

PRIVATE PLACEMENT MEMORANDUM

of

W1 HOLDINGS, LLC

a California limited liability company
1017 L St., No. 485, Sacramento, California 95814

and the

(“2024-25 Upper Westside REI Fund”)
\$4,500,000

W1 Holdings, LLC (“W1”) engages in real property speculation and acquisition. W1 is not a development company. W1 specifically specializes in the securing of off-market real property at substantial discounts (“Asset, or Assets”). These Assets are then returned to the market at a substantial profit. Each investor then shares distributions of W1 profits based upon the investors pro-rata interest based upon the condition of this Private Placement Memorandum (“Memorandum”).

The 2024-25 Upper Westside REI Fund (the “Fund”) is a public offering to a proposed land acquisition wherein W1 has an exclusive discounted offer on a 40.39-acre real property parcel (parcel A) located in Sacramento, California in the Upper Westside Specific Plan (“UWSP”), Actual Parcel Number 225-0210-008, (“Subject Property”). The Subject Property is situated in the Southwest quadrant in the proposed Upper Westside’s Town Center District. The Subject Property is one of 40-acre parcels in the Town Center. The UWSP consists of 2,066 total acres.

The Subject Property is off-market and W1 has negotiated a substantial and exclusive discount for the acquisition of the Subject Property. W1 opportunistically invests in smaller properties with a strict focus on adhering to conservative estimated comparative real estate value characteristics, back-end margins, and performance ratios. W1 has a strict policy that all Assets subject to procurement must be physically examined and “walked.” This is a protective measure is for W1, and our Investors alike. In this instance, the Subject Property has had substantial due diligence conducted.¹ And while W1 will typically invest in residential properties, secured by first position trust deeds, in this instance the Subject Property is land scheduled to be entitled in the first quarter of 2025 and is being secured via convertible note, (or an option agreement.) Alternatively, a straight purchase has been negotiated at thirteen million (\$13,000,000) (“As Is” value as of May 2023 was fourteen million nine hundred fifty thousand dollars (\$14,950,000²)); and while W1 is willing to discuss a straight purchase, that is a conversation outside of the Offering.

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¹ See, <https://planning.saccounty.gov/PlansandProjectsIn-Progress/Pages/UpperWestsideSpecificPlan.aspx>, (or Google, Sacramento county upper westside) See also, <https://upperwestside40.com>

² See, <https://upperwestside40.com/upper-westside-appraisal/>

Whereby W1 is hereby offering to investors, pursuant to this memorandum, ("Investors") an opportunity to purchase interest in the Upper Westside development and the Subject Property ("Memorandum") in the minimum aggregate amount of one hundred thousand dollars (\$100,000) (the "Minimum Offering Amount") and up to the maximum aggregate amount of four million five hundred thousand dollars (\$4,500,000) (the "Maximum Offering Amount") (the "Offering".)

Please note, W1 has the sole discretion to raise the Minimum and/or Maximum Offering Amount for this Memorandum. When the Minimum Offering Amount is raised, the Investor will execute a Pledge Agreement and said Pledge Agreement will be submitted to escrow. W1 offers and ensures full transparency. All pledge agreements and funds from Investors are to be placed into escrow. All Investors shall have access to any and all communication via the elected third-party Controller and view access to the file documents via cloud technology. W1 elects Mrs. Shannon Wright at Foundation Escrow³ to serve as the Escrow Officer for this Offering.

The Exit Strategy. At the end of Phase I, the Subject Property shall be entitled, and the anticipated value of the Subject Property shall increase to a conservative estimate of seven hundred thousand dollars (\$700,000) per acre, viz., or approximately \$28,000,000. The Phase 1 exit will consist of selling the Commercial Mixed-Use land ("CMU") along West El Camino Avenue and the Westside Canal, and/or refinancing the transaction with Phase II, investors. Alternatively, the whole Subject Property will be sold as entitled land with the discounted price of seven hundred thousand dollars (\$700,000) per acre, or twenty-eight million dollars (\$28,000,000) and investors will be paid.

NOTICE. THE INVESTMENT INTEREST OFFERED HEREBY ARE SPECULATIVE AND INVESTMENT IN THE FUND INVOLVES A HIGH DEGREE OF RISK. (SEE, "RISK FACTORS") INVESTORS MUST BE PREPARED TO BEAR THE ECONOMIC RISK OF THEIR INVESTMENT FOR AT LEAST TWO YEARS CLOSED END INVESTMENT CYCLE OF THE FUND AND BE ABLE TO WITHSTAND A SUBSTANTIAL LOSS OF THEIR INVESTMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS OFFERING IS MADE IN RELIANCE ON AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION PROVIDED BY SECTION 4(2) OF THE SECURITIES EXCHANGE ACT OF 1933, AS AMENDED (THE "ACT"), AND RULE 506 OF REGULATION D PROMULGATED THEREUNDER. THIS INVESTMENT INVOLVES A DEGREE OF RISK THAT MAY NOT BE SUITABLE FOR ALL PERSONS. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD PARTICIPATE IN THE INVESTMENT.

CERTAIN TERMS OF THE OFFERING

PLEASE NOTE: A commission structure is being offered to agents and financial advisors willing to sell this investment. (See, Examples in Table Below) Total contributions will include the commission fee which is payable at the time of contribution at an equitable market value commission. W1 shall also be paid an acquisition fee, and some funds will be held back in escrow for future costs and expenditures. The commission structure may change predicated upon the financial advisor/s nominal commission structure. This change shall be fully disclosed via future pledge agreements and the Controller.

³ See, Foundation Escrow, 16516 Bernardo Center Drive, San Diego, CA 92128 www.foundationescrow.com.

EXAMPLES	INVESTMENT	COMMISSION	TOTAL INVESTMENT
Example Offering Amount	\$100,000	\$2,000 (or 2%)	\$102,000
Example Offering Amount	\$1,000,000	\$20,000 (or 2%)	\$1,020,000

The admission of Investors is unilaterally contingent upon W1 receipt and acceptance of the Investors pledge agreement/s.

