funds will be non-refundable for forty-five (45) days following acceptance and only if the ERISA plan has not been admitted to the Company during this time may I request the return of the ERISA plan's subscription funds. In such event, and provided my request is received by the Manager prior to the effective admission of the ERISA plan into the Company, the ERISA plan's subscription funds will be promptly returned to me without interest. The Manager will return a countersigned copy of this Subscription Agreement to accepted members, which copy (together with my canceled check) will be evidence of my purchase of RIA Units.

4. Payment of Subscription Price. The full purchase price for RIA Units is \$1.00 per Unit, payable in cash concurrently with delivery of this Subscription Agreement. I understand that will not be admitted as a member of the Company until this Subscription Agreement has been accepted by the Manager and my subscription funds are required to fund a Company loan or for other proper Company purposes and are transferred into the Company's Operating Account. In the interim, my subscription funds will earn interest at money market account rates. Such interest will be returned to me after I am admitted to the Company.

5. Indemnification. The undersigned agrees to indemnify and hold the company and its manager, members and other agents and employees harmless from and against any and all claims, demands, liabilities and damages (including, without limitation, all attorneys' fees which shall be paid as incurred) which any of them may incur, in any manner or to any person, by reason of the falsity, incompleteness or misrepresentation of any information furnished by the undersigned herein or in any document submitted herewith. The effect of this Section 4 is that the undersigned will be financially responsible for all losses, damages, expenses and liabilities incurred by the Company and/or its Manager as a result of a breach of any of the representations and warranties made by the undersigned.

PART II – INVESTOR INFORMATION
(Please complete all applicable sections and information.)

1. Type of Ownership. In what capacity is Investor seeking to purchase RIA Units (please check one):

- INDIVIDUAL**
- TRUST** (Trustee signature required)
(Title page, Successor Trustee page and signature pages of the Trust Agreement must be enclosed)
- * **JOINT TENANTS WITH RIGHTS OF SURVIVORSHIP**
- * **COMMUNITY PROPERTY**
- * **TENANTS IN COMMON**
- TOD – Transfer On Death**
(must be titled as an Individual or as Joint Tenants only – special form required)
- * **IRA** (Investor and Custodian must sign)
- * **ROTH IRA** (Investor and Custodian must sign)
- * **SEP/IRA** (Investor and Custodian must sign)
- PENSION PLAN** (Trustee signature required)
- PROFIT SHARING PLAN** (Trustee signature required)
- 401(k)** (Trustee signature required)
- OTHER** (Please describe)

* Two or more signatures required

4. **Subscription for RIA Units** (*Complete for all accounts*). Please complete the following information as applicable.

- Check One:** Initial Investment (New Member) (\$25,000/25,000 Unit Minimum Investment)
 Additional Investment (Existing Member) (\$10,000/10,000 Unit Minimum Investment)

Number of RIA Units Purchased

Amount of payment enclosed
(Please make check payable to "Redwood Mortgage Investors X, LLC")

A completed Subscription Agreement is required for each initial and additional investment.

5. **Distributions** (*complete for all accounts*). Please check one of the following. Please note that all custodial account distributions made to electing Members will be directed to the custodian listed in Item 2.

- Check as Applicable :** I elect to compound my earnings with respect to my RIA Units.
 I elect to receive cash distributions of earnings paid:
 Quarterly
 Monthly (*subject to approval by the Manager*)

6. **Alternate Address For Distributions** (*if applicable*). If cash distributions are to be sent to an address other than that listed in Item 1 or 2, please enter the information here. All other communications will be mailed to Investor's registered address of record under Item 1. In no event will the Company or its affiliates be responsible for any adverse consequences of direct deposits.

Name

Client Account #

Address

City

State

Zip Code

7. **Direct Deposit** (*Electronic Funds Transfer*). Must attach original voided check for checking account deposits deposit slip for savings account deposits.

- Check one:** Checking Savings

PART III – INVESTOR QUALIFICATION
(Please complete all applicable sections and information)

1. Investor Qualification & Verification (Individuals). If you are investing in your individual capacity, please initial which, if any of the following accredited investor standards apply as of the date hereof.

