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Secured Investment High Yield Fund II, LLC

Private Placement Memorandum

Legal Information Is Not the Same as Legal Advice

This booklet provides information about real estate investing; private money borrowing, lending, and brokering; and is designed to help users safely determine their own legal needs. Please understand that legal information is not the same as legal advice. The application of law varies with an individual's specific circumstances. Laws vary from state to state and are in constant change, and although we do everything we can to make sure our information is accurate and useful, we recommend you consult a lawyer if you want professional assurance that this information, and your interpretation of it, is appropriate to your particular situation.

FOR EDUCATIONAL PURPOSES ONLY

NOT INTENDED FOR SOLICITATION

Name of Offeree: _____ **Memorandum No.:** _____

AMENDED
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

DO NOT COPY OR CIRCULATE

THE DISCLOSURES AND INFORMATION CONTAINED IN THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM (this "Memorandum") ARE MADE WITH THE EXPECTATION THAT THE CONTENTS HEREOF WILL BE KEPT CONFIDENTIAL AND WILL NOT BE USED BY THE RECIPIENT FOR ANY PURPOSE OTHER THAN TO DECIDE WHETHER TO PURCHASE ANY OF THE MEMBERSHIP INTERESTS OF SECURED INVESTMENT HIGH YIELD FUND II, LLC (the "Company") OFFERED HEREBY. NO TRANSFER OF ANY RIGHTS TO PROPRIETARY INFORMATION IS INTENDED. NO REPRODUCTION OR USE OF SUCH PROPRIETARY INFORMATION MAY BE MADE EXCEPT BY EXPRESS PRIOR WRITTEN PERMISSION OF THE COMPANY.

Dated as of June 22, 2015

Offering of at least
$500,000* in membership interests of

SECURED INVESTMENT HIGH YIELD FUND II, LLC
an Idaho limited liability company

c/o SECURED INVESTMENT CORP.
Attention: Heather Dreves
1121 E. Mullan Ave.
Coeur d'Alene, ID 83814
1-800-341-9918

MINIMUM AGGREGATE OFFERING: $**500,000***
MAXIMUM AGGREGATE OFFERING: $**10,000,000** *
Minimum Individual Investment - $**50,000***

* THE OFFERING OF MEMBERSHIP INTERESTS DESCRIBED IN THIS MEMORANDUM (the "Offering") IS MADE SUBJECT TO WITHDRAWAL, CANCELLATION OR MODIFICATION BY THE COMPANY WITHOUT NOTICE. THE COMPANY RESERVES THE RIGHT TO DECREASE OR INCREASE THE AGGREGATE MINIMUM OR MAXIMUM OFFERING AMOUNT SOUGHT, THE MINIMUM DOLLAR AMOUNT SOUGHT FROM ANY PROSPECTIVE INVESTOR, TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART, OR TO ALLOT TO ANY PROSPECTIVE INVESTOR AN AMOUNT LESS THAN THE INVESTMENT SUBSCRIBED FOR BY SUCH INVESTOR.

THIS MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS CONCERNING THE COMPANY'S OR THE COMPANY'S MANAGEMENT'S PLANS, INTENTIONS, STRATEGIES, EXPECTATIONS, PREDICTIONS, FINANCIAL PROJECTIONS, AND BELIEFS CONCERNING THE COMPANY'S FUTURE ACTIVITIES AND RESULTS OF OPERATIONS AND OTHER FUTURE EVENTS OR CONDITIONS. ACTUAL RESULTS, EVENTS OR CONDITIONS WILL DIFFER, AND MAY DIFFER MATERIALLY, FROM THOSE PROJECTED BY THE COMPANY. THIS WILL LIKELY BE DUE TO A VARIETY OF FACTORS, SOME OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. SEE GENERALLY THE SECTION ENTITLED "RISK FACTORS."

THIS MEMORANDUM IS ONLY A SUMMARY OF THE ANTICIPATED BUSINESS OF THE COMPANY AND ITS LIMITED LIABILITY COMPANY OPERATING AGREEMENT, A COMPLETE COPY OF WHICH IS ATTACHED AS EXHIBIT D TO THE SUBSCRIPTION BOOKLET (the "Operating Agreement"). PROSPECTIVE INVESTORS AND THEIR RESPECTIVE COUNSEL AND ADVISORS SHOULD CAREFULLY REVIEW THE OPERATING AGREEMENT, A COPY OF WHICH HAS CONTEMPORANEOUSLY BEEN DELIVERED TO PROSPECTIVE INVESTORS TOGETHER WITH THIS MEMORANDUM.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE COMPANY OR ITS MANAGERS OR ANY OF THE COMPANY'S OFFICERS, AGENTS OR REPRESENTATIVES AS LEGAL OR TAX ADVICE, OR AS INFORMATION NECESSARILY APPLICABLE TO SUCH PROSPECTIVE INVESTORS' PARTICULAR FINANCIAL SITUATION. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN FINANCIAL ADVISOR, LEGAL COUNSEL, AND ACCOUNTANT AS TO MATTERS CONCERNING HIS, HER OR ITS PROPOSED INVESTMENT AND HIS, HER OR ITS INVESTMENT DECISION IN CONNECTION THEREWITH.

THE OFFERING DESCRIBED IN THIS MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES ADMINISTRATOR. ANY REPRESENTATION TO THE CONTRARY MAY BE UNLAWFUL. EACH PROSPECTIVE INVESTOR WHO IS IN RECEIPT OF THIS MEMORANDUM SHOULD RELY ON HIS, HER OR ITS OWN CAREFUL EXAMINATION OF THE CONDITION AND AFFAIRS OF THE COMPANY AND OF THE TERMS OF THE OFFERING IN MAKING HIS, HER OR ITS INVESTMENT DECISION.

THE INVESTMENT OPPORTUNITY DESCRIBED IN THIS MEMORANDUM INVOLVES A HIGH DEGREE OF RISK ARISING FROM A NUMBER OF FACTORS, INCLUDING THE FACT THAT THERE IS NO MARKET FOR THE MEMBERSHIP INTERESTS OF THE COMPANY DESCRIBED IN THIS MEMORANDUM.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS OR PROVIDE ANY INFORMATION WITH RESPECT TO THE MEMBERSHIP INTERESTS OF THE COMPANY EXCEPT SUCH INFORMATION AS IS CONTAINED IN THIS MEMORANDUM OR AS MAY BE RECEIVED UPON INQUIRY TO THE COMPANY AT THE ADDRESS ABOVE.

POTENTIAL INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THIS MEMORANDUM.

A NUMBER OF FACTORS MATERIAL TO A DECISION WHETHER TO INVEST IN MEMBERSHIP INTERESTS OF THE COMPANY HAVE BEEN PRESENTED IN THIS MEMORANDUM IN SUMMARY FORM ONLY IN RELIANCE ON THE FINANCIAL

SOPHISTICATION AND SUITABILITY OF ALL PROSPECTIVE INVESTORS. THE COMPANY UNDERTAKES TO MAKE AVAILABLE TO EACH PROSPECTIVE INVESTOR AND HIS, HER OR ITS RESPECTIVE INVESTMENT REPRESENTATIVES OR AGENTS THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM MANAGEMENT OF THE COMPANY CONCERNING ANY ASPECT OF THE COMPANY AND ITS ANTICIPATED OPERATIONS AND TO OBTAIN ANY ADDITIONAL RELATED INFORMATION TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THE COMPANY, ITS MANAGER AND THEIR AFFILIATES MAKE NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, OR, IN THE CASE OF PROJECTIONS, AS TO THEIR ATTAINABILITY OR THE ACCURACY OR COMPLETENESS OF THE ASSUMPTIONS FROM WHICH THEY ARE DERIVED, AND IT IS EXPECTED THAT EACH PROSPECTIVE INVESTOR WILL PURSUE HIS, HER OR ITS OWN INDEPENDENT INVESTIGATION OF THE COMPANY AND ITS ANTICIPATED BUSINESS.

THIS OFFERING AND THE BUSINESS OF THE COMPANY WILL NECESSARILY ENTAIL OR INVITE VARIOUS CONFLICTS OF INTEREST AMONG THE COMPANY, THE MANAGER AND THEIR AFFILIATES. THERE CAN BE NO ASSURANCE THAT SUCH CONFLICTS OF INTEREST WILL BE RESOLVED, OR THAT IF RESOLVED, THEY WILL BE RESOLVED IN A MANNER FAVORABLE TO THE COMPANY OR TO THE MEMBERS OF THE COMPANY WHO HOLD MEMBERSHIP INTERESTS. SEE THE SECTION ENTITLED "CONFLICTS OF INTEREST."

ALL STATEMENTS IN THIS MEMORANDUM ARE MADE AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE OF THE MEMBERSHIP INTERESTS OF THE COMPANY OFFERED HEREBY WILL CREATE, UNDER ANY CIRCUMSTANCE, ANY IMPLICATION THAT THE AFFAIRS OF THE COMPANY AND OTHER INFORMATION CONTAINED HEREIN REMAIN UNCHANGED SINCE THE DATE HEREOF.

CERTAIN PROVISIONS OF VARIOUS AGREEMENTS ARE SUMMARIZED IN THIS MEMORANDUM. PROSPECTIVE INVESTORS SHOULD NOT ASSUME THAT THE SUMMARIES ARE COMPLETE. SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE TEXT OF THE ORIGINAL DOCUMENTS. SUCH DOCUMENTS WILL BE MADE AVAILABLE TO PROSPECTIVE INVESTORS UPON REQUEST.

Offering Expiration Date

The Company intends to accept contributions from prospective investors until the end of the Investment Period ("Offering Expiration Date").

Subscriptions from prospective investors will be effective only upon their acceptance by Secured Investment Corp., (the "Manager"). The Manager reserves the right to accept or reject any subscription in whole or in part. If the Manager accepts a prospective investor's subscription, that investor will be admitted to the Company under the terms of the Operating Agreement, a copy of which is attached as Exhibit D to the Subscription Booklet which is attached to this Memorandum as Exhibit A. Each prospective investor will be requested to execute the Operating Agreement. Each prospective investor will also execute a Subscription Agreement that provides in part, that a prospective investor must agree to be bound by the terms and provisions of the Operating Agreement. Prospective investors who do so and who become

members of the Company are referred to in this Memorandum as a "Member" or the "Members." *See also* the section entitled "EXECUTIVE SUMMARY OF THE OFFERING AND USE OF PROCEEDS".

Subscriptions At Par Prior To Offering Expiration Date

The Offering described in this Memorandum will be open to investors at "par" up to the Offering Expiration Date. This means that subsequent investors have the ability to purchase Membership Interests on the same basis as did early investors. As a result, early investors therefore may bear greater risks than later investors in the Offering.

General Solicitation under Rule 506(c) - Title II of the Jumpstart Our Business Startups Act

The Company has filed a Form D with the Securities and Exchange Commission, in which the Company elected to proceed under Rule 506(c) to allow the Company to engage in general solicitation. In order to take advantage of the general solicitation and advertising provisions under Rule 506(c), the Company must take reasonable steps to verify that all the investors in the Company are accredited investors. This means two things: first, that the Company's investors are no longer able to self-certify that they are accredited investors by simply filling out a questionnaire; and second, that the Company must take reasonable steps to verify accredited investor status. The Company will still require that the Company's investors deliver to the Company a status certification letter, in a form acceptable to the Company's Manager, verifying that each investor is an accredited investor status. This requirement cannot and will not be waived by the Company or the Company's Manager. If an investor is not willing to supply the required status certification letter, an investment in the Company may not be a suitable investment for the investor. The status certification letter must be submitted by an acceptable third party. The Company deems the following to be acceptable third party submitters of status certification letters – (1) registered broker-dealer; (2) registered investment adviser; (3) licensed attorney; and (4) certified public accountant.

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EXHIBITS:

Exhibit A: **Subscription Booklet -** which includes the following:

Exhibit A to Subscription Booklet – Subscription Agreement

Exhibit B to Subscription Booklet – Individual Investor Questionnaire

Exhibit C to Subscription Booklet – Entity Investor Questionnaire

Exhibit D to Subscription Booklet – Limited Liability Company Operating Agreement

Exhibit E to Subscription Booklet – W9

DEFINITIONS

Terms not defined in this Private Placement Memorandum shall have the meaning assigned to them in the definition section of the Operating Agreement.

"Affiliate": Any Person which, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a Member or the Manager. The terms, "control," "controlled" or "controlling" include, without limitation: (i) the ownership, control or power to vote ten percent (10%) or more of the beneficial interests of any such Person, directly or indirectly, or acting through one or more Persons; (ii) the control in any manner over the manager, or the election of more than one manager, director or trustee (or Persons exercising similar functions) of such Person; or (iii) the power to exercise, directly or indirectly, control over the management or policies of such Person. The generality of the foregoing notwithstanding, Affiliates of the Manager include Secured Investment Corp., Secured Investment High Yield Fund, LLC, Lake City Servicing, Cogo Capital, LLC, Cogo Capital Orange County, Inc., and The Lee Arnold System of Real Estate Investing.

"Asset Base" A sum utilized to calculate the quarterly asset management fee payable to the Manager (see section entitled "COMPENSATION AND FEES TO THE MANAGER AND AFFILIATES"). The Asset Base will equal: (i) the cash and the fair market value of Permitted Temporary Investments; (ii) the principal loan amount of a Senior Debt Instrument, Junior Debt Instrument or Take Out Debt Instrument; (iii) the purchase price paid for any Third Party Note; (iv) the purchase price paid for any Real Estate Investment; and (v) the amount of reserves maintained by the Company or Project SPE. Asset Base shall include any of the above described items regardless of whether held directly by the Company or indirectly through a Project SPE.

"Calendar Quarter": Means each three consecutive calendar monthly periods beginning in January of each year (i.e. January 1-March 31, April 1-June 30, July 1-September 30, October 1-December 31).

"Code": The Internal Revenue Code of 1986, as amended from time to time.

"Company": Secured Investment High Yield Fund II, LLC, an Idaho limited liability company.

"Deploy": To utilize Company funds in respect of the potential funding or acquisition of Target Assets either directly by the Company or indirectly by the Company through a Project SPE.

"Entity": Means any general partnership, limited partnership, limited liability partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association, unincorporated organization, government or any agency or political subdivision thereof, joint stock company or other business organization, including, without limitation, any foreign trust or foreign business organization.

"ERISA": The Employee Retirement Income Security Act of 1974, as amended from time to time.

"First Deployment": The date the Company funds are first Deployed in connection with the funding or acquisition of a Target Asset; *provided, however*, the First Deployment shall not occur until after the Initial Closing.

"Initial Closing": The date on which the Company first accepts subscriptions for Membership Interest in the Company.

"Investment Company Act": The Investment Company Act of 1940, as amended from time to time.

"Investment Period": The Investment Period shall begin on the date of the Initial Closing and continue for four (4) years after the date of the Initial Closing.

"Junior Debt Instruments": Loans made by the Company or Project SPE to real estate investors by way of a promissory note secured by either a second or junior position deed of trust or mortgage on non-owner occupied real property assets. All Junior Debt Instruments originated by the Company or Project SPE shall be for commercial or business purpose and not for personal, family or household use. See subsection Junior Deb Instruments in the section entitled "INVESTMENT OBJECTIVES, POLICIES, AND CRITIERIA."

"Manager": Secured Investment Corp., a Wyoming corporation.

"Member" or "Members": Prospective investors who become owners of Membership Interests in the Company.

"Membership Interests": Membership interests in the Company.

"Memorandum": This Confidential Private Placement Memorandum.

"Offering": The offering of the Membership Interests of the Company as set forth in this Memorandum.

"Offering Expiration Date": The date on which the Investment Period ends.

"Operating Agreement": The amended and restated limited liability company agreement of the Company, a copy of which is attached as Exhibit D to the subscription booklet which is attached to this Memorandum as Exhibit A.

"Origination Points": A percentage of each loan amount charged to the borrower on the closing of a Senior Debt Instrument or Junior Debt Instrument.

"Permitted Temporary Investments": Any investments that the Manager determines are appropriate for short-term investments, including, without limitation (i) securities that are obligations of or guaranteed by the U.S. government, foreign governments or instrumentalities thereof; (ii) domestic or foreign, corporate indebtedness; and (iii) certificates of deposit, money market accounts, savings accounts or checking accounts.

"Person or Persons": Any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns thereof, where the context so requires.

"Project SPE": A single purpose entity (typically a limited liability company) to be owned in whole or in part by the Company for purposes of undertaking the acquisition and subsequent management and disposition of Target Assets.

"Real Estate Investments": Purchases by the Company or Project SPE of non-owner occupied residential (1-4 unit) investment properties for the purpose of rehabbing and selling, rehabbing and holding or selling to another real estate investor. See subsection Real Estate Investments in the section entitled "INVESTMENT OBJECTIVES, POLICIES, AND CRITERIA.

"SEC": The United States Securities and Exchange Commission.

"Securities Act": The Securities Act of 1933, as amended from time to time.

"Senior Debt Instruments": Loans made by the Company or Project SPE to real estate investors by way of a promissory note secured by either a first position deed of trust or mortgage on non-owner occupied real property assets. All Senior Debt Instruments originated by the Company or Project SPE shall be for commercial or business purpose and not for personal, family or household use. See subsection Senior Debt Instruments in the section entitled "INVESTMENT OBJECTIVES, POLICIES, AND CRITERIA.

"Subsequent Closing": Any closing which occurs subsequent to the Initial Closing.

"Take Out Debt Instruments": Refinance loans made by the Company or Project SPE to real estate investors by way of a promissory note secured by either a first position deed of trust or mortgage on non-owner occupied real property assets who are at the end of the term of a Senior Debt Instrument or Junior Debt Instrument and desire to hold the subject non-owner occupied real property asset for a longer term. All Take Out Debt Instruments originated by the Company or Project SPE shall be for commercial or business purpose and not for personal, family or household use. See subsection Take Out Debt Instruments in the section entitled "INVESTMENT OBJECTIVES, POLICIES, AND CRITERIA.

"Target Assets": Shall collectively refer to (i) Senior Debt Instruments; (ii) Junior Debt Instruments; (iii) Take Out Debt Instruments; (iv) Real Estate Investments; and (v) Third Party Notes.

"Third Party Notes" Shall mean promissory notes secured by non-owner occupied residential (1-4 unit) investment properties originated and funded by a third party that the Company or Project SPE purchases. See subsection Third Party Notes in the section entitled "INVESTMENT OBJECTIVES, POLICIES, AND CRITERIA.

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EXECUTIVE SUMMARY OF OFFERING AND USE OF PROCEEDS

The Company: The Company is an Idaho limited liability company formed under the Idaho Limited Liability Company Act and named Secured Investment High Yield Fund II, LLC. The Company has been formed at the direction of the Manager and at the initial sole expense of the Manager. The Company's existence is perpetual; it does not have a specified termination date. The Company's anticipated business is to fund or acquire Target Assets.

The Manager: The Company's manager is a Wyoming corporation organized under the Wyoming Business Corporation Act and named Secured Investment Corp. The Manager will oversee and direct the management of the Company, evaluate and monitor the financial performance of the Company's assets, issue reports of performance to the Company and its Members, and undertake strategic planning in the effort to achieve the goals and objectives of the Company. The Manager will be managed by its executive officers. Please see also the section entitled "MANAGEMENT" below.

Operating Agreement: The Company's Operating Agreement contains a variety of material terms and provisions that should be of direct interest to prospective investors. For instance, Members of the Company will have limited voting rights and no ability to remove the Manager. All decisions regarding the funding or acquisition of Target Assets will be at the sole and absolute discretion of the Manager. All prospective investors are invited to carefully review the Operating Agreement. Capitalized terms not otherwise defined in this Memorandum have the meaning given to them in the Operating Agreement attached as Exhibit D to the Subscription Booklet delivered in connection with this Memorandum. Please see also the section entitled "SUMMARY OF COMPANY OPERATING AGREEMENT" below.

Membership Interests: The Company is offering (by virtue of this Memorandum only) Membership Interests in the Company in an amount of at least $500,000. The maximum limit to the Offering is $10,000,000. The Membership Interests will be offered and sold to one or more "accredited investors" in a private placement to be conducted by the Company on a direct basis, without separate or special compensation, as further described in this Memorandum. Prospective investors will not be allowed to invest less than $50,000 unless specifically consented to by the Manager. The Company reserves the right to increase the minimum required investment at any time. The Company may require the redemption of Membership Interests if redemption is necessary for the Company to qualify for certain regulatory exemptions. Please see also the section entitled "SUMMARY OF COMPANY OPERATING AGREEMENT" below.

Suitability Standards: The purchase of Membership Interests in the Company is limited to Persons who qualify as "accredited investors" within the meaning of Rule 501(a) of Regulation D, as promulgated by the United States Securities and Exchange Commission pursuant to the authority

granted to the SEC under the Securities Act of 1933, as amended.

Leverage: The Company may leverage the capital received by investors to obtain a warehouse line of credit. Assuming the Company, raises $500,000 in this Offering, the Company anticipates that it may be able to obtain a warehouse line of credit for up to $1,500,000. The terms and conditions of any warehouse line of credit obtained by the Company shall be negotiated by the Manager in its sole and absolute discretion.

Term: Five (5) years from the date of the Initial Closing, subject to two additional one-year periods for the purpose of winding down and liquidating the Company's assets; *provided, however*, the Company reserves the right to wind down prior to the expiration of the above identified term.

Target Assets: (i) Senior Debt Instruments; (ii) Junior Debt Instruments; (iii) Take Out Debt Instruments; (iv) Real Estate Investments; and (v) Third Party Notes, subject to certain investment restrictions as described herein. Please also see section entitled "INVESTMENT OBJECTIVES, POLICIES, AND CRITERIA."

Investment Restrictions: The Company will invest no more than the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital into any one single Senior Debt Instrument, Junior Debt Instrument or Take Out Instrument.

The Company will invest no more than the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital into Real Estate Investments.