Once Minimum Offering Amount is raised, the Offering will continue until (i) the Maximum Offering Amount is raised via pledge agreements (plus an undetermined additional number of pledges to ensure that the full required amount is required to secure the Subject Property is funded); (ii) funds in the amount of four million five hundred thousand dollars (\$4,500,000) are tendered into escrow; (iii) the Offering Period expires (the Subject Property becomes entitled and W1's instant offer is rescinded); and/or (iv) the Offering is withdrawn by W1.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF AUTHORIZED PERSONS INTERESTED IN THE OFFERING. IT CONTAINS CONFIDENTIAL INFORMATION AND MAY NOT BE DISCLOSED TO ANYONE, OTHER THAN AUTHORIZED PERSONS SUCH AS ACCOUNTANTS, FINANCIAL PLANNERS, OR ATTORNEYS RETAINED FOR THE PURPOSE OF RENDERING PROFESSIONAL ADVICE RELATED TO THE PURCHASE OF SECURITIES OFFERED HEREIN. IT MAY NOT BE REPRODUCED, DIVULGED, OR USED FOR ANY OTHER PURPOSE UNLESS WRITTEN PERMISSION IS OBTAINED FROM THE FUND. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANY PERSON EXCEPT THOSE PARTICULAR PERSONS WHO SATISFY THE SUITABILITY STANDARDS DESCRIBED HEREIN.

THE SALE OF INVESTMENT COVERED BY THIS MEMORANDUM HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS SET FORTH IN SECTION 4(2) OF THE ACT AND RULE 506 OF REGULATION D THEREUNDER. THESE SECURITIES HAVE NOT BEEN QUALIFIED OR REGISTERED IN ANY STATE IN RELIANCE UPON THE EXEMPTIONS FROM SUCH QUALIFICATION OR REGISTRATION UNDER STATE LAW. THESE SECURITIES ARE "RESTRICTED SECURITIES" AND MAY NOT BE RESOLD OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT COVERING DISPOSITION OF SUCH MEMBERSHIP INTERESTS IS THEN IN EFFECT, OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THERE IS NO PUBLIC MARKET FOR INVESTMENT INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED THROUGH THIS MEMORANDUM ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS UPON WITHDRAWAL AND TRANSFER, AND THE INTERESTS OFFERED HEREBY SHOULD

BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

NON-U.S. INVESTORS HAVE CERTAIN RESTRICTIONS ON RESALE AND HEDGING UNDER REGULATIONS OF THE ACT. DISTRIBUTIONS UNDER THIS OFFERING MIGHT RESULT IN A TAX LIABILITY FOR THE NON-U.S. INVESTORS. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS, HER OR ITS OWN TAX ADVISOR OR PENSION CONSULTANT TO DETERMINE HIS, HER OR ITS TAX LIABILITY.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM, AND ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF MEMBERSHIP INTERESTS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE CONTROLLER IMMEDIATELY TO DETERMINE THE ACCURACY OF SUCH INFORMATION. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE FUND OR IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

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

THE INVESTMENTS BY AN INDIVIDUAL RETIREMENT ACCOUNT ("IRA"), KEOGH PLAN OR OTHER QUALIFIED RETIREMENT PLAN INVOLVES SPECIAL TAX RISKS AND OTHER CONSIDERATIONS THAT SHOULD BE CAREFULLY CONSIDERED. INCOME EARNED BY QUALIFIED PLANS AS A RESULT OF AN INVESTMENT IN THE FUND MAY BE SUBJECT TO FEDERAL INCOME TAXES, EVEN THOUGH SUCH PLANS ARE OTHERWISE TAX EXEMPT. (SEE "INCOME TAX CONSIDERATIONS" AND "ERISA CONSIDERATIONS") THE INTERESTS ARE OFFERED SUBJECT TO PRIOR SALE, ACCEPTANCE OF AN OFFER TO PURCHASE, AND TO WITHDRAWAL OR CANCELLATION OF THE OFFERING WITHOUT NOTICE. W1 RESERVES THE RIGHT TO REJECT ANY INVESTMENTS IN WHOLE OR IN PART. THE CONTROLLER AND/OR W1 WILL MAKE AVAILABLE TO ANY PROSPECTIVE INVESTOR AND HIS, HER, OR ITS ADVISORS, THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE FUND OR ANY OTHER RELEVANT MATTERS, AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THAT W1 AND/OR THE CONTROLLER POSSESSES SUCH INFORMATION.

THE INFORMATION CONTAINED IN THIS MEMORANDUM HAS BEEN SUPPLIED BY W1. THIS MEMORANDUM MAY CONTAIN SUMMARIES OF DOCUMENTS NOT CONTAINED IN THIS MEMORANDUM, BUT ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCES TO THE ACTUAL DOCUMENTS. COPIES OF DOCUMENTS REFERRED TO IN THIS MEMORANDUM, BUT NOT INCLUDED AS AN EXHIBIT, WILL BE MADE AVAILABLE TO QUALIFIED PROSPECTIVE INVESTORS UPON REQUEST.

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SUMMARY OF THE OFFERING

The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this Memorandum. This Memorandum, together with any exhibits attached including, but not limited to the proposed “Term Sheet”, a copy of which is attached hereto as Exhibit A, should be read in their entirety before any investment decision is made. All capitalized terms used herein but not defined herein shall have the meaning ascribed to them in their respective agreements. If there is a conflict between the terms contained in this Memorandum and Term Sheet agreement, then this Memorandum shall prevail.