(a) *Net Worth Standard.* I hereby represent and warrant to the Manager and the Company as follows (please initial which of the following, if any, is true):

_____ My individual net worth at the time of purchase (exclusive of the net value of my primary residence) currently exceeds \$1,000,000.*

_____ My joint net worth, together with my spouse at the time of purchase (exclusive of the net value of our primary residence), exceeds \$1,000,000.*

(b) *Income Standard.* I hereby represent and warrant to the Manager and the Company as follows (please initial which of the following, if any, is true):

_____ My individual income exceeded \$200,000 in each of the two most recent years, and I have a reasonable expectation of reaching the same income level in the current year.

_____ My joint income with my spouse exceeded \$300,000 in each of the two most recent calendar years, and we have a reasonable expectation of reaching the same income level in the current year.

2. Investor Qualification & Verification (Entities). If you are signing this Subscription Agreement on behalf of a Subscribing Entity, please initial which of the following (if any) are true as of the date hereof.

_____ The Investor is an *irrevocable* trust not formed for the specific purpose of acquiring Units with total assets in excess of \$5,000,000 whose purchase is directed by a person with such knowledge and experience in financial and business matters that such person is capable of evaluating the merits and risks of an investment in Units.

_____ Investor is a corporation, partnership or limited liability company all the equity owners of which are Accredited Investors.

_____ Investor is an employee benefit plan within the meaning of Title I of the U.S. Employment Retirement Income Security Act, as amended from time to time ("ERISA Plan") which has total assets in excess of \$5,000,000.

_____ Investor is an ERISA Plan and the investment decision is being made by a fiduciary which is a bank, savings and loan association, insurance company or registered investment advisor.

* For this purpose, the "net value" of your primary residence means the estimated fair market value of your primary residence less the total principal amount of any debt that is secured by your primary residence as of the date of your subscription for Units. Debt secured by your primary residence, up to the estimated fair market value of such residence, should be excluded as a liability for determining your net worth unless: (i) the amount of such debt outstanding at the time of subscription exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, in which case the amount of such excess must be included as an additional liability; or (ii) the total amount of indebtedness secured by your primary residence exceeds the estimated fair market value of the primary residence at the time of investment, in which case the amount of such excess must also be included as a liability.

- _____ Investor is a revocable grantor trust and the grantor is an individual that meets the standards for being an Accredited Investor set forth in Section 1 above.
- _____ Investor is a self-directed ERISA Plan whose investment decisions are made by a person who is an individual that meets the standards for being an Accredited Investor set forth in Section 1, above.
- _____ Investor is an individual retirement account ("IRA") and the beneficial owner meets the standards for being an accredited investor under Section 1, above.
- _____ Investor is an organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership with total assets (regardless of liabilities) in excess of \$5,000,000.

PART IV – EXECUTION SECTION

I hereby subscribe to purchase the RIA Units indicated in this Subscription Agreement. By signing below I acknowledge that I understand the meaning and legal consequences of the representations and warranties made by me in this Subscription Agreement, and that the Manager will rely on such representations and warranties in making its determination to accept or reject this subscription.

IN WITNESS WHEREOF, the undersigned has executed below this _____ day of _____, 20____, at _____ (City).

Investor's primary residence is in _____ (State).

(Investor Signature and Title)

(Investor Signature and Title)

This Subscription Agreement shall be effective only upon acceptance by the Company's Manager and Investor's receipt of a countersigned copy of the Acceptance set forth below. Upon acceptance, this subscription shall be irrevocable and non-cancelable and subscription funds shall be non-refundable for any reason.

PART V – INVESTMENT ADVISOR INFORMATION.

The undersigned registered investment advisor ("Advisor") hereby certifies that: (i) all representations set forth in the Selected Investment Advisor Agreement between Advisor and Company ("Advisor Agreement") are true and correct as of the date of this Subscription Agreement; (ii) a copy of the Memorandum together with all exhibits thereto, as amended and/or supplemented to date, has been delivered to subscribing Investor as required under the Advisor Agreement; and (iii) Advisor has made all applicable filings and complied with all FINRA and SEC rules applicable to Advisor with respect to the sale of these RIA Units to Investor including validating Investor's status as an accredited investor and conducting all due diligence deemed necessary to determine the suitability of this investment for Investor.