The Company will invest no more than the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital into Third Party Notes.

Reserves: Up to five percent (5%) of the Company's committed capital may be set aside into reserve for the purpose of paying Company expenses, including but not limited to, foreclosure costs, forced placed insurance, and such other costs and expenses of the Company.

Distributions: *Net Available Proceeds From Operations:*

The Manager shall cause the Company to distribute one hundred percent (100%) of Net Available Proceeds From Operations, not less than quarterly (if Net Available Proceeds From Operations are available) to the Members and Manager as follows:

- First, to all Members pro-rata according to each Member's positive unrecovered capital commitment until each Member has received distributions equal to a 9% cumulative annual return on each Member's positive unrecovered capital commitment;

- Second, 50% to the Members on a pro-rata basis and 50% to the Manager.

As used herein, "Net Available Proceeds From Operations" shall mean the gross cash proceeds from Company operations (other than proceeds from capital transactions, discussed below), less the portion thereof used to pay or establish reserves for all Company expenditures (including fees described herein due the Manager or Affiliates) and contingencies, and less any non-cash proceeds that may not, for any reason, yet be distributable, all as determined by the Manager. Net Available Proceeds From Operations includes monthly interest payments (or rental payments in the case of Real Estate Investments) received by the Company on any Target Asset funded or acquired by the Company, the Company's portion of Origination Points, and payments from the borrower to the Company that are attributable to default interest and/or late payments. Net Available Proceeds from Operations shall also include the Company's portion of any of the above which may be earned or received by the Company through its ownership interest in a Project SPE.

Net Capital Transaction Proceeds:

Subject to the right of the Manager to reinvest Net Capital Transaction Proceeds during the Investment Period, the Manager shall cause the Company to distribute one hundred percent (100%) of the Net Capital Transaction Proceeds, no less frequently than quarterly (if Net Capital Transaction Proceeds are available):

- First, to all Members pro-rata according to each Member's positive unrecovered capital commitment until each Member has received distributions equal to a 9% cumulative annual return on each Member's positive unrecovered capital commitment;
- Second, to all Members pro-rata according to each Member's positive unrecovered capital commitment until each Member's positive unrecovered capital commitment has been reduced to zero;
- Third, 50% to the Members on a pro-rata basis and 50% to the Manager.

As used herein, "Net Capital Transaction Proceeds" means the net cash proceeds resulting from the refinance, sale, disposition, exchange or other transfer of all or any portion of a Target Asset held by the Company, less any portion thereof used to establish reserve for all Company expenditures (including fees described herein due the Manager or Affiliates) and contingencies, and less any portion thereof to be used for reinvestment (as described above under Reinvestment of Capital). Net Capital Transaction Proceeds includes proceeds received by the Company from the following: (i) the sale of Target Assets funded by the Company; (ii) a borrower for a pay-off of a Target Asset funded by the Company; (iii) an insurance company

due to a loss of a property securing a specific trust deed; (iv) the sale of Real Estate Owned ("REO") properties; (v) the sale of Real Estate Investments; (vi) the sale or payoff of any Third Party Note; (v) the sale of the Company of its ownership interest in any Project SPE; or (vi) the Company's portion of any of the above which may be earned or received by the Company through its ownership interest in a Project SPE.

Reinvestment of Capital: Proceeds received by the Company from the following: (i) a borrower for a pay-off of a Target Asset; (iii) an insurance company due to a loss of a property securing a specific trust deed; or (iii) principal proceeds received by the Company from the sale of Real Estate Investments or REO properties, shall be reinvested into new Target Assets as long as the Company received the proceeds and can re-Deploy the proceeds during the Investment Period. If the Company receives these proceeds or cannot re-Deploy the proceeds until after the Investment Period, said proceeds will be distributed to the Members (as Net Capital Transaction Proceeds) pro-rata based upon each Member's ownership percentage.

Company Expenses: The Company shall bear all costs and expenses associated with the operation of the Company, including, but not limited to, the annual tax preparation of the Company's tax returns, any state and federal income tax due, legal fees, accounting fees, filing fees, independent audit reports, foreclosure costs and expenses associated with the foreclosing on Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes, costs associated with force placed insurance, costs and expenses associated with the acquisition, rehabilitation, holding and management of Real Estate Investments and costs and expenses associated with the disposition of Target Assets. The Company shall undergo an annual audit for the protection of the Manager and the Members. The expense of said audit will be paid by the Company.

Co-Investments: The Company reserves the right to invest in Target Assets with one or more related or unrelated Persons; provided, that allocation to such co-investment involves no more than twenty (20%) of the Company's aggregate committed capital.

Successor Company: Unless consented to by at least 75% of the Members, the Manager will not organize a new commingled fund with investment objectives and strategies substantially similar to those of the Company until at least 80% of all Company's capital commitments have been invested in or committed to a Target Asset at least once.

Transfer of Interests: A Member will generally be prohibited from transferring any of his, her or its Membership Interest in the Company. However, a Member may transfer his, her or its Membership Interest to another existing Member, upon death, or to any other Person so long as the transfer is approved by the Manager. A transfer is prohibited if the transfer would violate the provisions of any applicable federal or state securities laws, would require registration of the Company under the

Investment Company Act, would require registration under the Investment Advisers Act of 1940 or would cause the Company to be taxed as a corporation under the Code.

Withdrawals:

No Member may withdraw all or any part of its contribution prior to the date which is twelve (12) months after the date of the Member made such contribution Thereafter a Member's request to withdrawal must be communicated to the Company by giving not less than ninety (90) days' written notice to the Manager. A Member's withdrawal request shall specify the amount the Member requests to withdraw. Each Member's request for a withdrawal shall be subject to the Manager's approval. If the Manager grants a Member's request for a withdrawal, the Member may only withdraw up to twenty-five percent (25%) of withdrawal amount agreed to by the Manager on the last day of the Calendar Quarter in which the Manager has granted a Member's withdrawal request and up to twenty-five percent (25%) of the withdrawal amount agreed to by the Manager on the last day of each subsequent Calendar Quarter until the Member has received the entire withdrawal amount agreed to by the Manager. The above requirements regarding the withdrawal amount and the timing of any specific withdrawal may be modified by the Manager, in its sole and absolute discretion, based on, amongst other things, the Company's current cash flow, the amount of the Company's reserves, and the Company's then-current financial condition.

Reports:

Within ninety (90) days after the end of the Company's fiscal year, the Company will prepare and send to each Member a balance sheet of the Company as of the end of the fiscal year and statements of income and expense, Members' equity and changes in financial position for the year, a cash flow statement, and other additional reports as the Manager deems relevant. In addition, the Company will forward to each Member the tax information as is necessary for preparation by each Member of the Member's federal and state income tax returns.

Each Member (or Member's agent or attorney) also has the right to inspect and copy (at the requesting Member's expense and during regular business hours) the books and records that the Company is required to keep pursuant to the Company's limited liability operating agreement and the Idaho Limited Liability Company Act. Any Member seeking to inspect the Company's records must provide notice a minimum of five (5) business days' prior to the Member's inspection.

Single Purpose Entities:

The Company may cause the formation of one or more single purpose entities (typically a limited liability company) to be owned in whole or in part by the Company for purposes of undertaking the funding, acquisition and subsequent management and disposition of Target Assets (any such single purpose entity is referred to in this Memorandum as a "Project SPE"). Any expenses incurred in

connection with the formation of a Project SPE shall be the sole responsibility of the Company.

If a Project SPE is created and used for the funding, acquisition and subsequent management and disposition of Target Assets, the Company will make a membership contribution to the Project SPE to fund the funding, acquisition and subsequent management and disposition of Target Assets.

Use of Proceeds: The table below summarizes the currently anticipated sources and uses by the Company of the net proceeds of the Offering.

Minimum Offering Amount:

	Sources: Offering	**Minimum Percent**
Prospective Investors:	$500,000	
Total:	$500,000	
	Uses (during and after organization):	
Est. Company Costs & Expenses	$5,000	1%
Est. Broker Dealer Fees	$25,000	5%
Total:	$470,000	
Net Offering Proceeds Available		
For Operations and Investments:	**$**470,000	94%

Maximum Offering Amount:

	Sources: Offering	**Minimum Percent**
Prospective Investors:	$10,000,000	
Total:	$10,000,000	
	Uses (during and after organization):	
Est. Company Costs & Expenses	$10,000	.001%
Est. Broker Dealer Fees	$500,000	5%
Total	$9,490,000	
Net Offering Proceeds Available		
For Operations and Investments:	**$**9,490,000	94.9%

The Company anticipates that a substantial majority of the net offering proceeds available for operations will be used to fund or acquire Target Assets. Pending the funding or acquisition of such Target Assets, it is anticipated that net offering proceeds will be invested in Permitted Temporary Investments at the discretion of the Manager.

NATURE OF THE OFFERING AND SUITABILITY STANDARDS

This Offering is limited to Persons who qualify as "accredited investors" within the meaning of Rule 501(a) of Regulation D, as promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the authority granted to the SEC under the Securities Act of 1933, as amended (the "Securities Act"). This Offering will not be registered under the Securities Act and prospective investors will receive only this Memorandum and should not expect to receive a prospectus.

Investment in the Membership Interests involves a high degree of risk. No resale market for the Membership Interests exists and the Company does not intend that one will ever exist. Transfer of the Membership Interests will be restricted under the Securities Act and by applicable state law. Accordingly, an investment in the Membership Interests described in this Memorandum is suitable only for Persons of adequate financial means and who have no need for liquidity with respect to their investments.

As defined in Rule 501(a) of Regulation D, the term "accredited investor" includes (among others) the following types of investors:

- Any natural person whose individual net worth, or joint net worth with that natural person's spouse, at the time of his or her purchase exceeds $1,000,000 (excluding the value of the natural person's primary residence);

- Any natural person who had an individual income in excess of $200,000 in each of the two most recent years, or joint income with that natural person's spouse in excess of $300,000 in each of those years, and who has a reasonable expectation of reaching the same income level in the current year;

- Any entity in which all of the equity owners are "accredited investors";

- Any corporation, business trust, partnership, or § 501(c)(3) organization, not formed for the specific purpose of acquiring the Membership Interests of the Company, with total assets in excess of $5,000,000;

- Any trust, with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the Membership Interests of the Company, whose purchase is directed by a sophisticated person as described in 17 C.F.R. § 230.506(b)(2)(ii);

- Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940; or

- Any director or executive officer, or general partner of the issuer of the securities being sold, or any director, executive officer, or general partner of a general partner of that issuer.

Prospective investors will be required to represent in writing that they are familiar with and understand the terms of the Offering described in this Memorandum, that they meet certain minimum suitability standards, and that they are U.S. residents of any state approved by the Company after review of applicable state securities laws. The Company may make such additional inquiries into each investor's qualification to invest in the Membership Interests as the Manager deems appropriate. The need for review of each accredited investor's status is

raised in part by the investment's relative lack of liquidity, the uncertainty of receipt of any cash flow, and the potential long term ownership of Membership Interests. To review additional risk factors that create the need for the Manager to investigate the status of each investor, please see also the section entitled "RISK FACTORS" below.

The Manager of the Company will have sole and absolute discretion regarding acceptance (in whole or in part) of any subscription for Membership Interests, regardless of whether an investor is an "accredited investor." The Manager's discretion stems from the Company's reliance on certain registration exemptions under the Securities Act, the Advisers Act and the Investment Company Act, as amended, as well as the Company's intent not to constitute an "employee benefit plan," and for its assets not to constitute "plan assets," under ERISA.

INVESTMENT OBJECTIVES, POLICIES, AND CRITERIA

The objectives of the Company or any Project SPE will engage in the business of (i) a mortgage lender and fund Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments; (ii) a mortgage investor and acquire Third Party Notes; and (iii) a real estate investors and acquire Real Estate Investments.

Once the Company has its Initial Closing, the Company or Project SPEs will look to immediately Deploy the capital for the purpose of funding or acquiring Target Assets. The funding of Senior Debt Instruments, Junior Debt Instrument and Take Out Debt Instruments will be subject to the Manager's restrictions set forth below as well as set forth in the Manager's underwriting guidelines (collectively, the "Underwriting Guidelines"). The acquisition of Thirty Party Notes and Real Estate Investments will be subject to the Manager's restrictions set forth below.

The Company presently owns no Target Assets. Members therefore must rely upon the judgment and ability of the Manager and its Affiliates with respect to the identification, selection, and funding or acquisition of Target Assets.

The Company and Project SPE's Target Assets are the following:

- Senior Debt Instruments. These are loans made by the Company or a Project SPE to real estate investors by way of a promissory note secured by a first position deed of trust or mortgage on non-owner occupied real property assets;

- Junior Debt Instruments. These are loans made by the Company or a Project SPE to real estate investors by way of a promissory note secured by either a second or junior position deed of trust or mortgage on non-owner occupied real property assets;

- Take Out Debt Instruments. These are refinance loans made by the Company or a Project SPE to real estate investors by way of a promissory note secured by either a first position deed of trust or mortgage on non-owner occupied real property assets who are at the end of the term of a Senior Debt Instrument or Junior Debt Instrument and desire to hold the subject non-owner occupied real property asset for a longer term.

- Third Party Notes. These are secured loans made by a third party to real estate investors and secured by a deed of trust or mortgage on non-owner occupied real property assets that the Company or a Project SPE may purchase.

- Real Estate Investments. These are non-owner occupied residential investment properties that the Company or a Project SPE may purchase for the purpose of rehabbing and selling, rehabbing and holding or selling to another real estate investor.

For Senior and Junior Debt Instruments that are purchase transactions where the borrower is requesting an ARV loan, the Company or a Project SPE may work closely with Secured Investment High Yield Fund, LLC. In the event the Company or a Project SPE elects to work with Secured Investment High Yield Fund, LLC or Secured Investment Corp, the Company or a Project SPE may allow Secured Investment High Yield Fund, LLC, to make a 1st position "as is" loan under the criteria for which Secured Investment High Yield Fund, LLC is allowed to make such loans. Under that scenario described above, the Company or a Project SPE would then originate a Junior Debt Instrument subject to the requirements and restrictions contained herein.

The Company anticipates that it will fund or acquire Target Assets directly or indirectly through a Project SPE. The Company, however, may acquire Target Assets in its own name. The Company or a Project SPE will invest in Target Assets selected by the Manager in the Manager's sole discretion. The funding or acquisition of Target Assets will occur through the Manager or an Affiliate of the Manager: Cogo Capital (either a corporately owned location or a franchise location). See section entitled "COMPENSATION TO THE MANAGER AND AFFILIATES."

See below for additional restrictions regarding the funding of Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments, Third Party Notes and Real Estate Investments.

Senior Debt Instruments

Program Description:	The Company or a Project SPE will lend money to real estate investors via promissory notes secured by real property assets. The Company or a Project SPE will originate Senior Debt Instruments on: (i) purchase transactions and (ii) refinance transactions.
Borrower:	Properly formed, validly existing U.S. entity.*
Security:	Mortgage or Deed of Trust.
Lien Position:	First.
Property Types:	Single family residential investment property (1-4 units). Cannot be owner occupied.
Typical LTV:	The loan to value shall not exceed 65% of the after repair appraised value as determined by a 3rd party appraisal. Acceptance of the appraisal used will be at the sole and absolute discretion of the Manager.
Market:	Nationwide. **
Est. Interest Rate:	Up to 20%, subject to the Managers discretion. ***
Est. Points:	Up to 10% of principal loan amount. At the Manager's discretion some points paid by the borrower may be at closing while a portion may

come at payoff of the loan. ***

Interest-Only: Loans will be monthly interest-only loans with the full principal balance due on the maturity date.

Loan Terms: 6 – 12 months; subject to exception and extension at the discretion of the Manager

Credit Considerations: The Company and Project SPEs will be an asset-based lender and as a result, the Company and Project SPE do not anticipate evaluating the credit of a borrower or the borrower's principals through a credit report. However, the Company or a Project SPE may use credit considerations in offering more attractive rates to a borrower if the borrower's principals have strong credit.

Transaction Size: Any one Senior Debt Instrument shall not exceed the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital.

Loan Purpose: Business or commercial purpose. The Company or a Project SPE will not make loans for personal, family or household use.

Minimum Loan Size: $15,000 subject to exception at the discretion of the Manager.

Reserve Requirement: At the Manager's discretion the Company or a Project SPE may require a borrower to meet a specific reserve requirement.

Guaranty: The Company or Project SPE will require all key principals (those individuals owing more than 40% of the borrowing entity) of the borrowing entity to execute a personal payment guaranty. An exception would be made for a transaction in which the borrower is a self-directed IRA or if the borrower's principal is a self-directed IRA.

Appraisal: The Company or Project SPE will require the delivery of a 3rd party appraisal of the property that will serve as collateral. Acceptance of the appraisal used will be at the sole and absolute discretion of the Manager

Cash Out Policy: In most instances, the Company or a Project SPE will not allow a borrower to obtain cash out at the closing of a Senior Debt Instrument; however, the Manager may allow an initial draw to be distributed from the closing to the Borrower for rehabilitation work previously completed or to begin the rehabilitation work.

Borrower Submission Packet: The Company or Project SPE will typically require the following documents to be submitted to underwriting prior to the transaction receiving underwriting approval and the Manager making a decision to fund a Senior Debt Instrument[1]:

[1] All documents may not be available in every instance.

1. Completed Loan Application;
2. Completed Schedule of Real Estate Owned;
3. Builder resume;
4. Valid Photo ID of key principals of borrowing entity and all guarantors;
5. Signed Authorization to Release Information and Credit Authorization;
6. Signed Zero Tolerance/ Fraud Policy;
7. Business Entity information for borrowing entity, including (i) Articles of Incorporation/Certificate of Formation/Articles of Formation; (ii) Bylaws or Operating Agreement; and (iii)Federal EIN Verification;
8. Preliminary Lender's Title Report listing Company as the lender;
9. Proof of collateral for additional properties being added to transaction;
10. Previous Two months of all bank statements /all pages;
11. Insurance Company name and agent contact information;
12. Property Valuation conducted by a third party appraiser;
13. Current lease agreement(s), if applicable ;
14. Detailed rent roll, if applicable;
15. Complete and executed Purchase and Sale Agreement, if applicable;
16. Copies of current recorded deeds of trust or mortgages;
17. Payoff letter stating mortgage balance owed and/or real estate tax bills substantiating any back taxes owed;
18. Terms of Seller carry-back financing, if applicable; and
19. Contractor bids from a licensed and bonded contractor.

This list may not be exhaustive of all documents requested from a borrower.

Loan Documents: The loan documents to be executed by the borrower and/or the guarantor shall consist of the following:

1. Promissory Note;
2. Mortgage or Deed of Trust;
3. Borrower Agreement;
4. Loan Purpose and Property Use Affidavit,
5. Payment Guaranty;
6. Compliance Agreement;
7. Escrow Instructions;
8. Escrow Holdback Agreement; and
9. Single Owner Affidavit, if applicable.

The Company and Project SPE may take advantage of some of the opportunities afforded by the use of land trusts at a future date. Competent and seasoned third party counsel or a third party firm will be identified and used to create the land trust process and documents and will be overseen and coordinated by the Manger. If the Company and Project SPE elects to use land trusts, there will be certain costs and expenses the Company and Project SPE may incur to properly use land

trusts to the full advantage of the Company and Project SPE.

General Payment Structure of Notes: The Company and Project SPE's promissory notes will be interest-only with a lump sum principal payment due on the note's maturity date. Payments under the promissory notes will be due and payable on the first day of each calendar month. A borrower will have a grace period of fifteen (15) calendar days before incurring a late charge on the monthly interest-only payment. The late charge will be equal to ten percent (10%) of the borrower's monthly interest-only payment plus $100. If a borrower has not repaid a promissory note in full on or before the maturity date or made arrangements for an extension, the borrower will be charged a late fee equal to ten percent (10%) of the borrower's unpaid principal loan amount or $5,000, whichever is greater.

Junior Debt Instruments

Program Description: The Company or Project SPE will lend money to real estate investors via promissory notes secured by real property assets on purchase transactions.

On purchase transactions in which a borrower is requesting an ARV loan, the Company or Project SPE may work closely with Secured Investment High Yield Fund, LLC. In the event the Company or Project SPE elects to work with Secured Investment High Yield Fund, LLC, the Company or Project SPE may allow Secured Investment High Yield Fund, LLC, to make a 1st position "as is" loan under the criteria for which Secured Investment High Yield Fund, LLC is allowed to make such loans. Under that scenario described above, the Company or Project SPE would then originate a Junior Debt Instrument subject to the requirements and restrictions contained herein.

Borrower: Properly formed, validly existing U.S. entity.*

Security: Mortgage or Deed of Trust.

Lien Position: Second.

Property Types: Single family residential investment property (1-4 units). Cannot be owner occupied.

Typical LTV: Combined with the first position mortgage or deed of trust, the Junior Debt Instrument shall not be in an amount that exceeds 65% of the after repair value as determined by a 3rd party appraisal.

Market: Nationwide.**

Est. Interest Rate: Up to 25% subject to the Manager's discretion. ***

Est. Points: Up to 15% of principal loan amount. At the Manager's discretion some points paid by the borrower may be at closing while a portion may

come at payoff of the loan. ***

Interest-Only: Loans provided by the Company or a Project SPE will be monthly interest-only loans with the full principal balance due at the maturity date.

Loan Terms: 6 – 12 months; subject to exception and extension at the discretion of the Manager.

Credit Considerations: The Company and any Project SPE will be an asset-based lender and as a result, the Company or Project SPE do not anticipate evaluating the credit of a borrower or the borrower's principals through a credit report. However, the Company or Project SPE may use credit considerations in offering more attractive rates to a borrower if the borrower's principals have strong credit.

Transaction Size: Any one Junior Debt Instrument shall not exceed the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital.

Loan Purpose: Business or commercial purpose. The Company or Project SPE will not make loans that are for personal, family or household use.