W1 Holdings, LLC	<p>W1 Holdings LLC is a California limited liability company with its mailing address located at 1017 L Street, No. 485, Sacramento, California 95814. W1 Holdings conducts business throughout Northern California with an emphasis on the greater Sacramento region. The Corporation was formed for the primary purpose of engaging in the real estate speculation and acquisition business. Specifically, buying distressed real estate at a discount and returning the property to the marketplace at a profit.</p> <p>All of the real estate Assets that are procured via first deeds of trust (“DOT”), options, or convertible notes (“Instruments”). The Instruments are secured for the Investors. These Assets are namely procured in Northern California, more specifically the greater Sacramento region. While W1 will typically invest in residential property secured by first trust deeds, W1 may also opportunistically invest in residential land, improved but undeveloped land, and small multi-unit properties with a strict focus on adhering to conservative comparative value characteristics and back end margins. All investments must offer a compelling reward profile.</p>
The W1 Manager	<p>The 2024-25 Upper Westside REI Fund (the “Fund”) shall be reduced to a simple pledge agreement and subsequent investor term sheet. The manager of W1 is its General Counsel and its principal (the “Manager”). The Manager shall work with the Controller and thus the Investors. The Manager and his Affiliates will receive the Manager’s Fees in accordance with the terms and conditions indicated herein. Note, this fee is in addition to the one-time “Acquisition Fee” detailed herein.</p>
The Offering	<p>The Manger of the Fund is hereby offering to Investors an opportunity to purchase Investment Interests in the Offering in the minimum aggregate amount of one hundred thousand dollars (\$100,000) and up to the maximum aggregate amount of four million five hundred thousand dollars (\$4,500,000); as indicated herein. However, the Manager reserves the right to accept subscriptions in a lesser amount or require a higher amount.</p>
Suitability Standards	<p>Interests are offered exclusively to certain individuals, Keogh plans, IRAs and other qualified Investors via the Investments Firms who meet certain minimum standards of income and/or net worth. Each purchaser must execute an Agreement and Investor Questionnaire making certain representations and warranties to the Fund, including such purchaser’s qualifications as an “Accredited Investor” as defined by the Securities and Exchange Commission in Rule 501(a) of Regulation D who are U.S. or foreign investors, or as one of thirty-five (35) non-accredited U.S. or foreign Investors that may be allowed to purchase interests in this Offering.</p>

<p>Investors Investments</p>	<p>Upon the Investors deposit of an Investor's accepted funds into escrow, such Investor will thereby have a right the return on investment via the pro-rata investment amount deposited into escrow. Each Investor will share in distributions of the Funds Profits and Losses on a pro-rata basis based on their investment amount and in accordance with a return on investment offered herein.</p>
<p>ROI, Term, and Distribution</p>	<p>W1 is hereby offering an eighteen percent (18%) return on investment per annum (the maximum) deferred. At the end of Phase 1, the Subject Property shall be entitled, and the anticipated value of the Subject Property shall increase to a conservative estimate of seven hundred thousand dollars (\$700,000) per acre, viz., approximately twenty-eight million dollars (\$28,000,000). The Manager via escrow, shall sell the CMU portion of the Subject Property, and will distribute those funds for repayment to the Investors.</p> <p>All distributions will be made on the proportional sale basis, in arrears after the Subject Property has sold.</p> <p>The amount of income reported to each Investor on his, her, or its Schedule K-1 may differ somewhat from the actual cash distributions made during the fiscal year covered by the Schedule K-1 due to, among other things, the loan loss reserve and factors unique to the tax accounting of the Fund, such as the treatment of investment expense.</p>
<p>Reinvestment Election</p>	<p>Upon subscription via a pledge agree, an Investor may elect to (i) allow his, her, or its distributions to be reinvested into the Fund at Phase II, and increasing his, her, or its ownership interest in the Fund. Such election will become effective prior to the distribution of funds at the close of Phase I. If no election is made, then the distribution will be a distribution via escrow. An election to reinvest distributions is revocable with thirty (30) days' notice to the Manager.</p>
<p>Return of Capital</p>	<p>An Investor may withdraw its pledge agreement without any consequence with written notice, prior to the pledge being called due and the funding request being conducted by escrow. The Fund and the Manager will use its best efforts to honor said requests. However, redemption requests will not be honored if they are detrimental to the Fund and/or the funds have been deposited into escrow. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements and substitute an Investor.</p>
<p>Term of the Fund</p>	<p>The term of the Fund will end within eighteen (18) months of the recordation of the conveyance documentation, with provision for an extension up to eighteen (18) months at the sole discretion of the Manager, unless dissolved sooner. A majority of the Investors may extend the term beyond the termination date. The Fund may dissolve and terminate sooner pursuant to the payments being tendered to the Investors.</p>
<p>Fund Expenses</p>	<p>The Fund will bear the cost of monthly operating expenses and hard costs from funds held over in escrow, the annual tax preparation of the Funds tax returns, property taxes, any state and federal income tax due with respect to the Subject Property (not the Investors), legal fees, accounting fees, filing fees, and any required independent audit reports required by agencies governing the business activities of the Fund.</p>

Reports to Investors	Quarterly reports concerning the Fund’s business affairs, including the annual income tax return, will be provided to Investors who request them in writing. Each Investors will receive his, her, or its respective K-1 Form as required. The Fund offers complete transparency: Upon deposit the Investor will receive to view their investment documents and the Funds documents pertaining to the Subject Property via the web.
No Guaranty	The real property funded and/or purchased by the Fund will NOT be guaranteed by any government agency.
No Liquidity	There are substantial restrictions on transferability of the Fund interests. Investors will be investing in real property. Investors should not purchase interest in the Fund unless they intend to hold it as a long-term investment.

TERMS OF THE OFFERING

Via W1 the Fund is hereby offering to Investors an opportunity to purchase interests in the Fund in an amount equal to the Minimum Offering Amount and up to an amount equal to the Maximum Offering Amount. The Manager has the sole discretion to raise the Maximum Offering Amount. The minimum investment amount per Investor is the Minimum Investment Amount; provided, however, that the Manager reserves the right to accept subscriptions to a lesser amount or require a higher amount.

The admission of Investors is contingent upon the Manager's receipt and acceptance of pledge agreement equal to at least the Minimum Offering Amount on account. After the Minimum Offering Amount is raised, the Offering will continue until (i) the Maximum Offering Amount is raised, (ii) the Offering Period expires, or (iii) the Offering is withdrawn by the Fund. If, and once, the Minimum Offering Amount is raised, the Fund will request the Investors' accepted funds into the Funds escrow account, and the Investors will, thereby, become Investor.