Registered Investment Advisor:

Name: _____

Street Address: _____

City, State, Zip Code: _____

Phone Number: _____

Email: _____

Name (*please print*)

Advisor Authorized Signature

ACCEPTANCE
(Office Use Only)

The following subscription has been accepted as of _____, 20_____.

Company REDWOOD MORTGAGE INVESTORS X, LLC
 177 Bovet Road, Suite 520
 San Mateo, CA 94402
 (650) 365-5341

Investor/Member: Investor Name: _____

Investor #: _____ Date Entered: _____

Check Amount \$ _____ Check Date: _____

RIA Units Purchased: No. _____ Amount _____

Manager Acceptance: REDWOOD MORTGAGE CORP.

By: _____

Name: _____

Its: _____

Instructions for completing Subscription Agreement
Redwood Mortgage Investors X, LLC

Please follow these instructions and complete each section carefully, as failure to do may result in rejection of your Subscription Agreement.

PART II – INVESTOR INFORMATION

Item 1. Type of Ownership

Check the appropriate box to indicate what type of investment you are making. Note under each classification any additional signatures or documents that may be required. If the investment type you are making is not listed, enter it in the section titled OTHER.

Item 2. Investor Name and Address

Enter the full name of the Investor. For trust accounts and non-custodial qualified plans enter the name of the trustee(s) on the first line and the trust or plan name on the second line. On custodial accounts this section must be completed for the benefit plan investor; custodial information is entered in Item 2.

Enter the Investor's mailing address, phone and Social Security Number or Tax ID Number. If the investment is made in more than one name, only one Tax ID Number will be used and should be that of the first person listed.

Item 3. Custodian Registration

Custodian should complete this section, entering all pertinent information and signing accordingly.

Item 4. Subscription for RIA Units

Mark whether the investment is an initial or additional investment.

Enter the number of RIA Units purchased and the dollar amount of the investment (at \$1.00 per RIA Unit).

Item 5. Distributions

Check the appropriate box to indicate whether the Investor elects to compound its earnings, or to have earnings distributed quarterly or monthly. Monthly distribution elections are subject to Manager approval.

Each Investor who elects to have distributions reinvested agrees to notify the company and the Registered Investment Adviser's named in the Subscription Agreement in writing if at any time he or she fails to meet the applicable suitability standards or he or she is unable to make any other representations and warranties as set forth in the Memorandum or Subscription Agreement.

Item 6. Alternate Address for Distributions

If distributions are to be sent to an address other than that provided in Item 2 or 3, provide the name, address and account number.

Item 7. Direct Deposit

If distributions are to be made to a checking or savings account via electronic funds transfer, check the appropriate box and attach an original voided check for checking accounts or an original deposit slip for savings accounts.

Your request for EFT deposit may be rejected if it is not accompanied by the proper bank document as indicated above.

PART III – INVESTOR QUALIFICATION

Item 1. Investor Qualification and Verification (Individuals)

If Investor is an individual, initial each of the representations in subsection (a) and/or (b), if any, that are true for Investor as of the date of this Subscription Agreement.

Item 2. Investor Qualification and Verification (Entities)

If Investor is an Entity Subscriber (i.e., a trust, corporation, partnership or other business entity) the individual completing this Subscription Agreement must initial each of the representations listed, if any, that are true for the Investor as of the date of this Subscription Agreement.

PART IV – EXECUTION SECTION

Enter the date, city and state the Subscription Agreement was signed. If the investment is held jointly or severally all individuals jointly or severally investing must sign the Subscription Agreement. Only original signatures will be accepted.

PART V – INVESTMENT ADVISOR INFORMATION

For sales made by, or arranged through, a registered investment advisor, the registered investment advisor must complete and sign Part V.

ACCEPTANCE

The acceptance section is for Redwood Mortgage Investors office use only.

SUBMISSION

Forward the completed and signed original Subscription Agreement along with your payment to the following address. Wiring instructions are available. Please contact Investor Services for current wiring instructions.

Mailing Address:
Redwood Mortgage Investors X, LLC
c/o Redwood Mortgage Corp.
177 Bovet Road, Suite 520
San Mateo, CA 94402

If you have any questions or require additional assistance in completing the Subscription Agreement, please contact Investor Services at (800) 659-6593, option 5.