Minimum Loan Size: No minimum.

Reserve Requirement: At the Manager's discretion the Company or a Project SPE may require a borrower to meet a specific reserve requirement.

Guaranty: The Company and Project SPE will require all key principals of the borrowing entity to execute a personal payment guaranty. An exception would be made for a transaction in which the borrower is a self-directed IRA or if the borrower's principal is a self-directed IRA.

Appraisal: The Company and Project SPE will require the delivery of a 3rd party appraisal of the property that will serve as collateral.

Borrower Submission Packet: The Company or a Project SPE will typically require the following documents to be submitted to underwriting prior to the transaction receiving underwriting approval and the Manager making a decision to fund a Junior Debt Instrument[2]:

1. Completed Loan Application;
2. Completed Schedule of Real Estate Owned;
3. Builder resume;
4. Valid Photo ID of key principals of borrowing entity and all guarantors;
5. Signed Authorization to Release Information and Credit Authorization;

[2] All documents may not be available in every instance.

6. Signed Zero Tolerance/ Fraud Policy;
7. Business Entity information for borrowing entity, including (i) Articles of Incorporation/Certificate of Formation/Articles of Formation; (ii) Bylaws or Operating Agreement; and (iii)Federal EIN Verification;
8. Preliminary Lender's Title Report listing Company as the lender;
9. Proof of collateral for additional properties being added to transaction;
10. Previous Two months of all bank statements /all pages;
11. Insurance Company name and agent contact information;
12. Property Valuation conducted by a third party appraiser;
13. Current lease agreement(s), if applicable ;
14. Detailed rent roll, if applicable;
15. Complete and executed Purchase and Sale Agreement, if applicable;
16. Copies of current recorded deeds of trust or mortgages;
17. Payoff letter stating mortgage balance owed and/or real estate tax bills substantiating any back taxes owed;
18. Terms of Seller carry-back financing, if applicable; and
19. Contractor bids from a licensed and bonded contractor.

This list may not be exhaustive of all documents requested from a borrower.

Loan Documents: The loan documents to be executed by the borrower shall consist of the following:

1. Promissory Note;
2. Junior Mortgage or Deed of Trust;
3. Borrower Agreement;
4. Loan Purpose and Property Use Affidavit;
5. Payment Guaranty;
6. Compliance Agreement;
7. Escrow Instructions;
8. Escrow Holdback Agreement; and
9. Single Owner Affidavit (if applicable).

The Company and Project SPE may take advantage of some of the opportunities afforded by the use of land trusts at a future date. Competent and Project SPE and seasoned third party counsel or a third party firm will be identified and used to create the land trust process and documents and will be overseen and coordinated by the Manger. If the Company and Project SPE elects to use land trusts, there will be certain costs and expenses the Company or a Project SPE may incur to properly use land trusts to the full advantage of the Company and Project SPE.

General Payment Structure of Notes: The Company and Project SPE's promissory notes will be interest-only with a lump sum principal payment due on the note's maturity date. Payments under the promissory notes will be due and payable on the first day of each calendar month. A borrower will have a grace period

of fifteen (15) calendar days before incurring a late charge on the monthly interest-only payment. The late charge will be equal to ten percent (10%) of the borrower's monthly interest-only payment plus $100. If a borrower has not repaid a promissory note in full on or before the maturity date or made arrangements for an extension, the borrower will be charged a late fee equal to ten percent (10%) of the borrower's unpaid principal loan amount or $5,000, whichever is greater.

Take Out Debt Instruments

Program Description:	The Company or Project SPE will lend money to real estate investors via promissory notes secured by real property assets. The Company or Project SPE will originate Take Out Debt Instruments on refinance transactions in which (i) the borrower first borrower money via a Senior Debt Instruments and, if applicable, a Junior Debt Instruments; (ii) the subject property rehab has been successfully competed; (iii) an after repair value appraisal indicates the subject property has sufficient value; and (iv) the borrower desires to hold the subject property for an extended period rather than sell the subject property.
Borrower:	Properly formed, validly existing U.S. entity.*
Security:	Mortgage or Deed of Trust.
Lien Position:	First.
Property Types:	Single family residential investment property (1-4 units). Cannot be owner occupied.
Typical LTV:	The loan to value shall not exceed 70% of the current appraised value as determined by a 3rd party appraisal. Acceptance of the appraisal used will be at the sole and absolute discretion of the Manager.
Market:	Nationwide. **
Est. Interest Rate:	Up to 15%, subject to the Managers discretion. ***
Est. Points:	Up to 5% of principal loan amount. At the Manager's discretion some points paid by the borrower may be at closing while a portion may come at payoff of the loan. ***
Interest-Only:	Loans will be monthly interest-only loans with the full principal balance due on the maturity date.
Loan Terms:	24 months; subject to exception and extension at the discretion of the Manager
Credit	The Company and Project SPEs will be an asset-based lender and as a result, the Company or Project SPE do not anticipate evaluating the

Considerations: credit of a borrower or the borrower's principals through a credit report. However, the Company or Project SPE may use credit considerations in offering more attractive rates to a borrower if the borrower's principals have strong credit.

Transaction Size: Any one Take Out Debt Instrument shall not exceed the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital.

Loan Purpose: Business or commercial purpose. The Company or Project SPE will not make loans for personal, family or household use.

Minimum Loan Size: $15,000 subject to exception at the discretion of the Manager.

Reserve Requirement: At the Manager's discretion the Company or Project SPE may require a borrower to meet a specific reserve requirement.

Guaranty: The Company and Project SPE will require all key principals (those individuals owing more than 40% of the borrowing entity) of the borrowing entity to execute a personal payment guaranty. An exception would be made for a transaction in which the borrower is a self-directed IRA or if the borrower's principal is a self-directed IRA.

Appraisal: The Company and Project SPE will require the delivery of a 3rd party appraisal of the property that will serve as collateral. Acceptance of the appraisal used will be at the sole and absolute discretion of the Manager

Borrower Submission Packet: The Company and Project SPE will typically require the following documents to be submitted to underwriting prior to the transaction receiving underwriting approval and the Manager making a decision to fund a Senior Debt Instrument[3]:

1. Completed Loan Application;
2. Completed Schedule of Real Estate Owned;
3. Builder resume;
4. Valid Photo ID of key principals of borrowing entity and all guarantors;
5. Signed Authorization to Release Information and Credit Authorization;
6. Signed Zero Tolerance/ Fraud Policy;
7. Business Entity information for borrowing entity, including (i) Articles of Incorporation/Certificate of Formation/Articles of Formation; (ii) Bylaws or Operating Agreement; and (iii)Federal EIN Verification;
8. Preliminary Lender's Title Report listing Company as the lender;
9. Proof of collateral for additional properties being added to transaction;

[3] All documents may not be available in every instance.

10. Previous Two months of all bank statements /all pages;
11. Insurance Company name and agent contact information;
12. Property Valuation conducted by a third party appraiser;
13. Current lease agreement(s), if applicable ;
14. Detailed rent roll, if applicable;
15. Complete and executed Purchase and Sale Agreement, if applicable;
16. Copies of current recorded deeds of trust or mortgages;
17. Payoff letter stating mortgage balance owed and/or real estate tax bills substantiating any back taxes owed;
18. Terms of Seller carry-back financing, if applicable; and
19. Contractor bids from a licensed and bonded contractor.

This list may not be exhaustive of all documents requested from a borrower.

Loan Documents: The loan documents to be executed by the borrower and/or the guarantor shall consist of the following:

1. Promissory Note;
2. Mortgage or Deed of Trust;
3. Borrower Agreement;
4. Loan Purpose and Property Use Affidavit,
5. Payment Guaranty;
6. Compliance Agreement;
7. Escrow Instructions;
8. Escrow Holdback Agreement; and
9. Single Owner Affidavit, if applicable.

The Company and Project SPE may take advantage of some of the opportunities afforded by the use of land trusts at a future date. Competent and Project SPE and seasoned third party counsel or a third party firm will be identified and used to create the land trust process and documents and will be overseen and coordinated by the Manger. If the Company and Project SPE elects to use land trusts, there will be certain costs and expenses the Company and Project SPE may incur to properly use land trusts to the full advantage of the Company and Project SPE.

General Payment Structure of Notes: The Company and Project SPE's promissory notes will be interest-only with a lump sum principal payment due on the note's maturity date. Payments under the promissory notes will be due and payable on the first day of each calendar month. A borrower will have a grace period of fifteen (15) calendar days before incurring a late charge on the monthly interest-only payment. The late charge will be equal to ten percent (10%) of the borrower's monthly interest-only payment plus $100. If a borrower has not repaid a promissory note in full on or before the maturity date or made arrangements for an extension, the borrower will be charged a late fee equal to ten percent (10%) of the borrower's unpaid principal loan amount or $5,000, whichever is greater.

Third Party Notes

Program Description:	These are secured loans made by a third party to real estate investors and secured by a deed of trust or mortgage on non-owner occupied real property assets that the Company or a Project may purchase. Except as otherwise set forth below (which may modify a requirement), the Company shall not purchase a Thirty Party Note if the loan would not have been a loan the Company or a Project SPE would have originally made under the restrictions set forth under Senior Debt Instruments or Junior Debt Instruments outlined above.
Borrower:	Properly formed, validly existing U.S. entity.*
Security:	Mortgage or Deed of Trust.
Lien Position:	First or Second; *provided, however*, the Company or Project SPE will only buy the second position if the Company or Project SPE has also purchased the first position.
Property Types:	Single family residential investment property (1-4 units). Cannot be owner occupied.
Typical LTV:	The combined loan to value (of both a first and a second, if applicable) shall not exceed 65% of original lender's third party appraisal. The Company or Project SPE will not purchase Third Party Notes where the Company or Project SPE cannot obtain the original appraisal or for which a third party appraisal was not obtained by the original lender.
Market:	Nationwide. **
Est. Interest Rate:	Undetermined.
Est. Points:	Third Party Notes will not likely result in any points being paid to the Company, a Project SPE or the Manager.
Interest-Only:	Loans will either be interest only payments or payments of interest plus principal.
Loan Terms:	The Company or Project SPE will not purchase Third Party Notes will a remaining loan term greater than 24 months; subject to exception and extension at the discretion of the Manager following the purchase of the Thirty Party Note.
Transaction Size:	Any one Third Party Note shall not exceed the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital.
Loan Purpose:	Third Party Note loan documentation must expressly state the loan is for business or commercial purpose. The Company or a Project SPE will not purchase Thirty Party Notes that were made for personal,

	family or household use.
Minimum Loan Size:	No minimum loan size.
Guaranty:	All Third Party Notes must contain a personal guaranty for the principals of the borrowing entity.
Due Diligence Documents:	Prior to purchasing a Third Party Note, the Company or Project SPE shall use all reasonable means to obtain the enter original loan/underwriting file used by the original lender used in making its determination to fund the Third Party Note.

Real Estate Investments

Program Description:	These are non-owner occupied residential investment properties that the Company or a Project SPE may purchase for the purpose of rehabbing and selling, rehabbing and holding or selling to another real estate investor.
Property Types:	Single family residential investment property (1-4 units). Cannot be owner occupied.
Purchase Price:	The purchase price paid for by the Company or a Project SPE shall not exceed 65% of the "as is" appraised value as determined by a 3rd party appraiser.
Appraisal Fee:	Shall be paid by the Company or a Project SPE.
Rehab Funds:	Shall be paid by the Company or a Project SPE.
Transaction Size:	Any one Real Estate Investment shall not exceed the greater of (i) $250,000 or (ii) twenty-five percent (25%) of the Company's aggregate committed capital.
Holding Period:	The Company or Project SPE do not intend to hold a Real Estate Investment for a period to exceed 24 *months; provided*, however, this is at the Manager's discretion.

*Subject *to certain exceptions.*
*** Subject to certain restrictions in California, Idaho, Oregon, Nevada, Utah, Arizona, New York, New Jersey, and Minnesota. States may be added or deleted from this list based upon changing state laws.*
****Terms subject to change based upon numerous factors, including prevailing market circumstances. The rates set forth above reflect the current market conditions, which the Company acknowledges may change during the Investment Period.*

Until a Target Asset is acquired, all Company funds may be held in Permitted Temporary Investments. If the Manager is unable to Deploy all funds in respect of Target Assets at least once on or before the day that is ninety (90) days after the Initial Closing or any Subsequent Closing, all funds that have not been Deployed at least once, net of reserves established by the Manager for potential transactions in progress (*e.g.*, the subject of a letter of intent or in active

negotiations), may, at the sole discretion of the Manager, be returned to each Member together with any interest accrued thereon.

Loan Servicing: All Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments will be serviced by Lake City Servicing (an assumed business name of the Manager), FCI Lender Services, Inc. or another loan servicing company. Initially, Lake City Servicing will service all Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments except those secured by real property located in the following states: Arizona, California, Hawaii, Massachusetts, Minnesota, Nevada, New Jersey, New York, Oregon, South Dakota, Utah, and West Virginia. The loan servicing company will receive compensation for performing loan servicing activities. Borrower's payments will be made in the name of the applicable servicing company. The funds will be deposited into the specific loan servicing company's trust account and will then be transferred to the Company or Project SPE's account. Regardless of whether the loan servicing is performed by Lake City Servicing, FCI Lender Services or another servicing firm, the Company or Project SPE will be required to execute a standard loan servicing agreement which will govern the relationship between the Company or Project SPE and the applicable loan servicing entity.

The servicing of Third Party Notes may be done by transferring the servicing activities to Lake City Servicing (an assumed business name of the Manager) or FCI Lender Services, Inc., however, servicing of Third Notes may be maintained at the current servicing company. The Company or Project SPE may be required to pay a few associated with the transfer of servicing for a Third Party Note.

MANAGEMENT

The Manager. The Manager, Secured Investment Corp, was formed December 9, 2011, and is organized as a corporation under the laws of the State of Wyoming and commenced operations on January 1, 2012. The Manager has filed the appropriate paperwork with the Idaho Secretary of State as a foreign entity conducting business in the State of Idaho. The Manager commenced operations after consolidating ownership through that certain restructuring and exchange of membership interest for stock agreement. This restructuring involved Jaclyn Olsen Arnold the then sole member of PMB International, LLC, Private Money Exchange, LLC, and I'm the Solution, LLC exchanging her entire membership interest in each of PMB International, LLC, Private Money Exchange, LLC, I'm the Solution, LLC for voting common stock of the Manager. After the restructuring, PMB International, LLC, Private Money Exchange, LLC and I'm the Solution, LLC became wholly-owned subsidiaries of the Manager. On January 10, 2012, the Manager formed Lake City Servicing, LLC, and was the sole member and manager of Lake City Servicing, LLC. Effective as of May 1, 2012, the Manager made the decision to merge all subsidiaries (PMB International, LLC, Private Money Exchange, LLC, I'm the Solution, LLC, and Lake City Servicing, LLC) into the Manager so that each of the former subsidiaries became assumed business names and divisions of the Manager. The Manager ceased operations under the assumed business name PMB International as of January 11, 2013. I'm the Solution is in the process of rebranding itself with the name of The Lee Arnold System of Real Estate Investing. The Manager also has an ownership interest in the following entities: Cogo Capital, LLC, an Idaho limited liability company and Cogo Capital Orange County, Inc., a California Corporation.

The Manager is the sole member and manager of Cogo Capital, LLC, an Idaho limited liability entity. Cogo Capital, LLC, shall serve as the franchisor entity for the Cogo Capital brand. The Manager has completed the necessary documentation and filings to sell franchises in approximately 35 states.

The Manager is a 50% shareholder in Cogo Capital Orange County, Inc., a California corporation. The other 50% shareholder is William Jordan, a Registered Investment Advisor. Cogo Capital Orange County, Inc., is a loan origination and processing center with its principal office currently located at 23046 Avenida De La Carlota, , Suite 150, Laguna Hills, California and operates under a license with Cogo Capital, LLC.

The Manager is also the manager of Secured Investment High Yield Fund, LLC, a private money mortgage pool fund that limits its first and second position private money mortgages to loans based upon "as is" value and does not provide ARV loans.

Change in Management. The Manager cannot be removed by the Members of the Company, although the Manager may voluntarily withdraw or resign. The owners of the Manager may also sell, transfer or convey all of their equity interests in the Manager without the consent of the Members of the Company. Except for its voluntary withdrawal or resignation, the Manager will serve the Company as its Manager until the Company is dissolved and wound up as provided in the Operating Agreement.

Secured Investment Corp's Management.

Lee Arnold – Chief Executive Officer and Chairman of the Board of Directors. Lee Arnold is a world-renowned speaker, personal real estate consultant, and leading author. Lee spent many years perfecting his real estate craft through thousands of transactions nationwide. As one of the top private money experts in the nation, Lee has accumulated a personal fortune by employing his time-tested and matchless strategies in the private money market. Lee has recently been featured in Forbes, the Boston Globe, Market Watch, Reuters, and Business Week as a leading investment strategy expert. Lee has also done consulting work for Donald Trump's companies. As a licensed real estate broker and lender of both private and hard money, Lee Arnold has helped countless people in the United States and Canada successfully and lucratively obtain the capital they need to be successful in real estate investment.

Personally, Lee has: (i) borrowed and lent in the private money sector for the last 17 years; (ii) been involved in thousands of real estate transactions nationwide; (iii) evaluated investment opportunities from both the borrower and the lender side; (iv) been an instructor on the subject of private and hard money lending; and (v) spent years in multiple markets prospecting, researching, and acquiring high yielding investment opportunities.

Jaclyn Olsen – Chief Financial Officer and Vice Chairman of the Board of Directors. Jaclyn started with one of Secured Investment Corp's predecessors in 2007 as a tax and financial accounting consultant. While working at that company she immediately realized the benefit her experience could bring to the, then, real estate investment and mortgage firm. Jaclyn holds her BS in Accounting and her MBA in Finance and Investments. Jaclyn brings experience from both public and private accounting in tax, auditing, financial reporting, financial analysis and strategy. She has worked with start-ups to mature companies where her expertise helped with growth and manageable, scalable, accounting systems, and infrastructure.

While the economy continues to experience downturns in certain market segments, Secured Investment Corp's executive team continually meets the needs of the market and has, therefore,

continued to grow and prosper. Jaclyn brings an analytical and creative skill set to Secured Investment Corp allowing it to be well positioned for continued growth into the foreseeable future.

Heather Dreves – Director of Funding. Prior to joining Secured Investment Corp, Heather worked at CLS Mortgage, Inc. as the Director of Securities & Private Investor Relations where she oversaw investor relations and sold over $17M in private money loans. Additionally, she has managed the loan-processing administration for 500 + private money loans and originated $3,000,000 in revolving lines of credit for hard-money funding operations. Heather holds the Series 63 certification.

Terreance McIntyre – Underwriting Manager. Terry has over 14 years of mortgage and customer lending experience, credit policy and procedure writing, international and domestic credit evaluations, accounts receivable, and collections management. He has worked in all aspects of the mortgage industry from loan origination to underwriting. Terry was instrumental in the development and implementation of the Underwriting Guidelines, which are utilized daily by the Manager and its Affiliates.

Third Party Non-Affiliated Partners.

FCI Lender Services, Inc. For all Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments secured by real property located in the following states: Arizona, California, Hawaii, Massachusetts, Minnesota, Nevada, New Jersey, New York, Oregon, South Dakota, Utah, and West Virginia, FCI Lender Services, Inc., shall provide loan servicing activities. FCI Lender Services, Inc., has been servicing loans for the Manager and its Affiliates since 2010. Servicing of All Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments in these states may change without notice in the event Lake City Servicing obtains the necessary licensing to begin servicing All Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments in those states.

Custodian. The Company may engage the services of a qualified custodian for the capital committed to the Company.

Nations Default Services. The Company intends to engage Nations Default Services, a Kansas corporation, to provide nationwide foreclosure services for Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes in default. The Manager began working with Nations Default Services in 2011, and has been extremely satisfied with the service, results, and pricing of Nations Default Services. The Company shall be responsible for all costs and expenses associated with the foreclosure of Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes.

T.D. Service Company. For the preparation and recording of mortgage or deed of trust reconveyances and lien releases, the Company intends to engage T.D. Service Company, a California corporation. The Company shall be responsible for all costs and expenses associated with the reconveyance of property serving as collateral for Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes.

Seattle Specialty Services, Inc. & Affinity Group Management Company, Inc. The Company may engage one or both of the aforementioned companies for the placement of force placed insurance on mortgaged property when a borrower fails to renew or cancels an insurance policy on the mortgaged property. The costs and expenses of force placed insurance shall be the

Company's sole responsibility; however, such amounts shall be recouped by the Company from the Borrower.

Morgan Kellie Group Inc., a California corporation, doing business as Construction Inspection Services. Construction Inspection Specialists offers a full range of inspection and due diligence services to residential and commercial lenders across the United States. The Company intends to engage Construction Inspection Services for the purpose of providing the following services on Senior Debt Instruments and Junior Debt Instruments that involve the rehabilitation of the subject property: (i) conduct a baseline inspection of the subject property; (ii) conduct a scope of work verification/cursory bid review related to the rehabilitation work on the subject property; (iii) conduct four (4) progress inspections of the subject property; (iv) process lien waivers received with the request; and (v) monitor invoices received related to the rehabilitation work associated with the subject property; (vi) provide written inspection report with photos and lien waiver/invoice log with each inspection. The borrower, not the Company, shall pay all of the costs and expenses associated with Construction Inspection Services.

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LEGAL AND GOVERNMENTAL PROCEEDINGS

Neither the Company, the Manager, Affiliates nor any of the officers or directors of the Manager are now or have within the past five (5) years been involved in any material litigation or arbitration, except for the following:

- A lawsuit filed against Lee Arnold, Venturi Holdings, LLC, and Viper Properties, LLC, filed in Utah's Third District Court located in Salt Lake County, Case No.: 090901733. This action was fully settled by the parties in December 2012, and a Satisfaction of Judgment was subsequently filed with the court at that time.