All distributions will be made on upon sale in part, or whole of the Subject Property. An Investor may elect to (i) receive its distributions from the Fund in the amount detailed herein; or (ii) allow his, her, or its distributions to be reinvested and increasing his, her, or its ownership interest in Phase II; or (iii) some combination of (i) and (ii). If no election is made, then the distribution will be a wired distribution via escrow. An election to reinvest distributions is revocable with thirty (30) days’ notice to the Fund.

The amount of income reported to each Investor on his, her, or its Schedule K-1 may differ somewhat from the actual cash distributions made during the fiscal year covered by the Schedule K-1 due to, among other things, factors unique to the tax accounting of Funds, such as the treatment of investment expense.

HOW TO INVEST

To purchase an interest in the Fund, an Investor must meet certain eligibility and suitability standards, some of which are set forth below. Additionally, an Investor must execute and deliver a Pledge Agreement, and then the agreement will be placed into escrow. By executing the pledge agreement and the Investor Questionnaire, an Investor makes certain representations and warranties upon which the Manager will rely in accepting the pledge and agrees to invest the amount indicated in the pledge agreement. Escrow will then request a wire in the amount of the pledge.

Executing the pledge agreement does not in itself make a person an Investor of the Fund. Investor interests will be issued when the Investor is admitted to the Fund when and the sums representing the

purchase for such funds are transferred into escrow. Pledge agreements are non-cancelable unless as detailed herein and funds are refundable if the fully required amount needed to secure the Subject Property is not raised, except with the consent of the Manager or as described herein.

Each Investor can otherwise be liable for the payment of the full investment amount for which he, she, or it has pledged. Pledge agreements from prospective Investors will be accepted or rejected by the Manager within ten (10) days after their receipt. The Manager reserves the right to reject any pledge tendered for any reason, or to accept it in part only. Investors will be admitted into the Fund only when their funds are required by escrow. (See herein "Use of Proceeds") After the Minimum Offering Amount is raised, the Manager anticipates that the delay between delivery of an acceptance for pledge agreement and an Investor Questionnaire and admission to the Fund will be less than thirty (30) days, though there can be no assurance that such a delay will not be more than ninety (90) days. After having pledged for at least the Minimum Investment Amount, an Investor may, at any time, and from time to time, request to increase such Investor's interest in the Fund so long as the Offering remains open.

READ AND COMPLETE THE PLEDGE AGREEMENT AND INVESTOR QUESTIONNAIRE CAREFULLY. BY EXECUTING THE SUBSCRIPTION AGREEMENT, EACH INVESTOR AGREES TO THE TERMS OF THIS MEMORANDUM.

INVESTOR SUITABILITY

This investment is appropriate only for Investors who have no need for immediate liquidity in their investments and who have adequate means of providing for their current financial needs, obligations, and contingencies. Investment in the Fund offered involves a degree of risk and is suitable only for an investor whose business and investment experience, either alone or together with a purchaser representative, renders the investor capable of evaluating each and every risk of the proposed investment.

Each person acquiring interests in the Fund will be required to represent that he, she, or it is purchasing for his, her, or its own account for investment purposes and not with a view to resale or distribution. The Fund will sell interests to no more than one hundred (100) Investors who are U.S. or foreign investors of which no more than fifty (50) investors can be unaccredited, the rest must be "Accredited Investors".

All Investors who are not deemed "Accredited" must have such knowledge and experience in financial matters, either alone or together with a purchaser representative, that they are capable of evaluating the merits and risks of such an investment in the Fund being offered. To qualify as an "Accredited Investor" an investor must meet one of the following conditions:

1. Any natural person who had an individual income in excess of two hundred thousand (\$200,000) in each of the two (2) most recent years or joint income with that person's spouse in excess of three hundred thousand (\$300,000) in each of those years and who has a reasonable expectation of reaching the same income level in the current year;
2. Any natural person whose individual net worth or joint net worth, with that person's spouse, at the time of their purchase exceeds one million dollars (\$1,000,000), excluding their personal residence;
3. Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities and Exchange Act of 1934 (the "Exchange Act"); any insurance company as defined in Section 2(13) of the Exchange Act; any investment company registered under the Investment Company Act of 1940 or a business

development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company (SBIC) licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a State, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of five million dollars (\$5,000,000); any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of five million dollars (\$5,000,000) or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors;

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

5. Any organization described in Section 501(c)(3)(d) of the Internal Revenue Code, corporation, California or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of five million dollars (\$5,000,000);

6. 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;

7. Any trust, with total assets in excess of five million dollars (\$5,000,000), not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Section 506(b)(2)(ii); or

8. Any entity in which all the equity owners are Accredited Investors as defined above.

RESTRICTIONS ON TRANSFER

As a condition to this Offering and the Fund, restrictions have been placed upon the ability of Investors to resell or otherwise dispose of any Fund interests purchased hereunder including, without limitation, the following:

1. Interests that have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemptions provided for under Section 4(2) and Regulation D thereunder.

2. There is no public market for the Fund interests and none is expected to develop in the future. Even if a potential buyer could be found, Fund interests may not be resold or transferred without satisfying certain conditions designed to comply with applicable tax and securities laws, including, without limitation, provisions of the Act, Rule 144 thereunder, and the requirement that certain legal opinions be provided to the Manager with respect to such matters. A transferee must meet the same investor qualifications as the Investors admitted during the Offering Period. Investors must be capable of bearing the economic risks of this investment with the understanding that the Fund may not be liquidated by resale or redemption and should expect to hold their interests as a long-term investment.

3. A legend will be placed upon all instruments evidencing interests in the Fund stating that the interests have not been registered under the Securities Act of 1933, as amended, and set forth the foregoing limitations on resale. Notations regarding these limitations shall be made in the appropriate records of the

Fund with respect to all interests offered hereby herein. The Fund will charge a minimum transfer fee of one thousand dollars (\$1,000) per transfer of ownership. If an Investor transfers its interests to more than one person, except transferees who will hold title together, the transfer to each person will be considered a separate transfer.

PLAN OF DISTRIBUTION

The interests will be offered and sold directly by the Fund, with respect to which no commissions or fees will be paid to the Manager.

Notwithstanding, a commission is offered to the independent agents offering this PPM on behalf the Fund. No underwriters or broker-dealers have undertaken to distribute all or any portion of the Fund, prior to this Offering, and there is no assurance that the entire Offering, or the Minimum Offering Amount. If the Minimum Offering Amount is not raised, Investors' funds will be returned. If only the Minimum Offering Amount is subscribed, the Offering and Fund operating expenses may constitute a greater percentage of the revenue of the Fund, and as such, a reduction of the Fund's rate of return to Investors as compared with the rate of return that might be realized on a larger portfolio of real estate investments may occur.

USE OF PROCEEDS AND DESCRIPTION OF BUSINESS

The Fund will use the funds to secure the Subject Property. Funds received from Investors will be used for the acquisition of the Subject Property, improving said Subject Property, viz., ensuring entitlements, and then selling portions said real estate to ensure Investors are recapitalized.

(1) **TITLE INSURANCE.** Satisfactory title insurance coverage or title guarantee product for the Subject Property will be obtained, with the title insurance policy naming the Fund and/or W1 as the insured, as appropriate, which provides title insurance in an amount not less than the principal amount of the investment. The nature of the policy of title insurance, including the selection of appropriate endorsements affecting coverage shall be selected by the Manager and/or escrow. Title insurance insures only the validity and priority of the Funds Subject Property securitization and does not insure the Fund against loss from other causes, such as diminution in the value of the property, appraisals, loan defaults, et cetera.

(2) **COURSE OF CONSTRUCTION INSURANCE.** The course of construction insurance will be obtained for all construction investments if applicable, however not expected.

(3) **PAYEE AND BENEFICIARY NAME.** All new investment documents (notes, deeds of trust, etc.) and insurance policies obtained will name the Fund as payee and the beneficiary shall be the Investors. Investments will not be written in the name of the Manager or any other nominee.

COST & COMPENSATION

The exclusive negotiated price to secure the Subject Property is three million five hundred thousand dollars (\$3,500,000).

The following summarizes the forms of compensation to be received by W1, or an Affiliate or other third party, in its or their capacity as Manager ("Manager's Compensation").

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W1 shall be entitled to a one-time "Acquisition Fee" of three hundred thousand dollars (\$300,000.) The Acquisition Fee is paid to W1 via escrow at the closing of escrow at the time of acquisition.

W1 shall be entitled to five thousand dollars (\$5,000) monthly fee as an Under Management Fee.

W1 shall be entitled to reimbursement for any and all hard and soft costs associated with maintaining the Subject Property (Key Person Insurance; escrow fees; title fees; recording fees; et cetera.)

FIDUCIARY RESPONSIBILITY OF THE MANAGER

The Manager is accountable to the Fund as a fiduciary, which means that the Manager is required to exercise good faith and integrity with respect to the Fund's affairs and sound business judgment. This is a rapidly developing and changing area of the law, and Investors should consult with their own counsel in this regard. The Manager will have the Fund's best interests at all times.

It is the position of the United States Securities and Exchange Commission that indemnification for liabilities arising from, or out of, a violation of federal securities law is void as contrary to public policy. However, indemnification will be available for settlements and related expenses of lawsuits alleging securities law violations if a court approves the settlement and indemnification, and also for expenses incurred in successfully defending such lawsuits if a court approves such indemnification.

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

CERTAIN LEGAL ASPECTS OF THE FUND

The Subject Property will be secured by, among other things, a convertible note, leasehold deed of trust or security agreement viz., an option. A deed of trust formally has three (3) parties; a debtor referred to as the "trustor"; a third party referred to as the "trustee"; and the lender referred to as the "beneficiary." The trustor irrevocably grants the property until the debt is paid, "in trust, with power of sale" to the trustee to secure payment of the obligation. The trustee's authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary. The Investors in the Fund will be the beneficiaries under all documents securing the Subject Property.

Reliance on the Manager

As of the date of this Offering, W1 has operating history focused on residential real property. The Manager will make virtually all decisions with respect to the acquisition of the company's investments, including the determination as to what investments to make or assets to purchase, and the Investors will not have a voice in the management decisions of the Fund, and can exercise only a limited amount of control over the Manager. Notwithstanding, at the sole discretion of the Manager the Manager's counsel, the Controller may elect to discuss with Investors the placement of their investment.

The Manager cannot legally assure that the Fund will operate at a profit. The Fund is dependent to a substantial degree on the Manager's continued services and abilities within the industry. In the unlikely event of the withdrawal, dissolution, or bankruptcy of the Manager, the business and operations of the Fund may be adversely affected. Investors will be promptly advised if this unlikely event was to occur.

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Reliance on Key Persons of Manager

W1 is a California limited liability company, which consists of key personnel whose inability to manage the limited liability company, whether because of death, illness or other event, could adversely affect the management of the Fund and consequently the performance of the Fund. Investors will be promptly advised if this unlikely event occurs. The Manager will place "Key Person Insurance" on the principals of the Manager, this insurance will name the Investors of the Fund as beneficiaries as an attempt to mitigate any risk to the Investor investment. Additionally, Investors will always have the right to obtain their insurance on their investment.

INVESTMENT RISKS

Investments in real estate involve a degree of risk and is suitable only for Investors who have no need for liquidity in their investments. When analyzing this Offering, prospective Investors should carefully consider each of the following risks and should also carefully consider the matters discussed herein under the captions "Compensation to Manager and Affiliates," "Conflicts of Interest", and "Income Tax Considerations" and "ERISA Considerations".

No Registration: Limited Governmental Review

The Fund and its interests have not been registered with, or reviewed by, the United States Securities and Exchange Commission, nor is registration contemplated. The Fund is not registered with the United States Securities and Exchange Commission as an investment company under the Investment Company Act of 1940, and the Manager is not registered with the United States Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

Limited Transferability of Interests

There is no public market for the Fund interests, and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of interests is also restricted by the provisions of the Act and Rule 144 thereunder, and by the provisions of the Operating Agreement. Any sale or transfer of Fund interest also requires the prior written consent of the Manager. Investors must be capable of bearing the economic risks of this investment with the understanding that interests may not be liquidated by resale or redemption and should expect to hold their Fund interests as a long-term investment.