- A lawsuit filed against Secured Investment Corp doing business as Private Money Exchange, filed in Minnesota's Fourth Judicial District located in Hennepin County, Case No.: 13-CV-0554 (PJS/TNL) as of February 25, 2013. This action was settled and subsequently dismissed on July 9, 2013.

- A lawsuit filed against Privatemoneybank.com, LLC, Private Money Exchange, LLC, and Secured Investment Corp. in Superior Court of California, County of Contra Costa, Case No. C14-00472 on March 11, 2014. The complaint seeks recovery of usurious interest against Privatemoneybank.com, LLC, Private Money Exchange, LLC, Secured Investment Corp. and the lender, Myers Executive Building, LLC. Myers Executive Building, LLC filed a cross-complaint against Privatemoneybank.com, LLC, Private Money Exchange, LLC, Secured Investment Corp., and Lee Arnold for breach of contract, breach of fiduciary duty, fraud, constructive fraud, promissory fraud, negligent misrepresentation, implied indemnity and contribution, declaratory relief, conspiracy, and comparative indemnity. As of June 22, 2015 the lawsuit remained open.

Neither the Company, the Manager, Affiliates nor any of the officers or directors of the Manager are now or have within the past five (5) years been involved in any material proceedings with respect to a state regulatory agency or governing body except for:

- In April of 2013, the Washington Department of Financial Institutions ("DFI") launched a non-public investigation into to determine if Private Money Exchange's affiliate program operated by Secured Investment Corp (the "Affiliate Program") complied with the State of Washington's Business Opportunity Act. On January 7, 2015, the DFI entered a Consent Order which ordered Secured Investment Corp and Lee Arnold to cease and desist from violating RCW 19.110.050, 19.110.070 and 19.110.120 of the State of Washington's Business Opportunity Act. Prior to the entering of the Consent Order, modifications were made to the Affiliate Program to ensure compliance with the State of Washington's Business Opportunity Act and as of this present time, the Affiliate Program is in full compliance with Washington's Business Opportunity Act.

- In July of 2014, the United States Securities and Exchange Commission ("SEC") began an informal investigation into Secured Investment High Yield Fund, LLC, to determine whether federal securities laws on general solicitation and verifying accredited investor status were properly followed. This informal investigation has also lead to similar inquiries by the SEC into the Company (i.e. Secured Investment High Yield Fund II, LLC). The Manager, Secured Investment Corp, through its legal counsel, is fully cooperating with the SEC as of the date of this Memorandum. On June 15, 2015, Secured Investment Corp, via its legal counsel, received a letter from Tracy L. Davis, Assistant Regional Director, of the SEC. The text of that letter is as follows:

> "We have concluded the investigation as to your client, Secured Investment Corp. Based on the information we have as of this date, we do not intend to recommend an enforcement action by the Commission against Secured Investment Corp. We are providing this notice under the guidelines set out in the final paragraph of Securities Act Release No. 5310, which states in part that the notice "must in not way be construed as indicating that the party has been exonerated or that no action may ultimately result from the staff's investigation," (The full text of Release No. 5310 can be found at: https://www.sec.gov/divisions/enforce/wells-release.pdf)"

A copy of the above referenced letter will be provided to any prospective investor upon request. As noted above, the letter from the SEC does not exonerate Secured Investment Corp and its executive management team. The SEC still can and may an enforcement action against Secured Investment Corp and its executive team. Secured Investment Corp and its executive team acknowledge that federal and state securities violations occurred with respect to the following matters: (i) Secured Investment Corp engaged in general solicitation activities related to Secured Investment High Yield Fund, LLC prior to filing an Amended Form D allowing general solicitation to legally take place; (ii) Secured Investment Corp paid commissions, based off of capital raised, to certain of its employees who were not licensed to receive commission; and (iii) Secured Investment Corp failed to properly verify the accredited investor status of investors in both the Company and Secured Investment High Yield Fund, LLC. All of the violations noted above occurred in the past and the Manager, in consultation with legal counsel, has taken steps to avoid future violations of federal and states securities laws.

- In March 2015, the DFI launched an investigation of Secured Investment Corp regarding (i) an educational program called Flipping Capital and whether such education program violates Washington's Business Opportunity Act and (ii) potential violations the Securities Act of Washington under RCW 21.20 et. seq. Flipping Capital is an educational program and is not a program designed as a business opportunity. As a result, Secured Investment Corp believes that the investigation into Flipping Capital will not result in any fine or other action by the DFI.

  The investigation into potential securities violations under the Securities Act of Washington began with written or telephonic notification from the SEC to the DFI. It is currently believed that the DFI has a portion, if not all, of the information and testimony in the possession of the SEC. Secured Investment Corp does not want to speculate on the possible outcomes of the DFI investigation into violations of the Securities Act of Washington, but will continue working with its legal counsel to ensure future federal and state securities violations do not occur. The DFI in a telephone conversation on June 16, 2015 confirmed that it intends to finish its investigation in the next 6-8 weeks.

  Violations of the Securities Act of Washington could result in one or more of the following actions on the part of the DFI:

  RCW 21.20.390 Injunction, cease and desist order, restraining order, mandamus — Appointment of receiver or conservator for insolvent — Restitution or damages — Costs — Accounting.

Whenever it appears to the director that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order hereunder, the director may in his or her discretion:

(1) Issue an order directing the person to cease and desist from continuing the act or practice and to take appropriate affirmative action within a reasonable period of time, as prescribed by the director, to correct conditions resulting from the act or practice including, without limitation, a requirement to provide restitution. Reasonable notice of and opportunity for a hearing shall be given. The director may issue a summary order pending the hearing which shall remain in effect until ten days after the hearing is held and which shall become final if the person to whom notice is addressed does not request a hearing within twenty days after the receipt of notice; or

(2) The director may without issuing a cease and desist order, bring an action in any court of competent jurisdiction to enjoin any such acts or practices and to enforce compliance with this chapter or any rule or order adopted under this chapter. The court may grant such ancillary relief, including a civil penalty, restitution, and disgorgement, as it deems appropriate. Upon a proper showing a permanent or temporary injunction, restraining order, or writ of mandamus shall be granted and a receiver or conservator may be appointed for the defendant or the defendant's assets. The director may not be required to post a bond. If the director prevails, the director shall be entitled to a reasonable attorney's fee to be fixed by the court.

(3) Whenever it appears to the director that any person who has received a permit to issue, sell, or otherwise dispose of securities under this chapter, whether current or otherwise, has become insolvent, the director may petition a court of competent jurisdiction to appoint a receiver or conservator for the defendant or the defendant's assets. The director may not be required to post a bond.

(4) The director may bring an action for restitution or damages on behalf of the persons injured by a violation of this chapter, if the court finds that private civil action would be so burdensome or expensive as to be impractical.

(5) In any action under this section, the director may charge the costs, fees, and other expenses incurred by the director in the conduct of any administrative investigation, hearing, or court proceeding against any person found to be in violation of any provision of this section or any rule or order adopted under this section.

(6) In any action under subsection (1) of this section, the director may enter an order requiring an accounting, restitution, and disgorgement, including interest at the legal rate under RCW 4.56.110(3). The director may by rule or order provide for payments to investors, interest rates, periods of accrual, and other matters the director deems appropriate to implement this subsection.

THE MANAGER ENCOURAGES PROSPECTIVE INVESTORS TO ASK QUESTIONS OF THE MANAGER AS WELL AS THE PROSPECTIVE INVESTOR'S OWN LEGAL COUNSEL REGARDING THE DISCLOSURES OF LEGAL AND GOVERNMENTAL PROCEEDINGS SET FORTH ABOVE. A PROSPECTIVE INVESTOR SHOULD NOT INVEST IN THE COMPANY UNTIL THE PROSPECTIVE INVESTOR IS COMPLETELY SATISFIED WITH THE ANSWERS PROVIDED BY THE MANAGER AND/OR THE PROSPECTIVE INVESTOR'S OWN LEGAL COUNSEL.

COMPENSATION TO THE MANAGER AND AFFILIATES

The following discussion summarizes the forms of compensation to be received by the Manager or an Affiliate, in its or their capacity as Manager, mortgage broker, loan originator or servicer. All of the amounts described below will be received regardless of the success or profitability of the Company. The following compensation was not determined through arm's-length negotiations.

FORM OF COMPENSATION:	**RECIPIENT(S):**
Asset Management Fee:	***The Manager***

The Manager is responsible for all aspects of the day-to-day operations, strategic management, and financial profitability of the Company. These responsibilities include, but are not limited to, (i) raising capital; (ii) serving as the portfolio manager to ensure appropriate balance between diversification, capital preservation, and cash flow maximization; (iii) ensuring that Members receive all appropriate allocations of income; (iv) underwriting and selecting Target Assets; and (v) reporting accurately and fully to Members, borrowers and tax and regulatory authorities. In return for performing these services and bearing these costs, the Manager shall receive a fee equal to one and three quarter percent (1.75%) of the Company's Asset Base. (the "Management Fee"). The Management Fee shall first be payable beginning on the first day of the first Calendar Quarter after the first Deployment. The Management Fee shall be based upon the Company's Asset Base as of the last day of the immediately preceding Calendar Quarter. The Management Fee shall continue to be paid to the Manager until the Company has been fully dissolved.

Origination Points:	***The Manager or an Affiliate***

At the closing of a Senior or Junior Debt Instrument, a borrower will pay Origination Points. The Origination Points shall be disbursed at the closing of a Senior or Junior Debt Instrument in the following manner: eighty percent (80%) to the Manager or an Affiliate and twenty (20%) to the Company.

Broker Fee[4]:	***The Manager / Cogo Capital or an Affiliate***

At the closing of a Senior or Junior Debt Instrument, a borrower shall pay, at a minimum, a broker fee equal to Two Thousand Two Hundred Sixty Five and No/100 ($2,265.00) per $300,000 in principal loan amount ("Broker Fee"). The Manager or an Affiliate of the Manager (Cogo Capital) is entitled to retain the full amount of the Broker Fee. The Manager reserves the right to increase the Broker Fee at any time without the consent of the Members.

Loan Servicing Fee[5]:	***The Manager / Lake City Servicing***

For all Senior or Junior Debt Instrument serviced by Lake City Servicing, at the closing of the Senior or Junior Debt Instrument, the borrower pays a servicing set-up fee equal to Two Hundred and No/100 Dollars ($200.00) plus a pre-paid, non-refundable monthly servicing fee equal to fifteen and No/100 Dollars ($15.00) for each month of the initial term of the Senior or

[4] The broker fee is subject to change based upon changes in prevailing market rates charged by competing companies.

[5] The loan servicing fees described are subject to change based upon changes in prevailing market rates charged by other loan servicing companies.

Junior Debt Instrument. For example, if the Senior or Junior Debt Instrument has a term of twelve (12) months, the borrower would pay Lake City Servicing a fee at closing equal to Three Hundred Eighty and No/100 Dollars ($380.00).

Lake City Servicing shall also be entitled to receive the following fees from the Company for servicing the Senior or Junior Debt Instrument:

- Ten and No/100 Dollars ($10.00) per month on the Senior or Junior Debt Instrument with a principal balance of less than Four Hundred Ninety-Nine Thousand Nine Hundred Ninety-Nine and 99/100 Dollars ($499,999.99);

- Twenty and No/100 Dollars ($20.00) per month the Senior or Junior Debt Instrument with a principal balance greater than Four Hundred Ninety-Nine Thousand Nine Hundred Ninety-Nine and 99/100 Dollars ($999,999.99); or

- Forty percent (40%) of .075% of the principal balance on the Senior or Junior Debt Instrument with a principal balance of greater than One Million and No/100 Dollars ($1,000,000) payable monthly until the Target Asset has been paid off. For example, on a Target Asset with a principal balance of One Million and No/100 Dollars ($1,000,000), the total annual servicing fee payable to the Servicer is Seven Hundred Fifty and No/100 Dollars ($750) or Sixty Two and 50/100 Dollars ($62.50) per month. Forty percent of Sixty Two and 50/100 Dollars ($62.50) is Twenty-Five and No/100 Dollars ($25) per month as the monthly servicing fee Lender shall be responsible for in the above scenario.

On any the Senior or Junior Debt Instrument in default, Lake City Servicing shall be entitled to receive a flat fee equal to $500 for default servicing activities related (i) to managing the foreclosure process of the Target Asset; (ii) coordinating bankruptcy relief and legal issue resolution; (iii) addressing known city or municipal notices and issues; (iv) arranging appropriate property insurance; (v) engaging a property manager and managing the property manager so engaged, including arranging maintenance, tenant relations, repair and security; (vi) arranging for the valuation and resale of the property, including hiring a Realtor at customary commission rates, to list, show, and sell the property and accepting reasonable offers on the property; and (vii) executing all necessary and appropriate documentation to carry out the sale.

As additional consideration, Lake City Servicing shall be entitled to one hundred percent (100%) of fees paid by the borrower and related to beneficiary statements and payoff demands, overnight charges, NSF fees, reconveyance fees, advancing fees, demand fees, and other fees earned by Lake City Servicing.

In the event that Lake City Servicing is the servicing entity for any Third Party Notes, to the extent the above fees are applicable, the above fees shall be paid by the Company.

Profit Interest: ***The Manager***

It is not presently anticipated that the Manager will be a Member of the Company with any substantial economic interest as a Member, although the Manager reserves the right to do so. Should the Manager obtain any Membership Interests, the Manager will be entitled to distributions on the same basis as other Members, in addition to any distributions it may be entitled to receive in its capacity as the Manager. The Manager will receive a profit interest in the Company after the Members have received certain distributions. For additional disclosures

regarding distributions and the Manager's profit interests, please see the section entitled "SUMMARY OF COMPANY OPERATING AGREEMENT."

Reimbursement of Organizational Expenses: ***The Manager***

The Manager will not receive any compensation or fees in connection with the organization of the Company. The Manager, however, will be entitled to reimbursement, from Company funds, of all legal, accounting, printing, and other expenses actually incurred by the Manager in connection with the Offering or the formation of the Company or the Manager. The Manager anticipates that a reasonable "reserve" will be necessary to keep on hand from proceeds of the Offering to pay for incidental fees, costs, and expenses incurred by the Company or the Manager in the initial phases of the Company's operation.

CONFLICTS OF INTEREST

The Company is subject to various conflicts of interest arising from its relationship with its Manager and the Manager's Affiliates. The conflicts include, but are not limited to the following:

Competition. The Manager and its Affiliates will not be required to devote any fixed amount of time to the affairs of the Company, and they will continue to engage in business activities, including real estate activities, that may involve a conflict of interest with the business of the Company. There will be competing demands on the Manager, its employees and representatives, the Manager's Affiliates and each Affiliate's employees and representatives because of the nature of the businesses in which each of the Manager, its employees and representatives, the Manager's Affiliates, and each Affiliate's employees and representatives are engaged.

The Manager, its employees and representatives, and the Manager's Affiliates each Affiliate's employees and representatives will continue to engage for their own account, or for the account of others, in other business ventures, real estate or otherwise, and neither the Company nor any Member will be entitled to any interest therein. There may be conflicts of interest on the part of the Manager or its Affiliates between the relevant Company and other real estate investments with which the Manager or those Affiliates are involved in. Please carefully review this Section 3.10 and the Operating Agreement for the Company, each of which discusses additional potential conflicts of interest and their explicit waiver by each investor.

Non-Negotiated Transactions. The Company may enter into transactions with the Manager or the Manager's Affiliates that will not be negotiated at arms' length. Although the Manager of the Company will not commission surveys or studies to determine the competitiveness or fairness of fees or other compensation payable to the Manager or its Affiliates, the Manager will only enter into such transactions if it believes that such fees and compensation are fair and reasonable.

Secured Investment Corp. Secured Investment Corp, was formed December 9, 2011, and is organized as a corporation under the laws of the State of Wyoming and commenced operations on January 1, 2012. The Manager has filed the appropriate paperwork with the Idaho Secretary of State as a foreign entity conducting business in the State of Idaho. The Manager also has an ownership interest in the following entities: Cogo Capital, LLC, an Idaho limited liability company and Cogo Capital Orange County, Inc., a California Corporation.

For purposes of the Company, the Manager, when applicable, will underwrite all potential Target Assets, prepare the documents necessary for the closing of a Target Asset, schedule the closing of a Target Asset, maintain all original documents, perform post-closing audits of the loan file by ensuring that all previously recorded liens recorded against the mortgaged property have been properly released, and obtain the final lender's or owner's title policy (or the assignment thereof) after the closing of the Target Asset transaction.

The Manager will continue to perform the above services outside of the work performed on behalf of the Company. Those services will be performed by the Manager for funding transactions that fall outside of the Company's lending parameters. For example, the Company will not fund loans that are greater than twenty percent (20%) of the Company's aggregate committed capital nor will the Company fund loans for transactions that will be secured by commercial real estate. The Manager will continue to devote time and energy to commercial loan transactions and non-owner occupied residential loan transactions that involve loan amounts in excess of twenty percent (20%) of the Company's aggregate committed capital that are originated by a Cogo Capital branch/franchise location. Neither the Company nor any Member will be entitled to any ownership or profit interest in the Manager's activities.

Secured Investment High Yield Fund, LLC. The Manager is also the manager of Secured Investment High Yield Fund, LLC, a private money mortgage pool fund that limits its first and second position private money mortgages to loans based upon "as is" value and does not provide loans based upon after repaired value. Secured Investment High Yield Fund, LLC will likely continue in operations for another 3-5 years; however, Secured Investment High Yield Fund, LLC is no longer accepting subscriptions.

Lake City Servicing. Lake City Servicing is the Manager's loan servicing and loss mitigation division. It is anticipated that Lake City Servicing will service all Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments, except those located in the following states: Arizona, California, Hawaii, Massachusetts, Minnesota, Nevada, New Jersey, New York, Oregon, South Dakota, Utah, and West Virginia. In the states Lake City Servicing will be servicing All Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments, Lake City Servicing will be doing so without the necessity of having to obtain licensing of any nature. The licensing requirements in all states are subject to change at any time. Lake City Servicing shall receive compensation for the servicing of All Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments. The compensation Lake City Servicing shall be entitled to receive is outlined in the section entitled "COMPENSATION TO THE MANAGER AND AFFILIATES." Borrower's payments will be made in the name of Lake City Servicing. The funds will be deposited into Lake City Servicing's trust account before being transferred to the Company's account at regularly scheduled intervals.

Employees of the Manager devote time and energy to Lake City Servicing's activities. Lake City Servicing shall continue to service and perform loss mitigation services for private money loan transactions originated/brokered by a Cogo Capital branch/franchise location or those originated/brokers by unaffiliated 3rd parties. Neither the Company nor any Member will be entitled to any ownership interest or profit interest in Lake City Servicing or its activities.

The Lee Arnold System of Real Estate. The Lee Arnold System of Real Estate Investing is the seminar and real estate education arm of the Manager. This division of the Manager is responsible for all educational workshops, live educational events, and webinars throughout the year.

Attendees attend live events because they have an interest in learning how to invest in real estate. Attendees receive training materials and on-site training from professional real estate investors. The live events include: Funding Tours and Network Mastermind events. These events are marketed through the use of email blasts, direct mail, webinars, out-bound phone calls, and joint-venture partnerships with other real estate professionals.

In additional to seminars and other live events, this division also sells books, training manuals with accompanying DVDs, 4-12 month phone consulting sessions with an experienced real estate phone consultant, and one-on-one real estate consulting with an experienced real estate consultant. One-on-one consulting involves a significant financial commitment on the part of individuals who enroll to receive this service. In return for the financial commitment, this division works with the individual via the phone for 12 months and also spends 3 days in the individual's local market. With each one of the phone and one-on-one consulting packages, an individual will learn (i) the tools necessary to make money on real estate deals in any market; (ii) gain the knowledge, application, and accountability to generate wealth in real estate; (iii) help determine the best and fastest investment strategy; (iv) receive hands on analysis of the individuals local market; and (v) learn essential and critical action steps and plans to achieve financial freedom.

Employees of the Manager will devote time and energy to this division's activities. Neither the Company nor any Member will be entitled to any ownership interest or profit interest in this division or its activities; however, the goal of this division is to create strong, qualified real estate investors who will engage in loan transactions with the Manager, its Affiliates, and the Company.

Cogo Capital, LLC. Cogo Capital, LLC, an Idaho limited liability company ("Cogo Capital") is a wholly owned subsidiary of the Manager. Cogo Capital will serve as the franchisor for the expansion of the Cogo Capital brand, turning the private money broker concept into a franchise opportunity with brick and mortar presence in select markets throughout the United States. Cogo Capital owns all rights, title, and interest in and to certain Cogo Capital trademarks and will license each Cogo Capital franchise to operate under the name Cogo Capital. Cogo Capital will also originate loans from its location in Coeur d'Alene, Idaho. In instances where a loan is originated and processed by Cogo Capital and then funded by the Company, Cogo Capital may be entitled to receive the Broker Fee and Origination Points, in lieu of the Manager. Compensation received by Cogo Capital will not affect the interest or profit received by the Company or the Members.

Cogo Capital will continue to originate and process private money loan transactions that do not fit within the guidelines established for the Company. For example, Cogo Capital will continue to originate and process private money loans for commercial loan transactions and non-owner occupied residential loan transactions that involve loans outside of the Company's lending parameters. Neither the Company nor any Member will be entitled to any ownership interest or profit interest in Cogo Capital or its activities.

Cogo Capital franchise locations shall serve as loan origination and processing centers for loans in the market in which a Cogo Capital franchise is located. In instances where a loan is originated by a Cogo Capital franchise/branch location, Cogo Capital shall be entitled to receive the Broker Fee and Origination Points, in lieu of the Manager. The originating Cogo Capital franchise/branch shall be entitled to receive a share of the Origination Points received by Cogo Capital, LLC. The compensation received by Cogo Capital and the Cogo Capital franchise/branch shall not affect the interest or profit to be received by the Company or the Members.

Employees of the Manager shall devote time and energy to Cogo Capital's activities. Cogo Capital franchises/branches will continue to originate and process private money loan transactions that may not fit within the Company's lending guidelines. For example, Cogo Capital franchise/branch locations will continue to originate and broker private money loans for commercial loan transactions and non-owner occupied residential loan transactions that involve loan amounts outside of the Company's lending parameters. Neither the Company nor any Member will be entitled to any ownership interest or profit interest in Cogo Capital or its activities.

Cogo Capital Orange County, Inc. Cogo Capital Orange County, Inc., a California corporation ("Cogo Capital OC") is a joint venture between the Manager and William Jordan. Cogo Capital OC operates under a license with Cogo Capital, LLC. Cogo Capital OC shall serve as a loan origination and processing center for private money loans in the greater Orange County market. In instances where a private money loan is originated and processed by Cogo Capital OC, Cogo Capital and Cogo Capital OC shall be entitled to receive, in proportions as dictated in the license agreement, the Broker Fee and Origination Points, in lieu of the Manager. Compensation received by Cogo Capital OC will not affect the interest or profit received by the Company or the Members.

Cogo Capital OC shall continue to originate private money loan transactions that do not fit within the Company's lending guidelines. For example, Cogo Capital OC will continue to originate and process private money loans for commercial loan transactions and non-owner occupied residential loan transactions that involve loans outside of the Company's lending parameters. Neither the Company nor any Member will be entitled to any ownership interest or profit interest in Cogo Capital OC or its activities.

Successor to the Company. At such time as the Company has Deployed at least 80% of its committed capital at least once or with the consent of at least 75% of the Members, the Manager may organize a new commingled fund with investment objectives and strategies substantially similar to those of the Company.

Lack of Independent Legal Representation. The Company has not been represented by independent legal counsel to date. The use of the Manager's in-house legal counsel in the preparation of this Memorandum and all other matters as it relates to the Company and its formation may result in a lack of independent review and oversight.

Potential conflicts of interest will exist among the Company and its Manager and the Manager's Affiliates. These parties are not prohibited from engaging in competitive undertakings and transactions. Please see the subsections entitled "Competitive Activities" and "Conflicts of Interest" under the section entitled "RISK FACTORS." However, the Manager intends that transactions with Affiliates of the Manager will be commercially reasonable under the circumstances. The Manager intends that such arrangements will be comparable to, and not less favorable to the Company than, those arrangements that could be obtained from an independent party in the area where the transaction is to be performed.

RESPONSIBILITIES OF MANAGER

Duties. The Manager is subject to contractual duties and is obligated to discharge its duties in a manner the Manager reasonably believes to be in the best interests of the Company. This is a rapidly developing and changing area of the law and Members who have questions concerning the duties of the Manager should consult with their independent legal counsel.

Indemnification. The Operating Agreement provides that the Company will indemnify the Manager and any Affiliate of the Manager from all claims, actions, demands, obligations, liabilities, losses, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) paid or accrued by it in connection with the business of the Company, to the fullest extent provided or allowed by the laws of the state of Idaho. Further, the Operating Agreement provides that the Company shall hold the Manager and any Affiliate of the Manager harmless from and against any personal loss arising from its guaranty of any loan incurred for the benefit of the Company or a Project SPE or any substantially similar undertaking for the benefit of the Company or a Project SPE.

Exculpation. The Operating Agreement provides that the Manager's duty of care in the discharge of its duties to the Company and the other Members is not a fiduciary duty, but is limited to refraining from acts or omissions of gross negligence or reckless conduct, intentional misconduct, or a knowing violation of the law. As such, the Manager will not be liable to the Company or its Members for errors in judgment or other acts or omissions, except as set forth above. Members therefore will have a more limited right of action against the Manager than they would have absent this limitation in the Operating Agreement.

CERTAIN LEGAL ASPECTS OF MORTGAGE LOANS

All Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes will be secured by a deed of trust or mortgage, whichever is applicable (each individually referred to in this section as a "security instrument" or collectively as the "security instruments"). The Company or a Project SPE's authority under the applicable security instrument is governed by applicable state law and the express provisions of the security instrument.

Priority of liens on mortgaged property created by security instruments depends on the terms and on the order of filing with a state, county or municipal office, whichever is applicable, although this priority may be altered by the mortgagee's knowledge of unrecorded liens against the mortgaged property. However, filing or recording does not establish priority over governmental claims for real estate taxes and assessments. In addition, the Code provides priority for certain tax liens over security instruments.

Foreclosure

If a Target Asset secured by a deed of trust is in default, the Company or a Project SPE will protect its rights by foreclosing via a non-judicial sale. Deeds of trust differ from mortgages in form, but are in most other ways, similar to mortgages. Deeds of trust will contain specific provisions (i.e. power of sale clause) enabling non-judicial foreclosure in addition to those provided for in applicable statutes upon any material default by the borrower. Applicable state law controls the extent that the lender will have to give notice to interested parties and the amount of foreclosure expenses and costs, including attorneys' fees, which may be covered by the lender, and charged to the borrower.

Foreclosure under security instruments other than deeds of trust is more commonly accomplished by judicial foreclosure initiated by the service of legal pleadings. When the mortgagee's right to foreclose is contested, the legal proceedings necessary to resolve the issue can be time-consuming. A judicial foreclosure is subject to most of the delays and expenses of other litigation, sometimes requiring up to several years to complete. For this reason, wherever practicable, the Manager does not anticipate using judicial foreclosure to protect the Company or a Project SPE's rights due to the incremental time and expense involved in these procedures.

When foreclosing under a security instrument, the sale by the designated official is often a public sale. The willingness of third parties to purchase the mortgaged property will depend to some extent on the status of the borrower's title, existing redemption rights, and the physical condition of the mortgaged property. It is common for the lender to purchase the mortgaged property at a public sale where no third party is willing to purchase the mortgaged property, for an amount equal to the outstanding principal amount of the indebtedness and all accrued and unpaid interest and foreclosure expenses. In this case, the debt owed to the mortgagee will be extinguished. Thereafter, the mortgagee would assume the burdens of ownership, including paying operating expenses, real estate taxes, and costs and expenses of making repairs. The lender is then obligated as the owner until it can arrange a sale of the mortgaged property to a third party. If the Company or a Project SPE forecloses on the mortgaged property, the Company or Project SPE would expect to obtain the services of a real estate broker and pay the broker's commission in connection with the sale of the mortgaged property. Depending upon market conditions, the ultimate proceeds of the sale of the mortgaged property may not equal the Company or a Project SPE's investment in the mortgaged property. A lender commonly incurs substantial legal fees and court costs in acquiring a mortgaged property through contested foreclosure and/or bankruptcy proceedings. The Company or Project SPE shall bear all of the costs and expenses associated with a contested foreclosure or bankruptcy proceedings.

In foreclosure proceedings, courts frequently apply equitable principles, which are designed to relieve the borrower from the legal effects of his immaterial defaults under the loan documents or the exercise of remedies that would otherwise be unjust in light of the default. These equitable principles and remedies may impede the Company or Project SPE's efforts to foreclose.

Redemption

After a foreclosure sale pursuant to a mortgage, the borrower and foreclosed junior lien holders may have a statutory period in which to redeem the mortgaged property from the foreclosure sale. Redemption may be limited to where the mortgagee receives payment of all or the entire principal balance of the loan, accrued interest and expenses of foreclosure. The statutory right of redemption diminishes the ability of the lender to sell the foreclosed property. The right of redemption may defeat the title of any purchaser at a foreclosure sale or any purchaser from the lender subsequent to a foreclosure sale. One remedy the Company or a Project SPE may have to avoid a post-sale redemption is to waive the Company or Project SPE's right to a deficiency judgment. Consequently, as noted above, the practical effect of the redemption right is often to force the lender to retain the mortgaged property and pay the expenses of ownership until the redemption period has run.

Disposition of Real Estate Owned Properties

The Manager maintains a database with the names and contact information of approximately 100,000 individuals nationwide. The vast majority of those individuals are either novice or experienced real estate investors. In January 2013, the Manager conducted a webinar in which it presented to those in attendance (approximately 500) the opportunity to purchase seventeen (17) REO properties which were then owned and operated by a lender who funded the transaction through the Manager. With respect to each property presented on the webinar, the lender offered some form of owner financing. Because the Manager is not a licensed real estate agent, the Manager did not earn a commission on the sale of the properties; however, the Manager earned a loan broker fee and a certain portion of the origination points paid by the borrower at the closing of the seller financed transaction. In exchange for the payment of a loan broker fee and a portion of the origination points, the Manager drafted all necessary loan documents and arranged for the closing of the transaction. The Manager anticipates continuing

to conduct these webinars on an as needed basis to assist lenders in the disposition of REO properties. At such time as the Company or a Project SPE is funding or acquiring Target Assets and is required to foreclose on certain properties where the borrower has defaulted, the Manager plans to conduct webinars and use other sales strategies for the purpose of assisting the Company or Project SPE in the disposition of REO properties.

Additionally, the Manager intends to use its web presence to provide additional marketing of the REO properties for the purpose of liquidating the REO properties in a faster manner than solely through a local real estate agent. The Company or Project SPE may also engage a local real estate agent to assist in the disposition of the REO properties, as the Manager deems appropriate.

For all REO properties, the Company or Project SPE will likely offer owner financing under the same conditions as it provides financing to other potential borrowers. Such owner financing will be subject to all other standard terms and conditions, including interest rate and Origination Points. If the Company or Project SPE provides owner financing to the buyers of REO properties, the Manager shall be entitled to receive the Broker Fee as well as its portion of the Origination Points.

Anti-Deficiency Legislation

The Company or Project SPE may have Target Assets which limit the Company's recourse to foreclosure upon the mortgaged property, with no recourse against the borrower's other assets. Even if recourse is available pursuant to the terms of the Target Asset's documentation against the borrower's other assets, the Company or Project SPE may confront statutory prohibitions which impose prohibitions against or limitations on this recourse. For example, the right of the mortgagee to obtain a deficiency judgment against the borrower may be precluded following foreclosure. A deficiency judgment is a personal judgment against the former borrower equal in most cases to the difference between the net amount realized upon the public sale of the security and the amount due to the lender. Other statutes require the mortgagee to exhaust the security afforded under a mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the borrower. The Company or Project may elect, or be deemed to have elected, between exercising the Company or Project SPE's remedies with respect to the mortgaged property or the deficiency balance. The practical effect of this election requirement is that lenders will usually proceed first against the security rather than bringing personal action against the borrower. Other statutory provisions limit any deficiency judgment against the former borrower following a judicial sale to the excess of the outstanding debt over the fair market value of the mortgaged property at the time of the public sale.

In some jurisdictions, the Company or Project SPE can pursue a deficiency judgment against the borrower or a guarantor if the value of the mortgaged property securing the loan is insufficient to pay back the debt owed to the Company or Project SPE. In other jurisdictions, however, if the Company or Project SPE desires to seek a judgment in court against the borrower for the deficiency balance, the Company or Project SPE may be required to seek judicial foreclosure and/or have other security from the borrower. The Manager would expect this to be a more prolonged procedure, and is subject to most of the delays and expenses that affect other lawsuits.

Environmental

A Target Asset's secured collateral may be subject to potential environmental risks. This environmental risk is less with residential properties, but cannot be ruled out completely.

Environmental risks may give rise to a diminution in value of the mortgaged property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the mortgaged property or the principal balance of the Target Asset. For this reason, the Manager may recommend that in such an instance the Company or Project SPE choose not to foreclose on contaminated mortgaged property rather than risk incurring liability for remedial actions.

Under the laws of certain states, an owner's failure to perform remedial actions required under environmental laws may give rise to a lien on the mortgaged property to ensure the reimbursement of remediation costs. In some states this lien has priority over the lien of an existing mortgage against the real property. Because the costs of remedial action could be substantial, the value of the mortgaged property as collateral for specific Target Assets could be adversely affected by the existence of an environmental condition giving rise to a lien.

The state of law is currently unclear as to whether and under what circumstances clean-up costs, or the obligation to take remedial actions, can be imposed on a secured lender. If a secured lender does become liable for clean-up costs, it may bring an action for contribution against the current owners or operators, the owners or operators at the time of on-site disposal activity or any other party who contributed to the environmental hazard, but these Persons may be bankrupt or otherwise judgment-proof. Furthermore, an action against the borrower may be adversely affected by the limitations on recourse in the loan documents.

Special Considerations in Connection with Junior Encumbrances

In addition to the general considerations concerning security instruments discussed above, there are certain additional considerations applicable to second or junior security instruments (referred to in this section as "junior encumbrance(s)"). By its very nature, a junior encumbrance is less secure than a senior security instrument. If a senior lienholder forecloses on its loan, unless the amount of the bid exceeds the senior security instrument, the junior lienholder will receive nothing. Because of the limited notice and attention given to foreclosure sales, it is possible for a junior lienholder to be wiped out, receiving nothing from the foreclosure sale. By virtue of anti-deficiency legislation, discussed above, a junior lienholder may be totally precluded from any further remedies.

Accordingly, a junior lienholder (such as the Company or Project SPE in some cases) may find that the only method of protecting its security interest in the mortgaged property is to take over all obligations of the trustor with respect to the senior security instrument while the junior lienholder commences its own foreclosure, making adequate arrangements either to (i) find a purchaser for the mortgaged property at a price which will recoup the junior lienholder's interest, or (ii) to pay off the senior security instrument so that the junior lienholder's security instrument achieves first priority. Either alternative may require the Company to make substantial cash expenditures to protect its interest. The Company or Project SPE may not receive the full value of the junior encumbrance through the foreclosure process and subsequent sale of the REO property.

"Due-on-Sale" Clauses

The Company and Project SPE's forms of promissory notes and security instruments, like those of many lenders, contain "due-on-sale" clauses permitting the Company or Project SPE to accelerate the maturity of a loan if the borrower sells, conveys or transfers all or any portion of the mortgaged property. The enforceability of this type of clause has been the subject of several major court decisions and legislation in recent years.

Federal law now provides that, notwithstanding any contrary pre-existing state law, due-on-sale clauses contained in mortgage loan documents are enforceable in accordance with their terms by any lender after October 15, 1985. Due-on-sale clauses are enforceable except in those states whose legislatures exercised their limited authority to regulate the enforceability of these clauses. Due-on-sale clauses will not be enforceable in bankruptcy proceedings.

State courts also are known to apply various legal and equitable principles to avoid enforcement of the forfeiture provisions of installment contracts. For example, a lender's practice of accepting late payments from the borrower may be deemed a waiver of the forfeiture clause. State courts also may impose equitable grace periods for payment of arrearage or otherwise permit reinstatement of the contract following a default. If a borrower under an installment contract has significant equity in the mortgaged property, a court may apply equitable principles to reform or reinstate the contract or to permit the borrower to share in the proceeds upon a foreclosure sale of the mortgaged property if the sale price exceeds the debt. Typically the right to redemption is limited rights of the property owner when the subject property is owner-occupied. The Company or a Project SPE will not fund Target Assets secured by owner-occupied real property.

Bankruptcy Laws

The Company or Project SPE may be subject to delays from statutory provisions that afford relief to debtors from the Company or Project SPE's ability to obtain payment of the loan, to foreclose upon the collateral, and/or to enforce a deficiency judgment. Under the United States Bankruptcy Code of 1978 ("Bankruptcy Code"), and analogous state laws, foreclosure actions and deficiency judgment proceedings are automatically suspended upon the filing of the bankruptcy petition and often no interest or principal payments are made during the course of the bankruptcy proceeding. The delay and consequences in obtaining a remedy can be significant. Also under the Bankruptcy Code, the filing of a petition in bankruptcy by or on behalf of the holder of a second mortgage may prevent the senior lender from taking action to foreclose out the junior lien.

Under the Bankruptcy Code, the amount and terms of a security instrument on mortgaged property of the debtor may be modified under equitable principles or otherwise. Under the terms of an approved bankruptcy plan, the court may reduce the outstanding amount of the loan secured by the mortgaged property to the then current value of the mortgaged property in tandem with a corresponding partial reduction of the amount of the lender's security interest. This leaves the lender having the status of a general unsecured creditor for the differences between the mortgaged property value and the outstanding balance of the loan. Other modifications may include the reduction in the amount of each monthly payment, which may result from a reduction in the rate of interest and/or the alteration of the repayment schedule, and/or change in the final maturity date. A court may approve a plan, based on the particular facts of the reorganization case that effected the curing of a mortgage loan default by paying arrearage over time. Also, under the Bankruptcy Code, a bankruptcy court may permit a debtor to de-accelerate a mortgage loan and to reinstate the loan even though the lender accelerated the mortgage loan and final judgment of foreclosure had been entered in state court prior to the filing of the debtor's petition. This may be done even if the full amount due under the original loan is never repaid. Other types of significant modifications to the terms of the mortgage or deed of trust may be acceptable to the bankruptcy court, often depending on the particular facts and circumstances of the specific case.

In a bankruptcy or similar proceeding, action may be taken seeking the recovery as a preferential transfer of any payments made by the mortgagor under the related mortgage loan to

the lender. Payments on long-term debt may be protected from recovery as preferences if they are payments in the ordinary course of business made on debts incurred in the ordinary course of business. Whether any particular payment would be protected depends upon the facts specific to a particular transaction.

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RISK FACTORS

AN INVESTMENT IN THE MEMBERSHIP INTERESTS OFFERED HEREBY INVOLVES SIGNIFICANT RISKS. PROSPECTIVE INVESTORS SHOULD READ THIS MEMORANDUM AND THE COMPANY'S OPERATING AGREEMENT CAREFULLY. INVESTORS SHOULD CONSIDER, AMONG OTHER MATTERS, THE RISKS INHERENT IN AND AFFECTING THE COMPANY'S BUSINESS DESCRIBED BELOW TOGETHER WITH THE RISKS INHERENT IN HOLDING ANY SECURITIES OF THE COMPANY.

ONLY PROSPECTIVE INVESTORS THAT HAVE NO NEED FOR LIQUIDITY FROM THEIR INVESTMENTS AND CAN AFFORD TO BEAR SUBSTANTIAL INVESTMENT RISKS FOR AN INDEFINITE PERIOD OF TIME SHOULD PURCHASE MEMBERSHIP INTERESTS.

Violations of Federal and State Securities Laws. As acknowledged above, the Manager violated federal and state securities laws with respect to the following matters: (i) the Manager engaged in general solicitation activities related to Secured Investment High Yield Fund, LLC prior to filing the Amended Form D allowing general solicitation to legally take place; (ii) the Manager paid commissions, based off of capital raised, to certain of its employees who were not licensed to receive commissions; and (iii) the Manager failed to properly verify the accredited investor status of investors in both the Company and Secured Investment High Yield Fund, LLC. While the SEC has chosen, at this time, to not recommend an enforcement action against the Manager, an enforcement action could be instituted against the Manager in the future; furthermore, the DFI is in the middle of an ongoing investigation regarding potential violations of the Securities Act of Washington. Any enforcement action on the part of the SEC or DFI with respect to past violations of federal or state securities laws (or future violations by the Manager) could materially and adversely affect the business and operations of the Company and the Company's profitability.

Recently-Organized Company; No Operating History. The Company is recently formed and has no operating history. It has no assets, no operating revenues, and its prospects of future profitable operations may be delayed or never realized. The Company may encounter difficulties that prevent it from operating its anticipated business as intended or that will prevent the Company from doing so in a profitable manner. The Company and the investment described in this Memorandum must be evaluated in view of possible delays, additional expenses, and other unforeseen complications that are often encountered by new business ventures.

General Economic and Market Conditions. Success of the Company or any Project SPE's funding or acquisition of Target Assets may be affected by general economic and market conditions, such as interest rates, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances, including terrorism and threats of terrorism. These conditions and the affect of the conditions on security prices and market liquidity are beyond the control of the Manager.

Real Estate Market Risk. The real estate market risk includes non-diversifiable risk that can be attributed to fluctuations of the real estate market generally. Real estate market risk appears as direct real estate market risk (if the value of an asset corresponds directly with the real estate market - without anyone being able to influence the effect), and as indirect real estate market risk (if the value of an asset corresponds only indirectly with the real estate market since there are other factors that also exert influence). At least four types of indirect real estate risk can be

found, namely credit risk (where real estate fluctuations reduce the creditworthiness of a borrower), collateral risk (where the value of a secured property can be reduced by an adverse market trend), profitability risk (where real estate market variations endanger the profitability of an investment), and price risk (where the real estate market has a negative influence on other market prices, such as stock prices, and vice versa). There can be no assurance that the Company's Target Assets (or those owned by a Project SPE) will be unaffected by direct and indirect real estate market risks, or that the Company or a Project SPE will be successful in mitigating direct or indirect real estate market risks.

Competition for Real Estate Investments. The Company and any Project SPE will be competing for Target Assets with many other real estate finance investors, including individuals, limited liability companies, partnerships, corporations, insurance companies, real estate investment trusts, and other entities engaged in real estate finance. While capital available for real estate financing has recently decreased as a result of the credit crisis of late 2008 and early 2009, prior to that time, competition among private and institutional financiers of real estate investments had increased substantially. The Company anticipates that as the real estate market improves, competition for real estate financing will increase. There is no assurance that the Company or any Project SPE will be successful in obtaining suitable real estate finance opportunities for investment.

Target Assets are Uninsured. While the mortgaged property serving as collateral will have insurance (except in the case of any gap in insurance where a borrower allows the lapse of insurance coverage and before the Company can place the property under its forced place insurance policy), Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes and corresponding security instrument will not be insured by the FDIC or any other governmental agency.