Size of the Offering

There is no assurance that the Fund will obtain capital contributions equal to the amount required to close the Offering. In addition, receipt of capital contributions of less than the Maximum Offering Amount will reduce the ability of the Fund to spread investment risks through diversification of its real estate investment portfolio.

Phantom Income

Investors who elect to reinvest their share of the earnings of the Fund will be responsible for the payment of federal and state income taxes on such income but will not receive distributions from which to pay such taxes.

Applicable taxes, both on an annual basis and upon the sale, transfer, or other disposition of interests, will therefore be an out-of-pocket expense to such Investors.

Speculative Nature of Investment

Investment in the interests is speculative and by investing, each Investor assumes the risk of losing the entire investment. The Fund has no operations as of the date of this Offering and will be solely dependent upon the Manager and the Funds investment, both of which are subject to the risks described herein.

Accordingly, only Investors who are able to bear the loss of their entire investment, and who otherwise meet the Investor suitability standards should only consider purchasing into the Fund.

Investors Not Independently Represented

The Investors in the Fund have not been represented by independent counsel in its organization. Attorneys assisting in the formation of the Fund and the preparation of this Memorandum have represented only the Manager.

Investment Delays

There will be a delay between the time Fund interests are sold and the time for the purchaser of Subject Property. Interests are admitted to the Fund and begin to participate in the Fund upon recordation of the Subject Property at the County Recorders Office. The overall investment return of the Investors will be diminished while their funds await conveyance of the Subject Property.

Tax and ERISA Risks

Investment in the Fund involves certain tax risks of general application to all Investors, and certain other risks specifically applicable to Keogh accounts, Individual Retirement Accounts and other tax-exempt Investors.

The Manager presently intends to maintain an accounting via escrow and records on the accrual basis for bookkeeping and accounting purposes, and also intends to use the accrual basis method of reporting income and losses for federal income tax purposes. The Manager reserves the right to change such methods of accounting, upon written notice to Investors. Any Investor may inspect the books and records of the Fund at all reasonable times upon thirty (30) days written notice.

Restrictions on Transfer

The interests have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemptions provided for under Section 4(2) and Regulation D thereunder. There is no public market for the Fund interests and none is expected to develop in the future. Even if a potential buyer could be found, interests may not be resold or transferred without satisfying certain conditions designed to comply with applicable tax and securities laws, including, without limitation, provisions of the Act, Rule 144 thereunder, and the requirement that certain legal opinions be provided to the Manager with respect to such matters. A transferee must meet the same investor qualifications as the Investors admitted during the Offering Period. Investors must be capable of bearing the economic risks of this investment with the understanding that interests may not be liquidated by resale or redemption and should expect to hold their interests as a long-term investment.

Manager's Interest

The Manager may withdraw from the management of the Fund at any time upon written notice to all Investors, in which event the Manager would not be entitled to any termination or severance payment from the Fund, except for the return of its investment, if any. The Manager may also sell and transfer any interests it may own for such a price as it shall determine, in its sole discretion, and neither the Fund nor the Investors will have any interest in the proceeds of such sale. However, a successor Manager may only be elected by the Investors.

Winding-Up

The Fund will not cease to exist immediately upon the occurrence of an event of dissolution but will continue until its affairs have been wound up. Upon dissolution of the Fund, the Manager will wind up the Funds affairs by liquidating the Fund asset, to wit the Subject Property, as promptly as is consistent with obtaining the fair market value thereof, either by sale to third parties or by collecting outstanding

payments under the terms of outstanding agreement(s) until a suitable sale can be arranged. All funds received by the Fund shall be applied to satisfy or provide for Fund debts and liabilities and the balance, if any, shall be distributed to Investors on a pro-rata basis in accordance with this Offering.

INCOME TAX CONSIDERATIONS

Federal Income Tax Aspects

The following discussion generally summarizes the material federal income tax consequences of an investment in the Fund based upon the existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable U.S. Department of Treasury regulations ("Treasury regulations") thereunder, current administrative rulings and procedures and applicable judicial decisions. However, it is not intended to be a complete description of all tax consequences to the prospective Investors with respect to their investment in the LLC. No assurance can be given that the Internal Revenue Service (the "IRS") will agree with the interpretation of the current federal income tax laws and regulations summarized below. In addition, the Fund or the Investors may be subject to state and local taxes in jurisdictions in which the Fund may be deemed to be doing business.

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

Federal Income Tax Matters

The federal income tax consequences of an investment in real property investments are complex and their impact may vary depending on each Investor's particular tax situation. Potential Investors should consider the following federal income tax risks, among others: (a) The Fund may be classified as an association, taxable as a corporation, which would deprive Investors of the tax benefit of operating in a limited liability company form (taxable as a partnership); (b) an Investor's share of Fund's taxable income may, in any period exceed his, her, or its share of cash distribution from the Fund; (c) the allocation of the Fund's income, gain, loss, deduction and credit may lack substantial economic effect and may be reallocated among the Investors in a manner different from that set forth in the pledge agreement, or other such subsequent agreement; (d) the federal income tax returns of the Fund might be subject to audit, in which event any adjustments to be made in the Fund's income, gains, losses, deductions, or credits would be made in a unified audit with regard to which Investors would have little, if any, control; and (e) adverse changes in the federal income tax laws might occur, which could affect the Fund retroactively as well as prospectively.

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

No IRS Ruling or Opinion of Legal Counsel

The Fund will not request a ruling from the IRS with respect to any tax issues concerning the Fund, including but not limited to whether the Fund will be classified as a "partnership" for federal income tax purposes, or any issues concerning an investment in the Fund. Furthermore, the Fund will not obtain an opinion of counsel with respect to any of the tax issues concerning the Fund or an investment in the Fund.

Fund Tax Status

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

Federal Taxation of Limited Liability Companies and Investors

A limited liability company is treated as a partnership for tax purposes, unless, as discussed above, it is classified as an "association" taxable as a corporation. For purposes of this discussion, it is assumed the Fund will be classified as a partnership for federal income tax purposes. As such, the Fund incurs no federal income tax liability. Instead, all Investors are required to report on their own federal income tax returns their distributive share of the Fund's income, gains, losses, deductions and credits for the taxable year of the LLC ending with or within each Investor's taxable year, without regard to any Fund distributions.

Taxation of Undistributed Fund Income (Individual Investors)

Under the laws pertaining to federal income taxation of partnerships, no federal income tax is paid by the Fund as an entity. Each individual member reports on his, her, or its federal income tax return his, her, or its distributive share of Fund's income, gains, losses, deductions and credits, whether or not any actual distribution is made to such member during a taxable year. Each individual member may deduct his, her, or its distributive share of Fund's losses, if any, to the extent of the tax basis of his, her, or its Investorship Interests at the end of the Fund's year in which the losses occurred. The characterization of an item of profit or loss will usually be the same for the member as it was for the Fund. Since individual members will be required to include Fund income in their personal income without regard to whether there are distributions of Fund income, such Investors will become liable for federal and state income taxes on LLC income even though they have received no cash distributions from the Fund with which to pay such taxes.

Distributions of Income

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

Fund Allocations

An Investor's distributive share of the Fund's income, gains, deductions, losses and credits for federal income tax purposes is generally determined in accordance with provisions of the Operating Agreement. However, the IRS may reallocate such items if an allocation in a subsequent agreement does not have a "substantial economic effect" and is in accordance with the Investor's respective "economic interest" in the Fund.

The IRS has issued regulations to determine whether an allocation has "substantial economic effect," or if it is in accordance with the Investor's respective "economic interests" in the Fund. In general, an allocation of income, gain, loss or deduction, or an item thereof, to a Investor has economic effect if, and only if: (a) the allocation is properly reflected in that Investor's capital account and such capital account is maintained in accordance with the regulations; (b) liquidation proceeds are to be distributed in accordance with the Investor's positive capital account balances; and (c) either: (i) any Investor with a deficit in its capital account following the distribution of liquidation proceeds must restore the amount of such deficit to the Fund by the later of either the end of the taxable year of the liquidation or ninety (90) days after the liquidation, or (ii) the Operating Agreement must contain "qualified income offset" and "minimum gain charge back" provisions applicable to the Investors.

The pledge agreement and any subsequent agreement does not require Investors to restore deficit balances in their capital accounts.

However, the pledge agreement and any subsequent agreement may contain provisions that are believed to meet the requirements for "qualified income offset" and "minimum gain charge back" provisions.

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

Limitations on Deduction of Losses

Adjusted Basis: The adjusted basis of an Investor's interest in the Fund is equal to the amount of cash or the adjusted basis of any property which that Investor contributes to the Fund: (a) increased by that Investor's share of Fund liabilities, if any; (b) decreased (but not below zero) by distributions to the Investor from the Fund (including constructive cash distributions resulting from a decrease in Fund's liabilities, if any); (c) decreased by the Investor's allocable share for the taxable year and prior taxable years, of the Funds losses; and (d) increased by that Investor's allocable share for the taxable year and prior taxable years of the Fund's income.

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

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

At-Risk Rules: In addition to the adjusted basis limitation, a Investor's ability to deduct Fund losses is further limited by the at-risk rules. These rules, which only apply to individuals and certain closely held corporations, allow an Investor to deduct losses from an at-risk activity only to the extent of the Investor's

amount at-risk with respect to such activity at the close of the taxable year. Each Investor will be considered at-risk with respect to that Investor's capital contribution to the Fund. An Investor generally is not considered to be at-risk for Fund liabilities with respect to which the Investor has no personal liability.

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

Passive Loss Rules: In addition to the adjusted basis limitation and at-risk rules, the ability of a Investor that is an individual or a closely held corporation to deduct a share of Fund losses is further limited by the passive loss rules. These rules ensure that passive activity losses can only be deducted against passive activity income and cannot be deducted against income from other sources. A passive activity is any activity which involves the conduct of any trade or business and in which the taxpayer does not materially participate.

Depending on their individual situations, Investors may or may not be considered to materially participate in the management of the Fund, and the income and losses from the Fund may or may not be treated as income or loss from a passive activity. Since the impact of the passive loss rules will vary from Investor to Investor, all Investors should consult their own tax advisor regarding this matter.

Profit Objective of the Fund

Deductions will be disallowed if they result from activities not entered into for profit to the extent that such deductions exceed an amount equal to the greater of: (a) the gross income derived from the activity; or (b) deductions (such as interest and taxes) that are allowable in any event.

The applicable Treasury regulations indicate a transaction will be considered as entered into for profit where there is an expectation of profit in the future, either of a recurring type or from the disposition of property. In addition, the Code provides, among other things, an activity that is presumed to be engaged for profit if the gross income from such activity for three (3) of the five (5) taxable years ending with the taxable year in question exceeds the deductions attributable to such activity. It is anticipated that the company will be satisfied with this test.

Property Held Primarily for Sale: Potential Dealer Status

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

Unrelated Business Taxable Income

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

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

Fund interests may be offered and sold to certain tax-exempt entities (such as qualified pension or profit-sharing plans or other tax-exempt entities qualified under ERISA) that otherwise meet the Investor suitability standards described elsewhere in this Memorandum. (See "Investor Suitability Standards") Such tax-exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business which generates "unrelated business taxable income," as that term is defined by Section 513 of the Code. Under the Code, tax exempt purchasers of interests will be deemed to be engaged in an unrelated trade or business by reason of interest income earned by the Fund. Interest income (which will constitute the primary source of Fund income) does not constitute an item of unrelated business taxable income, except to the extent it is derived from debt financed property.