Location of the Real Property. Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes will be secured by real property. The following conditions could have a negative impact on the real property and the Target Assets in general: (i) weak economic conditions in the state or municipality where the property is located, which may or may not affect real property values, may affect the ability of borrowers to repay their promissory notes on time; (ii) declines in the real estate market in the state the property is located or nationally may reduce the values of properties, which would result in an increase in the loan-to-value ratios of a Target Asset; (iii) mortgaged properties in certain regions may be more susceptible than properties located in other parts of the country to certain types of uninsurable hazards, such as floods, wildfires and other natural disasters; and (iv) natural disasters affect regions of the United States from time to time and, if one should occur in the state or municipality where the property is located, the value of the mortgaged property securing a Senior Debt Instrument, Junior Debt Instrument or Third Party Note may be affected.

Appraisals for Real Property. An appraisal will be obtained on the property that a Senior Debt Instrument or Junior Debt Instrument is secured against and prior to the purchase of a Real Estate Investment. However, an appraisal is only one person's opinion of value and there is no certainty that the property is, or will be, worth the appraiser's opinion of value. Consequently, the Manager cannot assure that the loan to value ratio will be as stated at the time of funding of a Senior Debt Instrument or Junior Debt Instrument or that the ratio will not change over time as a result of an adverse impact on the value of the real property from other factors such as changes in the supply and demand for real property, the availability of financing for real estate projects, the prevailing interest rate levels, and other factors.

Fluctuations in Interest Rates. Recent years have demonstrated that mortgage interest rates are subject to abrupt and substantial fluctuations. If prevailing interest rates rise above the average interest rate being earned by the Company or a Project SPE's loan portfolio, Members will be unlikely to liquidate their Membership Interest in order to take advantage of higher returns available from other investments. If prevailing interest rates fall significantly below the average interest rate being earned by the Company or a Project SPE's loan portfolio, borrowers may elect to refinance their loans and prepay their loan from the Company, reducing the overall yield of the Company or a Project SPE's loan portfolio.

Risk of Using Leverage. Interest rate fluctuations may have a particularly adverse effect on the Company or any Project SPE if it is using borrowed money to fund Target Assets. There is no limit on the Company or an SPE's use of borrowed money to fund Target Assets. Such borrowed money may bear interest at a variable rate, whereas the Company or a Project SPE may be making fixed rate loans. Therefore, if prevailing interest rates rise, the Company's cost of money could exceed the income earned from that money, thus reducing the Company or an Project SPE's profitability or causing losses.

Usury Exemption. The Company and any Project SPE intends to fund Senior Debt Instruments, Junior Debt Instrument and Take Out Debt Instruments and purchase Third Party Notes that are exempt from applicable state usury laws. If a state usury law changes, the Company or any Project SPE may no longer be able to fund Senior Debt Instruments, Junior Debt Instrument or Take Out Debt Instruments or purchase Third Party Notes in excess of the usury limit, potentially reducing its return on investment or forcing it to limit its lending activities.

Real Estate Investments may be Distressed Assets. The Company or a Project SPE intends to acquire Real Estate Investments that are "stressed," "distressed" or that present material "value added" opportunities. By their nature, the acquisition of these assets present significant risks. Parties may be in default or may be on the verge of default in respect of Real Estate Investments. Real Estate Investments may be the subject of receiverships or bankruptcy proceedings. Investments in assets in receivership or that are the subject of proceedings under the Bankruptcy Code or analogous foreign laws may subject the Company or a Project SPE to liabilities in excess of the value of the Company's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or counterclaims may be filed and lenders may be found liable for damages suffered by various parties as a result of such action. Distressed assets also may be the subject of litigation and the Company or a Project SPE, as an investor in such an asset, may be a necessary party to such litigation. The Company may need to invest significant time, money, or both into Real Estate Investments in an effort to increase their value. The Company or a Project SPE's attempts to realize upon its interest in Real Estate Investments may be hindered by debtors or creditors, or by insolvency proceedings in respect of the Real Estate Investments. No assurance can be given that the Company or a Project SPE will be successful in their efforts to increase the value of any Target Asset.

Age of Assets; Rehabilitation. The Company a Project SPE may choose to purchase Real Estate Investments that are not newly-constructed or that is partially constructed. Some of these Real Estate Investments may be older than others. Some of these Real Estate Investments may have experienced, or may experience, declines in occupancy rates. Some of these Real Estate Investments may be in need of rehabilitation or completion of construction. Although the Company or a Project SPE will invest in improvements to a Real Estate Investments when deemed advisable by the Manager, it is possible that such activities could lead to erosions of rents or other anticipated cash flows during rehabilitation or construction. The Company

projects limited cash flow during the first year of the operation of any Real Estate Investments that is a real estate asset.

Any rehabilitation or construction of a Real Estate Investments will be subject to the risks of delay or cost overruns inherent in any construction project resulting from numerous factors, including the following: (i) shortages of equipment, materials, or skilled labor; (ii) unscheduled delays in the delivery of ordered materials and equipment; (iii) work stoppages; (iv) unexpected additional improvements; and (v) difficulty in obtaining necessary permits or approvals.

Additional Risks Regarding Leasing to Third Parties. The Company or Project SPE's ability to lease properties will likely depend upon, among other factors, the attractiveness of any particular real estate asset to appropriate tenants and the availability of capital to periodically renovate, repair, and maintain such properties, as well as for other operating expenses.

Risks of Investing in Debt Instruments. Assuming the Company or Project SPE is successful in acquiring Third Party Notes, the Company or Project SPE will be subject to all the risks inherent in investing in such debt instruments. Certain Permitted Temporary Investments also may be subject to such risks. These risks include, without limitation, payment defaults by debtors, decline in collateral value prior to foreclosure, challenges to the enforceability of the debt instruments (including "lender liability" claims, claims of defective documentation and usury claims), interest rate risks, and hindering or prevention of the foreclosure process by the debtor or its other creditors. A substantial portion of the Company's debt investments will not be rated by any nationally-recognized rating agency. Generally, the value of unrated classes is more subject to fluctuation due to economic conditions than rated classes. There can be no assurance of profitability of any debt instrument or of the Company in general. Accordingly, the investment objectives of the Company may not be realized.

Uninsured Losses. The Manager will require natural casualty insurance on the properties securing the Company or a Project SPE's loans and insurance it deems appropriate for the area in which the properties are located. The Manager may also, if the situation dictates, require borrowers to obtain earthquake and/or flood insurance on certain properties. The Manager will require that one years' worth of insurance premium be paid at the closing of a Senior Debt Instrument or Junior Debt Instrument and will also require notification on the cancellation of any insurance policy on a mortgaged property. There will be instances in which insurance on the mortgaged property is canceled for one reason or another. In instances such as this, the Manager (or servicing entity) will communicate with the borrower and insurance company to reinstate any cancelled insurance. In instances where the borrower refuses to reinstate the property insurance the Manager (or servicing entity), at the sole cost and expense of the Company or a Project SPE, will obtain forced placed insurance.

Climate, Geology and Other Natural Conditions. All mortgaged properties will face the risks of natural disasters relating to climate, geology or other natural conditions. The occurrence of earthquakes, droughts, floods, wildfires or similar events could have a material adverse impact on the Company's business, results of operations, and value of mortgaged properties.

Loan Defaults and Foreclosures. The Company and a Project SPE is, in part, in the business of lending money secured by real estate and therefore bears the risks of defaults by borrowers. Company and Project SPE loans will be interest-only loans providing for monthly interest payments with a large balloon payment of principal due on the maturity date. Many borrowers are unable to repay such balloon payments out of their own funds and are compelled to refinance. Fluctuations in interest rates and the unavailability of mortgage funds could adversely affect the ability of borrowers to refinance their loans at maturity.

The Company and any Project SPE will rely primarily on the real property securing Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes to protect the Company or a Project SPE's investment. There are a number of factors which could adversely affect the value of such real property security, including, among other things, the following:

- If the borrower defaults, the Company or a Project SPE will have no feasible alternative other than repossessing the property at a foreclosure sale. If the Company or a Project SPE cannot quickly sell such property, and the property does not produce any significant income, the cost of owning and maintaining the property will directly affect the Company's profitability;

- Due to certain provisions of state law applicable to Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes, generally if the mortgage property proves insufficient to repay amounts owing to the Company or a Project SPE, it is unlikely that the Company or a Project SPE would have any right to recover any deficiency from the borrower;

- Some of the Company or a Project SPE's loans will be secured by junior security instruments, which are subject to greater risk than the Company or a Project SPE's first lien position security instrument recorded against the same collateral. In the event of foreclosure, the debt secured by the senior security instrument must be satisfied before any proceeds from the sale of the property can be applied toward the junior security instrument. In situations where the property collateral has decreased in value the Company or a Project SPE may suffer a loss on the junior security instrument which may adversely affect the Company's profitability;

- The recovery of sums advanced by the Company or a Project SPE in funding Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments and acquiring Third Party Notes and protecting its security may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the loan was made. Any borrower has the ability to delay a foreclosure sale for a period ranging from several months to several years simply by filing a petition in bankruptcy which automatically stays any actions to enforce the terms of the loan. It can be assumed that such delays and the costs associated therewith will reduce the Company's profitability.

Since the Company or a Project SPE will be relying on the mortgaged property to protect its investment, the Company or a Project SPE is likely to experience a borrower default rate higher than would be experienced if its loan portfolio focus was a borrower's creditworthiness. Because of the Underwriting Guidelines, the Company or a Project SPE will in many instances make loans to borrowers who would not qualify for secured loans from institutional lenders (i.e., banks and credit unions).

Federal, State and Local Laws. Applicable state laws generally regulate interest rates and other charges, and may require the licensing of mortgage brokers and mortgage bankers. In addition, other state laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices could apply to the origination, servicing, and collection related to Senior Debt Instruments, Junior Debt Instruments, Take Out Debt Instruments and Third Party Notes. Violations of certain provisions of federal law may limit the ability to collect all or part of the principal or interest on the Company or a Project SPE's note.

The laws that were created to protect consumers from losing their equity in their homes do not generally apply to loans secured by investment properties.

Risk of Underwriting Standards and Procedures. The Underwriting Guidelines are more lenient than conventional lenders in that the Senior Debt Instruments, Junior Debt Instruments and Take Out Debt Instruments the Company or a Project SPE will originate will be from borrowers who may not be required to meet the credit standards of conventional mortgage lenders, which may create additional risks to the Company's profitability.

Changes in Environment. The Company's investment program is intended to extend over a period of four (4) years from the Initial Closing, during which the business, economic, political, regulatory, and technology environment within which the Company operates may undergo substantial changes, some of which may be adverse to the Company. The Manager will have the exclusive right and authority (within limitations set forth in the Operating Agreement) to determine the manner in which the Company shall respond to such changes, and investors generally will have no right to withdraw from the Company or to demand specific modifications to the Company's operations in consequence thereof. Members are particularly cautioned that the investment sourcing, selection, management and liquidation strategies, and procedures exercised by the Manager in the past may not be successful, or even practicable, during the Company's term. Within the limitations set forth in the Operating Agreement, the Manager will have the right and authority to cause the Company's investment selection, management and liquidation procedures to deviate from those described in this memorandum.

Expedited Transactions. To take advantage of opportunities, the Manager may need to undertake investment analyses and make investment decisions on an expedited basis. Under such circumstances, the Manager may not have access to detailed information regarding the investment opportunity and may need to rely on independent consultants. Although the Manager is entitled to rely on independent consultants, there can be no assurances that the independent consultants will provide accurate or complete information. The Company, therefore, may not have access to accurate or complete information regarding circumstances that might adversely affect an investment.

Illiquid Investments. The types of investments held by the Company or a Project SPE, by their nature, may require significant time to liquidate. Investments in debt instruments secured by real estate, for example, could be illiquid given the nature and perception of instruments such as mortgage backed securities.

Co-Investments; Company Lack of Control. The Company or a Project SPE may co-invest with Affiliates of the Manager or third parties in certain assets. In any such co-investment arrangement, the Company or a Project SPE may not control investment decisions and may agree to grant a profit interest to other co-investors or the investment manager.

Limited Acquisition Plans. All of the net proceeds of this Offering will be invested in Target Assets that will not be identified to the Members as of the effective date of such investment. Prospective investors must rely on the judgment and ability of the Manager with respect to the investment of net Offering proceeds by the Company and will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the asset to be acquired by the Company or any Project SPE. No assurance can be given that the Company or any Project SPE will be successful in obtaining assets suitable for investment or that, if such investments are made, the objectives of the Company will be achieved.

Environmental Issues. Under various environmental laws, current or former owners of real estate assets, such as those real estate assets which are used to secure loans made by the Company or a Project SPE, may be required to investigate and clean up hazardous or toxic substances or petroleum product releases, and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. Such laws typically impose clean-up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility.

No Control by Members. Members will not manage the Company or a Project SPE, or exercise control over the management of the business activities or affairs of the Company or a Project SPE. The Manager has broad discretion in its management of the Company and Project SPEs. Moreover, the Manager may not be removed by a vote of the Members. The Manager may withdraw or resign. Even in the event of withdrawal or resignation, to the extent the Manager is also a Member of the Company, the Manager will retain all rights attendant with membership in the Company, including its economic interest and voting rights. As the sole manager of the Company, Secured Investment Corp, is anticipated to hold sole control over all material management decisions for the Company. The Manager can take most actions without member approval.

This broad grant of authority dictates that Secured Investment Corp, will hold significant flexibility in managing the Company and Project SPEs. For example, Secured Investment Corp, could cause the sale of any particular asset, commence foreclosure proceedings in respect of any collateral securing a debt instrument or could take action to employ and compensate Affiliates without approval of all or any of the Members. The Company and Project SPEs will rely entirely on the Manager for its management. The day-to-day decisions of the Company and Project SPEs will be made by the Manager. Because Members of the Company will have no right or power to take part in the management of the Company or a Project SPE, except through the exercise of limited voting rights, a prospective investor should not agree to purchase any Membership Interests in the Company unless he, she or it is willing to entrust all aspects of the Company and Project SPE's management to the Manager.

Investments by Qualified Pension and Profit-Sharing Trusts. When considering an investment in the Company's Membership Interests of a portion of the assets of the trust of a pension or profit-sharing plan qualified under Section 401(a) of the Code and exempt from federal income taxation under Section 501(a) of the Code, an ERISA fiduciary should consider whether: (i) the prudence requirements of Section 404(a)(1)(B) of ERISA would be met; (ii) the diversification requirements of Section 404(a)(1)(C) of ERISA would be satisfied; and (iii) the investment could be made in accordance with the governing plan documents, including whether such fiduciary has the authority to make such an investment, in accordance with Section 404(a)(1)(D) of ERISA.

ERISA. The Company does not intend to be classified as an "employee benefit plan" or the holder of "plan assets" under ERISA. The Company reserves the right to reject prospective investments from Persons that would result in such classification. If, despite its efforts to the contrary, the Company is deemed to be so classified, the regulatory scheme promulgated under ERISA could have an adverse effect on the Company's ability to fund or acquire Target Assets or otherwise conduct its business.

Investment Company Act; Advisers Act. The Company does not intend to register as an "investment company" under the Investment Company Act, and the Company's Manager and its Affiliates do not intend to register as "investment advisers" under the Advisers Act. The Company reserves the right to reject prospective investments from Persons that would mandate such registration. If, despite its efforts to the contrary, the Company is required to register as an "investment company" or the Manager or its Affiliates are required to register as an "investment adviser," such registration could have an adverse effect on the Company's ability to fund or acquire Target Assets or otherwise conduct its business.

Diversification Risk Based on Offering Amount. If only the minimum Offering amount generally described in this Memorandum is attained, the investments made by the Company may be less diversified, and the types of investments available to the Company may be more limited, than if an amount substantially in excess of the minimum Offering is attained. This may have an adverse impact on the ability of the Company to achieve its objectives. The Company cannot assure prospective investors that other prospective investors will be interested in the investment opportunity presented by this Memorandum. Earlier investors bear greater risks than later investors, who will have the benefit, perhaps, of knowing that the anticipated minimum Offering amount has been obtained.

Capital Contribution Commitments. The Manager, in its sole discretion, may permit an investor in this Offering to make its capital contribution in installments. If an investor fails to fulfill its capital contribution obligation, the total amount raised in this Offering may be less than anticipated, which may have an adverse impact on the ability of the Company to achieve its objectives.

Non-transferability of Membership Interests. Because Membership Interests are being offered pursuant to exemptions from registration under applicable federal and state securities laws and with the intent that registration will not be required under the Advisers Act or the Investment Company Act, the transfer of Membership Interests will be restricted unless: (i) other exemptions from such registration requirements are applicable to and after such transfer or (ii) such interests are registered pursuant to federal and applicable state securities laws. Each Subscription Agreement includes a covenant that a Member will not sell its Membership Interest unless exemptions from applicable federal and state securities laws are available (or unless the registration requirements of such laws are met) and unless the Company, the Manager and its Affiliates will thereafter remain exempt from registration under the Advisers Act and the Investment Company Act. The Operating Agreement also imposes substantial restrictions on the transferability of Membership Interests. Even if securities law exemptions are available and a transfer is permitted under the Operating Agreement, no ready market now exists nor can such a market be expected to exist for the sale, transfer or other disposition of Membership Interests. Therefore, it should be anticipated that a Member will be required to bear the economic risk of its investment for an indefinite period of time.

Outside Contractual Limitations on Distributions. The Company or a Project SPE may have certain financial and other covenants under loans obtained with lenders in connection with the funding or acquisition of Target Assets. These covenants may prevent or restrict the amount of distributions that can be made to the Company's Members. In addition, any covenants included in any future financing agreements to be arranged by the Manager from and after the effective date of this Memorandum may directly or indirectly limit or preclude the Company from making distributions to its Members.

Competitive Activities. The business of the Company will likely be diverse and time-consuming. However, Affiliates of the Manager will continue to sponsor additional projects, some of which

may be considered to be competitive with, or to constitute a business opportunity that may be beneficial to the Company. No Affiliate of the Manager is under any obligation to make any additional investment opportunities available to prospective investors in this Offering merely on account of the fact that such parties may become Members in the Company.

Conflicts of Interests. The interests of the Manager of the Company and its Affiliates are different from the interests of Members of the Company who purchase Membership Interests. See the section entitled "CONFLICTS OF INTEREST."

Liability for Capital Return. Under very limited circumstances, such as in the event of the Company's insolvency, the investors could be required to return distributions or other payments received from the Company.

Indemnification of Manager and Affiliates. The Operating Agreement for the Company will provide that the Company will indemnify and hold harmless the Manager and its Affiliates from and against any and all losses, claims, damages and liabilities to which they may be subject, insofar as they arise by virtue of their performance of services for the Company under the Operating Agreement, except where the act or omission of such part constitutes gross negligence, reckless conduct, intentional misconduct or a knowing violation of the law.

Limited Private Offering; Absence of SEC and Applicable State Securities Commissions Reviews. This Offering is a private offering and is not registered under the Securities Act or under applicable state securities laws. Thus, this Memorandum has not been reviewed by the SEC or by the equivalent agency of any state. Review by any such agency might have resulted in the making of additional disclosures or the making of substantially different disclosures from those actually included in this Memorandum.

Federal Income Tax Risks. An investment in the Company entails significant tax risks, including but not limited to: (i) the possibility that certain deductions claimed by the Company may be disallowed and that any audit of the tax returns of the Company may result in an audit of a Member's tax return; (ii) the possibility that the Company may have taxable income allocable to Members in an amount greater than the cash available for distribution; (iii) the possibility that the Company may generate unrelated business taxable income for tax-exempt investors; and (iv) the possibility that future legislative or administrative or judicial interpretations of current law or future legislation will change the tax treatment of investors described herein. The Company is not required to make distributions sufficient for Members to pay any taxes in respect of their Membership Interests.

Each investor should carefully review the additional risks described in the section entitled "FEDERAL TAXES"

Projections and Forward-Looking Statements. There are a number of statements in this Memorandum which address activities, events, or developments which the Company expects or anticipates will or may occur in the future. These statements are based on certain assumptions and analyses made by the Company or its Manager in light of its perception of historical trends, current business and economic conditions, and expected future developments, as well as other factors it believes are reasonable or appropriate. However, whether actual results and developments will conform to the Company's expectations and predictions is subject to a number of risks and uncertainties, including the Risk Factors discussed herein; general economic, market, or business conditions; and changes in laws or regulations and other factors, most of which are beyond the control of the Company. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if

substantially realized, that they will have the expected consequences to or effects on the Company or its business or operations. ANY ESTIMATES OF LIKELY CASH FLOW ARE JUST THAT – ESTIMATES. CASH FLOW, IF ACHIEVED, WILL BE ERRATIC.

Potential investors can identify forward-looking statements by the use of words such as "may," "should," "will," "could," "estimates," "predicts," "potential," "continue," "anticipates," "believes," "plans," "expects," "future," "intends," and similar expressions that are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties and other factors, some of which are beyond the control of the Manager and the Company and are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. In evaluating these forward-looking statements each investor should carefully consider the risks and uncertainties described in in this Memorandum.

Dependence on Key Personnel. The Company is dependent upon the experience and abilities of the Manager and in particular, the experience and abilities of the employees of Secured Investment Corp and each internal division. The Manager will make virtually all decisions with respect to the management of the Company, including the determination as to what loans to make, and the Members will not have a voice in the management decisions of the Company and can exercise only a limited amount of control over the Manager. The Manager gives no assurance that the Company will operate at a profit. The Company is dependent to a substantial degree on the Manager's continued services. In the event of the withdrawal, dissolution or bankruptcy of the Manager, the business and operations of the Company may be adversely affected. None of the individuals employed by the Manager are subject to an employment agreement with the Company or with the Manager, and the loss of his/her services for any reason could adversely affect the Company's business or operations.

No Obligation to Update Memorandum. The statements herein, are based on information reasonably available to the Company or believed by the Company on the date reflected on the first page hereof. The Company assumes no obligation to update this Memorandum after such date, except to the extent required by applicable law.

FEDERAL TAXES

The following paragraphs are a summary attempt by the Company to describe certain United States federal income tax aspects of an investment in the Company's Membership Interests. These descriptions are based on existing provisions of the Code, Treasury regulations thereunder (the "Regulations"), published rulings and practices of the Internal Revenue Service (the "Service") and court decisions. Prospective investors should recognize that the present federal income tax treatment that the Company believes may be available to prospective investors may be modified by legislative, judicial or administrative action at any time, and such action may be applied retroactively or otherwise in a manner that may adversely affect investments and commitments previously made.

In addition to the United States federal income tax risks and consequences described below, ownership of a Membership Interest may subject a Member to state and foreign income and withholding taxes and estate, inheritance or intangibles taxes which may be imposed by various jurisdictions. Although persons residing in the United States generally are entitled to a foreign tax credit with respect to foreign income taxes, such credit may not be available because income and gains may be treated as United States income, income and gains may be subject to limitations on foreign tax credits and income and gains may be ineligible for the foreign tax

credit as a result of the investment structure used for any particular investment. As a result, income and gain allocable to the Members may be subject to double taxation.

The United States federal income tax aspects discussed in this Memorandum necessarily are general and may vary depending on each Member's individual circumstances. Moreover, although the Company believes that it will seek the guidance of competent tax advisors, THERE CAN BE NO ASSURANCE THAT SOME OR ALL OF THE DEDUCTIONS CLAIMED OR OTHER POSITIONS TAKEN BY THE COMPANY WILL BE ACCEPTED BY THE SERVICE. This could adversely affect the Members.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE UNITED STATES FEDERAL, STATE, AND FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY'S MEMBERSHIP INTERESTS.

Tax Status for the Company as a Partnership. The Company believes that it will be treated as a partnership for United States federal income tax purposes. Regulations (the "Anti-Abuse Regulations") issued under subchapter K of the Code (the "Partnership Provisions") authorize the Service to recast transactions that attempt to use entities taxed as partnerships for United States federal income tax purposes in a manner inconsistent with the intent of the Partnership Provisions. The stated intent of the Partnership Provisions is to conduct joint business (including investment) activities without incurring an entity-level tax.

The Manager presently believes that the use and activities of the Company is consistent with the intent of the Partnership Provisions and that, accordingly, the Anti-Abuse Regulations should not apply to the Company. However, the language of the Anti-Abuse Regulations is very broad and the scope of the Service's application of these Regulations is unclear. Thus, there can be no assurance that the Service will not attempt to apply the Anti-Abuse Regulations in a manner that would cause the federal income tax consequences of the Members to be inconsistent with the discussion herein.

The portions of the remaining discussion which sets forth certain United States federal income tax consequences of partnership treatment will not apply if the structure of the Company is recast under the Anti-Abuse Regulations. Moreover, although the Company believes that it will be treated as a partnership for United States federal income tax purposes, there is no assurance that the Company will be treated as a partnership for the various state and foreign income and withholding taxes and estate, inheritance or intangibles taxes which may be imposed by various jurisdictions.

Taxation of Members. Because the Company believes that it will likely be treated as a partnership for United States federal income tax purposes, as an entity, it should not itself be subject to United States federal income tax. Instead, the Company believes that each Member will be taxed on his, her or its allocable share of the Company's taxable income, whether or not distributed to such Member. THUS, A MEMBER'S TAX LIABILITY MAY EXCEED THE CASH DISTRIBUTED TO THAT MEMBER IN A PARTICULAR YEAR. Subject to certain limitations on the deductibility of losses discussed below, each Member will, in all likelihood, be entitled to deduct on his, her or its income tax return such Member's allocable share of the tax losses of the Company, if any, to the extent of the tax basis of such Member's interest in the Company.

Taxable income and losses will be allocated among the Members in accordance with the Operating Agreement, subject to the limitations discussed below. Generally, the characterization of an item as profit or loss will be the same for a Member as it is for the Company.

Determination of Members' Allocable Share of Taxable Income and Losses. As discussed above, each Member must take into account its distributive share of each item of Company income, gain, loss, deduction and credit for each taxable year for United States federal income tax purposes, whether or not such Member has received any cash distributions from the Company. In general, each Member's distributive share of such items for United States federal income tax purposes will be determined by the Operating Agreement. If the Service were to maintain successfully that an allocation of a Company's tax items did not have "substantial economic effect," each Member's distributive share of such items would be determined in accordance with such Member's actual proportionate interest in the Company (as determined by the Service or a court) taking into account all relevant facts and circumstances.

Section 1.704-1(b) of the Regulations generally requires the following tests to be met before an allocation of a tax item by the Company will be deemed to have "substantial economic effect:"

(1) The Members' capital accounts must be maintained in accordance with the Regulations;

(2) Capital account balances must determine the distribution of the Company's assets in liquidation of the Company (or any Member's interest in the Company) and such liquidation distributions generally must be made by the end of the taxable year of the liquidation or, if later, within 90 days after the date of liquidation; and

(3) Each Member must be required to restore any deficit in its capital account which remains after the distribution of liquidation proceeds.

The Operating Agreement provides that the Members' capital accounts will be maintained in all material respects in accordance with the Regulations and that distributions in liquidation of the Company will be determined by the balances in such capital accounts. However, the Members are not required to restore deficits in their capital accounts. This alone will not invalidate an allocation to a Member to the extent such allocation does not create or increase a deficit in such Member's capital account, as adjusted pursuant to the Regulations, provided there is a "qualified income offset" provision in the applicable Operating Agreement. In such a case, Company allocations will be considered to have economic effect under what is referred to in the Regulations as the alternate test for economic effect. The Operating Agreement will contain a qualified income offset provision.

Section 1.704-2 of the Regulations also provides special rules for allocating losses and deductions attributable to nonrecourse debt secured by Company property, which allow such losses and deductions even if such allocations do not have "substantial economic effect." The Regulations provide that losses and deductions attributable to nonrecourse debt will be deemed to be made in accordance with the Members' interests in a Company if the following requirements are met:

(1) Capital accounts are properly maintained and liquidation proceeds are distributed according to positive capital account balances (described in the paragraph above);

(2) Either deficits in capital accounts are restored (also described above) or the Operating Agreement contains a qualified income offset provision;

(3) The allocations are made in a manner that is reasonably consistent with valid allocations of some other significant Company item attributable to the property securing the nonrecourse debt;

(4) The Operating Agreement contains a "minimum gain chargeback" provision; and

(5) All other material Company allocations and capital account adjustments are recognized under Regulations Section 1.704-1 (b).

Allocations not qualifying under this safe harbor test must be made in accordance with the Members' overall economic interests in the Company. The Operating Agreement will contain a minimum gain chargeback provision.

Based on the foregoing, the Manager believes that the allocations provided in the Operating Agreement will more likely than not either have "substantial economic effect" or will be substantially in accordance with the Members' respective interests in the Company, and thus should be respected for United States federal income tax purposes.

Tax Basis of Membership Interests and Limitation on Allowance of Losses. The initial tax basis of each Member's Membership Interest will be equal to the capital contributions made to the Company by such Member. The tax basis of a Member's Membership Interest in the Company will be reduced (but not below zero) by such Member's share of distributions and losses of the Company, and increased by its subsequent capital contributions made to the Company and by its share of the Company's income and "nonrecourse" liabilities (i.e., Company liabilities for which no Member is personally liable). A decrease in a Member's share of such liabilities is treated for tax purposes as though it was a cash distribution and therefore will reduce such Member's tax basis or will cause it to recognize gain if its tax basis is insufficient to absorb the deemed cash distribution. If the tax basis of a Member's Membership Interest in the Company at the end of any Company taxable year is less than such Member's distributive share of the Company's losses for such year, such distributive share of losses is deductible by such Member only to the extent of the tax basis of such Membership Interest. A Member's distributive share of the Company's losses in excess of the tax basis of such Membership Interest may be carried over indefinitely and deducted, subject to the other limitations discussed herein, in any subsequent taxable year in which the tax basis of such Membership Interest is increased above zero.

At Risk Limitation. Losses from certain activities, including those to be conducted by the Company, are deductible by a Member for a taxable year only to the extent of the aggregate amount that the Member has at risk in the Company at the end of the taxable year. The amount at risk equals the amount of money loaned or contributed, and the adjusted basis of other property contributed, by the Member to the Company and amounts borrowed by the Company to the extent that the Member is personally liable for the repayment of such amounts, or to the extent that it has pledged property, other than property used in such activity, as security for such borrowed amount. With respect to any real estate activity of the Company, a Member also is at risk to the extent of its allocable share of a borrowed amount that is treated as "qualified nonrecourse financing." Qualified nonrecourse financing is any indebtedness which:

(1) is borrowed by the taxpayer with respect to the activity of holding real estate;

(2) is borrowed from a qualified Person (i.e., generally an entity actively engaged in the business of lending money) or represents a loan from any federal, state or local government;

(3) except to the extent provided in the Regulations, no person is personally liable for repayment; and

(4) is not convertible debt.

In addition to the requirement that a "qualified person" be actively and regularly engaged in the business of lending money, the Code also requires that such person not be:

(1) related to the taxpayer;

(2) the person from whom the taxpayer acquired the real estate which is the subject of the indebtedness (or a related person to such person); or

(3) a person who receives a fee as a result of the taxpayer's investment in the real estate which is the subject of the indebtedness (or a related person to such person).

The portion of a Member's share of the Company's losses for any taxable year in excess of such Member's amount at risk in the Company at the end of such taxable year can be carried over indefinitely and deducted in later years to the extent such Member's amount at risk in the Company has increased above zero. The at risk limitation is independent of, and in addition to, the general rule limiting losses allocable to a Member by the Company to the amount of the tax basis of such Member's Membership Interest in the Company.

Passive Activity Limitation. Generally, Members who are individuals, personal service corporations or certain closely held corporations will be subject to the passive activity limitation. In that event, Company losses from activities in which an investor does not participate materially, commonly known as "passive activities," can be used only to offset income from other similar passive activities. In addition, credits generated by such activities can be used only against the tax attributable to such activities. Unused passive activity losses and credits can be carried forward to future years. Such losses will be deductible in future years against passive activity income and such credits can be used to offset tax attributable to passive activities in future years. Such losses, but not credits, will be allowed in full upon the taxable disposition of the entire passive activity interest.

When a taxpayer disposes of its entire interest in any passive activity in a fully taxable transaction (i.e. one in which all realized gains or losses are recognized), any excess losses from the activity are first utilized to offset net income or gain from all passive activities in that taxable year. Any excess losses may then be deducted to the extent of all other income. In addition, any gain recognized on a disposition of a passive activity increases passive income and thus potentially permits the allowance of additional losses and credits from other passive activities.

As stated above, income from passive activities can be offset by losses from passive activities. However, if the Company is not engaged in a trade or business, the Company's income and deductions will not be considered to be passive income or deductions and will not be subject to the limitations outlined above. In the present case, it is anticipated that the Company will be deemed to be engaged in a trade or business.

Tax Treatment of Certain Payments Made by the Company. In determining the Company's taxable income or loss, the tax consequences to the Company of certain payments made by the Company are likely to be as follows:

Organizational Costs. It is anticipated that no current deduction will be allowed for the costs of organizing the Company, such as legal fees relating to the preparation of the Operating Agreement, accounting fees for establishing an accounting system, initial management fees and necessary filing fees. However, at the election of a Company, the organizational costs can be amortized over a period of not less than sixty (60) months. The Manager intends to elect to amortize organizational costs for the Company over sixty (60) months.

Offering Costs. The costs connected with offering Membership Interests, such as registration fees, printing costs, and legal fees for securities advice, will neither be currently deductible nor be amortizable by either Company and, therefore, the Company's allocable share of such costs must remain capitalized for the life of the Company.

Other Deductions. Payments by the Company for fees and other expenses relating to the Company's trade or business, or to the Company's investment activities, are anticipated to be deductible to the extent such payments represent reasonable compensation for services or are otherwise ordinary and necessary expenses of carrying on the Company's business or investment activities. Under the Operating Agreement, the Company may pay various asset and property management and sales fees after the foreclosure of any real estate which secures a Target Asset. Although the fees to be paid under the Operating Agreement are intended to be reasonable, there is no assurance that the courts or the Service will find any such fee to be reasonable. Assuming that the fees are reasonable, such payments appear to be deductible. In the case of an individual investor, however, certain investment activity deductions may be subject to a 2% floor with respect to itemized deductions.

Distributions. If the net distributions to a Member from the Company in any year exceed such Member's distributive share of the Company's taxable income for that year, the excess generally will constitute a return of capital to such Member. A return of capital will not be reportable as taxable income by the recipient Member for federal income tax purposes, but will reduce the tax basis of its Membership Interest in the Company. If the tax basis of a Member's Membership Interest in the Company is reduced to zero, any subsequent distributions to it will result in gain being recognized by such Member as if it had sold or exchanged such Membership Interest. See "Sale or Other Disposition of Membership Interests or Assets of the Company." Although gain or loss typically is not recognized upon the distribution of non-cash assets to Members, the distribution of marketable securities to a Member generally will be treated as a distribution of cash, and may result in the recognition of gain or loss upon distribution.

Sale or Other Disposition of Membership Interests or Assets of the Company. Gain or loss recognized on the sale or other disposition of Membership Interests by a Member will be taxed at capital gains rates. Capital gains rates for individuals are generally subject to a fifteen percent (15%) ceiling (20% in some cases), and only Three Thousand and No/100 Dollars ($3,000) of net capital losses in any taxable year can be deducted by an individual against ordinary income. Capital gains recognized by corporations are taxed at the same rate as ordinary income, and corporations may deduct capital losses only against capital gains. In determining the gain from a sale or disposition of its Membership Interest, a Member will be required to include in the amount realized its pro-rata share of Company liabilities which have been included in the tax basis of its Membership Interest, which could result in the amount of such gain exceeding the cash received on such a sale or disposition.

In addition, the sale or disposition by a Member of such Member's entire interest in the Company, or by the Company of all of its properties, may give rise to a deduction for previously suspended passive activity losses. See "Passive Activity Limitation."

Dissolution or Liquidation of the Company. If the Company is dissolved before its term expires, or if the Company holds real estate (as a result of a foreclosure) at the end of the term of the Company, the Company might be required to liquidate all of its assets during a limited period of time. This liquidation could cause the Company to sustain economic losses.

Upon a dissolution and liquidation of the Company, a Member will recognize gain only to the extent that a liquidating distribution of money exceeds its tax basis for its Membership Interest

in the Company immediately before the distribution. However, generally, no gain will be recognized by a distributee Member as a result of a distribution of property other than cash or marketable securities, and the Member's basis in the distributed property will be the same as such Member's basis in such Membership Interest, reduced by the amount of any money distributed to such Member in liquidation. Loss will be recognized in a liquidating distribution only if such distribution is limited to money, unrealized receivables and inventory, and the amount of money plus the distributee Member's basis in the unrealized receivables and inventory is less than the tax basis of such Membership Interest. Such gain or loss will be considered gain or loss arising from the sale or exchange of Membership Interest. See "Sale or Disposition of Membership Interests or Assets of the Company" above.

Under Section 708(b) of the Code, if in a 12-month period there is a sale or exchange of fifty percent (50%) or more of the total Membership Interests in capital and profits, a termination of the Company will occur for tax purposes, and the taxable year of the Company will close. In that event, the property of the Company will be deemed to have been distributed to the Members and capital gain, ordinary income or loss may result from such termination. Following such a deemed distribution, a contribution of the property will be deemed to be made to a new company. The property of the Company may have a different basis in the hands of the deemed new company from that which it had in the hands of the Company.

Investments by Tax-Exempt Entities

General Taxation of Tax-Exempt Entities. Qualified pension trusts, as well as charitable, educational and other organizations described in Section 501(c) of the Code, are generally exempt from federal income tax (collectively such organizations are referred to herein as "Tax-Exempt Entities"). However, Tax-Exempt Entities are subject to tax on their unrelated business taxable income ("UBTI"). A Tax-Exempt Entity that is a Member in the Company, in computing its UBTI, includes its share (whether or not distributed) of the gross income of the Company derived from the unrelated trade and business and its share of the Company deductions directly connected with such gross income. In addition to possible federal income taxation, any UBTI may be subject to state and local income taxation, which may differ in method of computation and amount from the federal tax. The receipt of an excessive amount of UBTI from the Company or otherwise may affect the exempt status of the Tax-Exempt Entity.

Unrelated Business Taxable Income. Section 512(a) of the Code defines UBTI as gross income received by a Tax-Exempt Entity from the conduct of a trade or business not related to the exempt function of the entity, less deductions which are directly connected to that trade or business. While the activities of a Company may constitute the conduct of an unrelated trade or business, Section 512(b) of the Code explicitly excludes from UBTI certain items of gross income from such activities. Tax-Exempt Entities that are Members generally will realize UBTI unless the Company's income falls within these exclusions. These exclusions from UBTI include interest, dividends, certain fixed rents from real estate and gains from the sale, exchange or other disposition of property. Such gains are not excluded, however, for property that is held "primarily for sale to customers in the ordinary course of the (seller's) trade or business." The Company may engage in activities that will cause some or all of its properties to be characterized as held primarily for sale to customers in the ordinary course of the Company's business. In that case, gain from the sale or other disposition of such properties would be characterized as UBTI.

Tax Returns. The Company will be required to file a United States federal information return each year (Form 1065), but the Company will not, as an entity, be subject to United States federal income taxation. To the extent practicable, the Company will provide information on its

operations to all Members within 90 days after the close of its Fiscal Year for the Members' use in the preparation of their income tax returns.

Audits and Reporting of Company Items. The tax treatment of a Company item of income, deduction, credit, etc., is determined at the Company level. Thus, audits by the Service will be conducted at the Company level and audit determinations with respect to Company items will apply on a uniform basis to all Members. The Service is required to notify all members of a company of an audit proceeding involving the Company and any adjustments resulting therefrom, except for certain members in a company with more than 100 members. It is not anticipated that the Company will have more than 100 Members.

With respect to the Company, a Member must report the Company item in a manner consistent with the reporting of such item on the Company return, unless such Member files a statement with the Service identifying the inconsistency. If such a statement is not filed, the Service may assess a deficiency against such Member without conducting an administrative proceeding at the Company level, in order to make such Member's treatment consistent with the Company's treatment. In addition, certain penalties apply if a Member intentionally disregards the consistency requirement.

Accuracy Related Penalty. Section 6662 of the Code imposes a penalty equal to twenty percent (20%) of the amount of a tax underpayment attributable to a substantial understatement of tax. A substantial understatement exists if the tax liability reported on a return understates the amount of tax required to be reported on such return by the greater of ten percent (10%) of such required amount or $5,000 ($10,000 for corporations other than S corporations and personal holding companies). The amount of an understatement will be reduced by any portion of the understatement attributable to (i) the treatment of an item for which there was substantial authority for such treatment, or (ii) an item for which the facts relating to its treatment are adequately disclosed in the return or an attachment thereto.

State, Local and Foreign Taxes. In addition to the United States federal income tax consequences described above, prospective investors should consider potential state, local and foreign tax consequences of an investment in the Company. Each prospective investor is advised to consult its tax advisor for advice as to state, local and foreign taxes which may be payable in connection with an investment in the Company.

THE FOREGOING SUMMARY OF UNITED STATES FEDERAL INCOME TAX ASPECTS IS NOT INTENDED TO BE A COMPLETE SUMMARY OF THE TAX CONSEQUENCES OF AN INVESTMENT IN THE COMPANY. NO RULINGS HAVE BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX MATTERS DESCRIBED HEREIN AND NONE WILL BE REQUESTED. THE COMPANY'S OPINION REGARDING TAX MATTERS IS NOT BINDING ON THE IRS. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT WITH ITS OWN TAX ADVISORS CONCERNING THE TAX ASPECTS OF AN INVESTMENT IN THE COMPANY.

CERTAIN ERISA CONSIDERATIONS

The Company reserves the right to refuse to issue Membership Interests to any entity that is subject to ERISA. Each prospective investor, however, that is a pension, profit sharing or other employee benefit plan or trust subject to ERISA should consider the matters described below when evaluating a potential investment in the Membership Interests of the Company.

ERISA plan fiduciaries making or monitoring a plan's investment should give appropriate consideration to, among other things:

(1) the fiduciary standards of ERISA;

(2) how an investment in the Company would satisfy the prudence and diversification requirements of ERISA for the plan, taking into account factors such as the limitations on the marketability of the Membership Interests, the restricted liquidity of the investment and the inability of Members to withdraw all or any part of their capital contributions;

(3) the extent to which the governing documents of the ERISA plan, including the ERISA plan's investment guidelines, authorize investment by the plan in Membership Interests and the fiduciary's ability to make that investment; and

(4) how any unrelated business taxable income from the investment would affect the ERISA plan.

If the assets of the Company are regarded as "plan assets" of an ERISA plan investor, the Manager and its Affiliates may be "fiduciaries" (as defined in ERISA) with respect to such ERISA plan. The Company does not intend for any of its assets to be regarded as "plan assets."

ERISA fiduciaries are subject to obligations and liabilities under ERISA, including rules restricting transactions with "parties in interest" and prohibiting transactions involving conflicts of interest on the part of fiduciaries.

The prohibited transaction rules of ERISA are complex and could prohibit the Company from making an investment absent an exemption issued by the United States Department of Labor (the "DOL"). To the extent that assets of the Company constitute "plan assets," the compensation received by the Manager, its affiliates or any other person deemed to be an ERISA fiduciary may not exceed an amount that is considered to be reasonable compensation under ERISA. The Company does not intend for any of its assets to be regarded as "plan assets."

The Department of Labor has issued certain regulations ("ERISA Regulations") on ERISA "plan assets" (Dept. of Labor Reg. § 2510.3-101). The ERISA Regulations' general rule is that when a plan invests in assets of another entity, the plan's assets include its equity interest in the entity, but do not, solely by reason of such investment, include any of the underlying assets of the entity. However, when an ERISA plan acquires an equity interest in an entity that is neither (1) a "publicly offered security," nor (2) a security issued by an investment company registered under the Investment Company Act, the plan's assets include both the equity interest in the entity and an undivided interest in each of the underlying assets of the entity. There are principally two exceptions: (1) if the entity is an "operating company," and (2) if the equity participation in the entity by "benefit plan investors" is not "significant."

Equity participation in an entity by benefit plan investors is considered "significant" if 25% or more of the value of the equity interests are held by "benefit plan investors." Benefit plan investors include ERISA plans and plans described in Code Section 4975(e)(I), such as individual retirement accounts or IRA's, government plans and church plans.

The Manager does not expect that the Company will qualify as an operating company. Although the Company may limit the maximum percentage ownership of any single Member, no specific review of the ownership interests of the Company will be made at any given time or from time to time to determine if benefit plan ownership exceeds the twenty-five percent (25%) threshold.

Thus, if the Company permits such investments, equity participation by benefit plan investors may be significant and the plan assets of ERISA plans investing in the Company may include an undivided interest in the assets of the Company.

THE COMPANY DOES NOT ANTICIPATE ALLOWING PARTIES TO INVEST IN THE MEMBERSHIP INTERESTS IF SUCH PARTIES WOULD, BY VIRTUE OF THEIR INVESTMENT, CAUSE THE COMPANY, THE MANAGER OR ITS AFFILIATES TO BECOME ERISA FIDUCIARIES.

THE FOREGOING SUMMARY OF ERISA CONSIDERATIONS IS BASED UPON ERISA, JUDICIAL DECISIONS, DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF, ALL OF WHICH ARE SUBJECT TO CHANGE. THIS SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ERISA ISSUE THAT MAY BE APPLICABLE TO THE COMPANY OR A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA ISSUES AFFECTING THE COMPANY AND SUCH INVESTOR.

SUMMARY OF COMPANY OPERATING AGREEMENT

Subject to the satisfaction of the conditions described elsewhere in this Memorandum, prospective investors will be deemed admitted to the Company and will become Members upon approval and acceptance of their completed subscriptions by the Manager, which approval may be granted or withheld in the Manager's sole discretion. Prior to such event, the Manager must receive appropriate funds representing the entire subscription amount (or such portion thereof as the Manager agrees to accept, with the investor remaining liable for the remainder of the contribution obligation) and each prospective investor must execute and deliver an original signature page to the Operating Agreement.

At that time, prospective investors making subscriptions for Membership Interests will become parties to, and will be bound by, the terms and conditions of the Operating Agreement, as it may be amended from time to time. The Operating Agreement will govern the operations and activities of the Company and the rights and obligations of the Members and to a degree, the rights and obligations of the Manager. It may be possible that the Operating Agreement will be amended from time to time in a material fashion, without the consent of all Members.

The following is a summary description of various provisions of the Operating Agreement which the Company believes are important in the context of giving sufficient information to prospective investors to allow them to make a reasonably informed investment decision with respect to the Offering of the Membership Interests of the Company described in this Memorandum. This summary may be incomplete. Prospective investors and their respective counsels are advised to refer to the form of Operating Agreement attached to the Subscription Booklet which is attached to this Memorandum as Exhibit A regarding its precise terms and the nature or impact of its provisions. The Operating Agreement is Exhibit D to the Subscription Booklet. THIS SUMMARY IS MODIFIED IN ITS ENTIRETY BY THE EXPRESS TERMS AND PROVISIONS OF THE OPERATING AGREEMENT ITSELF. Terms that are capitalized and not otherwise defined in this Memorandum were taken directly from the Operating Agreement and are used in this Memorandum as defined therein.

General. The Company is organized as an Idaho limited liability company. The purpose of the Company is to acquire, own, develop, hold, manage, sell, transfer, exchange, and otherwise dispose of Target Assets.

Governance of the Company. The governance of the Company is implemented at two levels: (a) through the Members of the Company; and (b) through the Manager. Members have very limited voting rights. The management powers of the Manager are broad and extensive.

The following are the matters requiring the approval of the Manager and Member approval (a vote of 50.1% of the sharing ratios):

(1) The appointment of a new Manager upon the resignation or withdrawal of the Manager;

(2) Authorizing the Manager to solicit additional capital contributions, except that the Manager may, without the consent of the Members, solicit additional capital contributions and have Subsequent Closings up to one (1) year following the Initial Closing; and

(3) Certain amendments to the Operating Agreement.

Except for the items reserved to the Members, as listed above, the Manager has the power to do all things necessary or convenient to carry out the business and affairs of the Company.

Members. Persons who invest in this Offering will be Members of the Company. For a discussion of distributions to the Members, see "Distributions" below. Within thirty (30) days after the Initial Closing or any Subsequent Closing, the Company may require a portion of the Membership Interest of any Member to be redeemed at its cost, together with any interest that may have accrued thereon while held as a Permitted Temporary Investment, if the Manager determines, in its sole discretion, that such redemption is necessary or advisable for the Company to be exempt from registration under the Advisers Act or the Investment Company Act.

Distributions from Operations. The Operating Agreement provides that the Company will distribute Net Available Proceeds From Operations to the Members and transferees (including the Manager if the Manager is a Member or transferee) and to the Manager (in its capacity as the Manager) as follows:

(1) First, to Members and transferees in accordance with their sharing ratios until Members and transferees have received a 9% cumulative annual return, compounding quarterly, on their unrecovered investments in the Company;

(2) Second, 50% to Members and transferees in accordance with their sharing ratios and 50% to the Manager.

Distributions from Capital Transactions. Prior to the distribution of Net Capital Transaction Proceeds to the Members, the Manager may, in its sole discretion, cause all or part of the Net Capital Transaction Proceeds gross proceeds from capital transactions to be held for operating reserves or, during the Investment Period, for re-investment or re-Deployment. Subject to the rights identified above, the Operating Agreement provides that the Company will distribute Net Capital Transaction Proceeds to the Members and transferees (including the Manager if the Manager is a Member or transferee) and to the Manager (in its capacity as the Manager) as follows:

(1) First, to Members and transferees in accordance with their sharing ratios until Members and transferees have received a 9% cumulative annual return, compounding quarterly, on their unrecovered investments in the Company, including distributions of Net Available Proceeds From Operations;

(2) Second, to Members and transferees in accordance with their sharing ratios until Members and transferees have received 100% of their unrecovered investments in the Company;

(3) Third, 50% to Members and transferees in accordance with their sharing ratios and 50% to the Manager (in its capacity as the Manager).

Proceeds. Net Available Proceeds From Operations and Net Capital Transaction Proceeds may include non-cash proceeds. The Manager, in its sole discretion, may determine whether to make distributions in the form of cash or in the form of non-cash assets and may distribute proceeds differently as between the Members and the Manager.

Other Distributions. The Operating Agreement describes separately the procedure for liquidating distributions and certain other matters that are material. All prospective investors and their respective counsel are encouraged to review the Company's Operating Agreement.

Calculation of Returns. No percentage return will begin to accrue in respect of any Member's unrecovered cash investment in the Company until the scheduled closing date (i.e. Initial Closing or any Subsequent Closing, whichever is applicable), even if an investment is accepted by the Company prior to the Initial Closing or any scheduled Subsequent Closing, whichever the case may be. In respect of a transaction that results in a Member's recovery of its investment, a Member's return on its investment will be calculated to the date of closing of such transaction, rather than the date on which an actual distribution is made by the Company to the Member.

Initial Contributions. The Company anticipates that it will require all investors to fulfill their initial contribution obligations on or before the end of the third Calendar Quarter of 2014. Notwithstanding the dispute resolution provisions contained in the Operating Agreement, may pursue any remedies available at law or in equity against any investor that fails to fulfill its contribution obligation. The Company's remedies will include the retention of a portion of the sums received from an investor as liquidated damages, together with a commensurate reduction in that investor's Membership Interest.

Subsequent Closings. In addition to the admission of Members at the Initial Closing, the Manager, in its discretion, may schedule on or before the Offering Expiration Date one or more Subsequent Closings for such Person or Persons seeking admission to the Company as an Additional Member subject to the determination by the Manager in the exercise of its good faith judgment that, in the case of each such admission, the certain conditions have been satisfied. Members admitted to the Company after the Initial Closing, but prior to the Offering Expiration Date, will be admitted to the Company "at par" with the initial Members admitted on the Initial Closing. For example, if an Additional Member invests $250,000, he, she or it will receive the same Sharing Ratio as an initial Member who invested $250,000. The Manager shall have no obligation to obtain Member consent for any Subsequent Closing prior to the Offering Expiration Date.

Additional Capital Contributions after Offering Expiration Date. Members and transferees of Membership Interests will not be required to make capital contributions to the Company in excess of their initial contribution obligations. After the Offering Expiration Date and upon a majority vote (greater than 50.1%) of the Members and with the consent of the Manager, the Company may raise additional capital, but must first solicit additional capital contributions from existing Members and transferees, each of whom will have the right to make additional capital contributions in the proportion his, her or its sharing ratio bears to the sharing ratios of the Members and transferees who elect to contribute. After the Members and transferees exhaust their rights to contribute, the Company may solicit capital contributions from third

parties, which will have a dilutive effect on Membership Interests, based on the fair market value of the Company's assets at the time of such additional contributions.

Exculpation and Indemnification. The Operating Agreement provides that the Company shall indemnify the Manager from all costs, losses, liabilities, and damages paid or accrued by it in connection with the business of the Company, to the fullest extent provided or allowed by the laws of the state of Idaho. Further, the Company shall hold any Member, the Manager and Affiliates of the Manager harmless from personal loss arising from his guaranty of any loan, environmental indemnity, or similar obligation incurred for the benefit of the Company. The Manager's bylaws contain similar provisions for the benefit of its executive officers and directors.

Restrictions on Transferability of Membership Interests. The Operating Agreement provides that a Member is generally prohibited from transferring any of his, her or its Membership Interest in the Company. However, a Member may transfer his, her, or its Membership Interest to another existing Member, upon death, or to any other person so long as the transfer is approved by the Manager. The Subscription Agreement to be executed by each prospective investor also provides that transfer of any Membership Interest shall be ineffective if the transfer would violate the provisions of the securities laws, would require registration of the Company under the Investment Company Act, would require registration under the Advisers Act, or would cause the Company to be taxed as a corporation under the Regulations.

Term. The term of the Company shall be for five (5) years subject to two (2) one year extensions at the option of the Manager; provided that the Company may be dissolved in accordance with the terms and provisions of the Operating Agreement and the Idaho Limited Liability Company Act.

Limited Liability. Under the Idaho Limited Liability Company Act and under the terms of the Operating Agreement, Members of the Company generally *will not* be personally liable for any debts, obligations or liabilities of the Company beyond their respective capital contributions. Under very limited circumstances, Members could be required to return previous distributions to satisfy unpaid debts of the Company, if such distributions were made while the Company was insolvent, or in violation of law.

Withdrawal. No Member may withdraw all or any part of its contribution prior to the date which is twelve (12) months after the date the Member made such contribution, thereafter a Member's request to withdraw must be communicated to the Company by giving not less than ninety (90) days' written notice to the Manager. A Member's withdrawal request shall specify the amount the Member requests to withdraw. Each Member's request for a withdrawal shall be subject to the Manager's approval. If the Manager grants a Member's request for a withdrawal, the Member may only withdraw up to twenty-five percent (25%) of the withdrawal amount agreed to by the Manager on the last day of the Calendar Quarter in which the Manager has granted a Member's withdrawal request and up to twenty-five percent (25%) of the withdrawal amount agreed to by the Manager on the last day of each subsequent Calendar Quarter until the Member has received the entire withdrawal amount agreed to by the Manager. The above requirements regarding the withdrawal amount and the timing of any specific withdrawal may be modified by the Manager, in its sole and absolute discretion, based on, amongst other things, the Company's current cash flow, the amount of the Company's reserves, and the Company's then-current financial condition.

Management. Except as otherwise expressly provided in the Operating Agreement, the Manager will have, with respect to investment assets and the business of the Company, full and complete

authority, power and discretion to manage and control the business, affairs and investment assets 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 will be charged with the full responsibility for managing and promoting the business of the Company.

Removal of the Manager. The Manager may not be removed by a vote of the Members.

No Tax Distributions. The Company is not required to make distributions sufficient for Members to pay any taxes in respect of their Membership Interests.

THE FOREGOING IS ONLY A SUMMARY DESCRIPTION OF CERTAIN ASPECTS OF THE COMPANY'S OPERATING AGREEMENT. PROSPECTIVE INVESTORS ARE STRONGLY URGED TO REVIEW THE OPERATING AGREEMENT CAREFULLY WITH ITS OWN COUNSEL AND ADVISORS.

REPORTS TO MEMBERS

Within ninety (90) days after the end of the Company's fiscal year, the Company will prepare and send to each Member a balance sheet of the Company as of the end of the fiscal year and statements of income and expense, Members' equity and changes in financial position for the year, a cash flow statement, and other additional reports as the Manager deems relevant. In addition, the Company will forward to each Member tax information as is necessary for the preparation by each Member of the Member's federal and state income tax returns.

Each Member (or Member's agent or attorney) also has the right to inspect and copy (at the requesting Member's expense and during regular business hours) the books and records that the Company is required to keep pursuant to the Operating Agreement and Idaho Limited Liability Company Act.

THE OFFERING

General Terms of the Offering. This Memorandum describes an Offering of Membership Interests with a stated maximum amount of $10,000,000 to be raised, although the Manager has the absolute right to modify, amend or terminate the Offering described in this Memorandum for any reason, from or after the date of this Memorandum. The Company is seeking from qualified investors total subscriptions for Membership Interests of at least $500,000. The Company reserves the right to increase the minimum required investment.

The Membership Interests described in this Offering are available only to persons and entities that represent and can verify to the satisfaction of the Manager under Rule 506(c) that they are an "accredited investor" under one of the applicable definitions set forth in Rule 501(a) of Regulation D.

Membership Interests will be issued without registration under the Securities Act and without registration under applicable state securities laws, all in reliance upon the exemptions from registration under federal and state securities laws.

Subscription Amount. Each investor will be asked to invest a minimum of $50,000, unless the Manager determines to accept a lesser amount or elects to increase the minimum amount. The Company's Initial Closing will be as soon as is practicable and the Manager, in the sole and absolute discretion, may accept subscriptions at Subsequent Closings at any time prior to the

Offering Expiration Date. The Manager, in its discretion, may permit an investor to fulfill its contribution obligation over time. The Company may require an investor to execute a promissory note in respect of any contribution obligation.

The Manager, in its discretion, may accept subscriptions for Membership Interests in the Company in the form of contributions of real property in lieu of cash. The investor will be credited with a Membership Interest equal to the value of a third party appraisal (acceptable to the Manager) of the real property contributed.

No Escrow Account. The Manager anticipates establishing a custodial account for the Company or a corporate bank account for the Company at one or more federally-insured depository institutions. All subscription amounts will be immediately deposited into such account upon receipt from prospective investors. Only after an aggregate of $500,000 has been deposited in such account will the Manager consider that the Company successfully raised the "minimum amount" and that the proceeds within such account should be available for the Company's business and investment purposes.

Prospective investors are advised that the Subscription Agreement is a binding contractual commitment. Prospective investors executing and delivering Subscription Agreements must fulfill their contribution obligations and will not have any contractual right to rescind their investment. Failure of an investor to fulfill its contribution obligation will entitle the Company to pursue any remedies against that investor that may be available at law or in equity, including, without limitation, liquidated damages as described in the Company's Operating Agreement and the investor's Subscription Agreement.

The banks or brokerage companies utilized by the Company will not act as escrow agent with respect to prospective investors' initial subscription funds. In the event that the Company determines that the amount of money raised in the Offering is insufficient to make the business plan of the Company feasible, the Manager will undertake to have the Company return subscription amounts to prospective investors, without interest.

Subscription Agreements. Before the Company (or the Manager on behalf of the Company) may accept a subscription from any prospective investor, the Manager will require such prospective investor to complete and return to the Company an Investor Questionnaire and a Subscription Agreement. The forms of each are attached to the Subscription Booklet delivered to each investor in connection with this Memorandum and should be reviewed by prospective investors.

To qualify for exemptions from registration under the Securities Act, each prospective investor must represent that he, she or it is acquiring the Membership Interests with the intent of holding the Membership Interests for investment for his, her or its own account and without the intent or a view to participating directly or indirectly in, or for resale in connection with, any distribution of such Membership Interests within the meaning of the securities laws. Each prospective investor must also represent that he, she or it does not intend to divide his, her or its participation with others, or to resell, assign or otherwise dispose of all or any part of its Membership Interests. Each Subscription Agreement will contain these representations.

By purchasing Membership Interests, prospective investors acknowledge that they have been advised of, and that they understand, the importance of applicable United States federal and state securities laws, and that no public market exists or is expected to exist for the resale of the Membership Interests in the Company, even if such transfers are permitted under the Operating Agreement and under applicable securities laws.

If a prospective investor has any questions whatsoever regarding this Offering, or desires any additional information or documents to verify or supplement the information contained in this Memorandum, such prospective investor should write or call the Manager at the address set forth at the end of this Memorandum. The Company and the Manager will endeavor to provide investors with any additional information, to the extent the Company or Manager possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information contained in this Memorandum.

No Liquidity. There is no guaranty that the Company will have cash flow from operations sufficient to make distributions to Members. Further, the Membership Interests are restricted securities and may be sold or transferred in limited circumstances and only upon approval of the Manager and in full compliance with the terms and provisions of the Securities Act and all state equivalents. Be advised that each prospective investor should have adequate means of providing for his, her or its current income needs and contingencies. Prospective Investors should have no need for liquidity of their investment in Membership Interests. Each prospective investor should be able to bear the economic risks of an investment in the Company's Membership Interests for an indefinite period of time. For additional discussion, see the section entitled "RISK FACTORS" above.

Restrictions on Transfer. Generally, Members are restricted from making any transfer of their interest in the Company unless the transfer is to an Affiliate of the Manager, another Member, occurs as a result of death, or is approved by the Manager. In the event of any transfer, the Company may require a legal opinion that such transfer is exempt from registration under the Securities Act and all state equivalents, that the transfer will not require the Manager or its Affiliates to register under the Advisers Act, that the transfer will not require the Company to register under the Investment Company Act and that the transfer will not cause the Company to be taxed as a corporation or an association. For additional discussion of restrictions on transfer, please see the sections entitled "SUMMARY OF COMPANY OPERATING AGREEMENT" and "RISK FACTORS" above.

Investment Advisers Exemption. This Offering is made in reliance upon an exemption from registration under the Advisers Act. To qualify for such registration exemption, the Company, rather than any individual Member, must be the recipient of any investment advice that might cause the Manager or its Affiliates to be considered an "investment adviser." Each potential investor, therefore, must recognize that the Manager's investment decisions will be directed in respect of the Company's investment goals, rather than the investment goals of any Member.

Not an Investment Company. The Company does not intend to be treated as an "investment company" under the Investment Company Act. Accordingly, the Company reserves the right to limit the number and types of Members and to reject any subscription for Membership Interests.

NO PLAN OF DISTRIBUTION

Affiliates of the Manager may purchase Membership Interests in the Company, and the purchase of such Membership Interests will be included in satisfying the minimum offering requirements. To the knowledge of the Company, no Affiliate of the Manager has any present intent to resell any of such Membership Interests.

CONFIDENTIAL INFORMATION

This Memorandum and all matters contained herein are confidential and proprietary. Each Person receiving a copy hereof, by accepting such delivery, shall be deemed to have agreed not to disclose or use any of the information herein contained except for purposes of evaluating an investment in the Company.

PROCEDURES TO SUBSCRIBE

Prospective investors are urged to carefully consider the information set forth in this Memorandum and to make such other inquiries and investigations as they may deem appropriate. If after such reading, consideration and further inquiry a prospective investor decides to purchase a Membership Interest in the Company, such investor should follow the procedures set forth below.

Qualified Investors. The purchase of Membership Interests described in this Memorandum is predicated, among other factors, upon the prospective subscriber qualifying as a qualified investor. Only Persons who are "accredited investors" as defined in Rule 501(a) of Regulation D are qualified investors. See the section entitled "NATURE OF THE OFFERING AND SUITABILITY STANDARDS" above.

Subscriptions. In order to subscribe, qualified investors must complete, execute and return the documents listed below, which are delivered with this Memorandum:

(1) the Investor Questionnaire (individual or entity, whichever is applicable);

(2) a Subscription Agreement for the Company, which contains certain covenants, warranties, promises and undertakings which should be carefully considered by the subscriber before execution;

(3) a check, cashier's check or wire transfer for the total committed capital amount of the subscription. The check should be made payable to the order of Secured Investment High Yield Fund II, LLC; and

(4) a signature page to the Operating Agreement, which when executed by the subscriber will constitute an agreement to become a party to, and be bound by, the Operating Agreement and all of its terms and conditions. The Operating Agreement contains certain covenants, warranties, promises and undertakings, all of which should be carefully considered by the subscriber before execution.

Forwarding of Subscriptions. All Investor Questionnaires, Subscription Agreements, checks or cashier's checks, and Operating Agreement signature pages should be mailed or delivered to the address listed on the front cover of this Memorandum. A subscription will not be deemed to be accepted until the Manager has executed and delivered to the subscriber the Acceptance by Manager attached to such subscriber's Subscription Agreement.

Upon acceptance of its Subscription Agreements by the Manager, which acceptance is within the sole discretion of the Manager, a subscriber will become subject to and bound by all of the terms and conditions of the Operating Agreement.

Questions. Written questions should be addressed to Secured Investment Corp, the Company's Manager, in care of Heather Dreves at the following address: 1121 E. Mullan Ave., Coeur d'Alene, Idaho 83814. You may also telephone Heather Dreves at 1-800-473-6051 or email Heather at hdreves@securedinvestmentcorp.com.

EXHIBIT A

SUBSCRIPTION BOOKLET