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

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

Sales of Interests

Because the Fund may report income on the accrual basis and not distribute all earnings to Investors because of cash flow considerations, the sale by Investors of their interests in the Fund generally may result in a capital gain (or loss). This is because any gain attributable to a Investor's share of the Fund's unrealized receivable or inventory items that have substantially appreciated in value may be reflected in such Investor's capital account balance. Any distribution as a result of events such as these will be taxed as ordinary income. In the event of a sale or transfer of an interest in the Fund by a Investor, the distributive share of Fund income, gain, loss, deduction or credit for the entire interest would be allocated between the transferor and the transferee.

In the unlikely event that fifty percent (50%) or more of the total number of Investors outstanding are sold or exchanged within any consecutive twelve (12) month period, the Fund would be considered terminated for federal income tax purposes. A termination of the Fund for federal income tax purposes would cause the Fund's taxable year to end with respect to all Investors and could have potentially adverse federal income tax consequences, including a change in the adjusted tax basis of Fund property and the bunching of taxable income within one taxable period. The Fund is empowered, by the Operating Agreement, to prohibit any transfer of interest in the Fund that would cause such termination.

Liquidation of the Fund

Upon liquidation of the Fund, any gain or loss recognized by reason of a distribution to the Investors will be considered as gain or loss from the sale exchange of a capital asset, except to the extent of unrealized receivable and substantially appreciated inventory items. Investors will recognize gain on the distribution only to the extent any money received, including a reduction in a Investor's share of Fund liabilities for which no Investor is personally liable, exceeds the Investor's adjusted basis of its interest in the Fund. Loss will not be recognized except under certain limited circumstances. A loss may be recognized as a result of offsetting the capitalized syndication fees of the Fund against the liquidation proceeds. Generally, the basis to a Investor of any property distributed in-kind is its adjusted basis for its Investor's interest, less any money received in the distribution.

Alternative Minimum Tax

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

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

Election to Step Up the Basis of its Assets when Investors Sell Their Interests in the Fund

When Investors sell or exchange its interests, the Transferee Investors may have an adjusted basis in the interests equal to their cost. The Fund does not automatically adjust the tax basis of its property to reflect the change in the Transferee Investor's adjusted basis for his, her, or its Interest. However, the Fund may elect, in its sole discretion, upon a sale or exchange of a Investor's Interest in the Fund, to adjust the tax basis of Fund property only for purposes of determining the Transferee Investor's share of depreciation and gain or loss from the Fund. The general effect of such an election is that the Transferee Investors are treated, for purposes of depreciation and gain or loss, as though they had acquired a direct Interest in the Fund assets, and therefore a new cost basis for such assets. Any such election, once made, cannot be revoked without the consent of the IRS. If the Fund chooses not to make the aforementioned election, a Transferee Investor may be at a disadvantage in selling their Interest in the Fund since the Transferee ordinarily would obtain no current tax benefit for the excess, if any, of the cost of such Interest over the Transferee's share of the Fund's adjusted basis in its assets.

Fund Audits: The Tax Treatment of Fund Items and Penalties

The tax treatment of all Fund items of income, expense, gain or loss will be determined at the Fund level in a consolidated proceeding rather than in separate proceedings with the Investors. A determination by the IRS in proceedings at the Fund level is referred to as a final administrative adjustment ("FAA"). When a FAA is made, the IRS must initially send notice to a "Tax Matters Partner." The Fund believes that in the context of a limited liability company, the IRS will recognize the Manager as the appropriate person to serve in that capacity. The Operating Agreement designates the Manager as Tax Matters Partner, but gives the Manager the authority to designate another person. The IRS also has such authority. Generally, notice to the Investors must be mailed within sixty (60) days after the mailing of notice to the Tax Matters Partner. Every Investor is entitled to participate in the IRS administrative proceedings at the Fund level. If

a settlement is reached with one or more Investors, it is binding on them. All other Investors shall be entitled to settle on the same terms if they so request. An Investor will not be bound by the Tax Matters Partner's settlement agreement if the Investor files a statement, within a period to be prescribed by the Secretary of the Treasury, stating that the Tax Matters Partner does not have the authority to enter into a settlement with the IRS on his, her, or its behalf.

In general, no person other than the Tax Matters Partner may bind any Investor with respect to a settlement agreement with the IRS. Also, the Fund and its Investors may choose to litigate an assessment of tax made under the IRS FAA procedures.

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

If a deficiency is determined as the result of an audit, each Investor will be liable for payment of his, her, or its share of the deficiency, plus compound interest at the then applicable interest rate. Interest in tax deficiencies is generally non-deductible. If a deficiency is determined as the result of an audit, Investors may be subject to the "Accuracy related penalty" on all or a portion of the deficiency. The amount of the accuracy related penalty is twenty percent (20%) of any underpayment attributable, among other things, to: (a) negligence or intentional disregard of rules or regulations; (b) a substantial underpayment of tax, or (c) a substantial valuation overstatement.

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

Organization Expenses

The amounts paid or incurred to organize the Fund ("Organization Costs") are not currently deductible. However, the Manager has elected to incur the Organization Costs of the Fund. When the assets of the Fund reach a certain amount, the Manager may be reimbursed by the Fund for the Organization Costs if otherwise provided in this Memorandum.

Tax Returns

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

Method of Accounting

The Fund will report its income for federal income tax reporting purposes using the accrual method of accounting. Under the accrual method, income is reportable in the year when earned, whether or not it has actually or constructively been received, and expenses are deductible in the year in which all events have occurred that determine the fact of the Fund's liability, the amount of the liability is determinable with reasonable accuracy and "economic performance" (as defined in the Code) has occurred.

Tax Shelter Registration

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

Tax Law Subject to Change

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

State and Local Taxes

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

ERISA CONSIDERATIONS

General

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

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

Prudent Man Standard

Persons making investment decisions for employee benefit plans (i.e., "fiduciaries") must discharge their duties with the care, skill and prudence which a prudent man familiar with such matters would exercise in like circumstances. Fiduciaries should also carefully consider the possibility and consequences of unrelated business taxable income (See "Income Tax Considerations"), as well as the percentage of plan assets which will be invested in the Fund insofar as the diversification requirements of ERISA are concerned. An investment in the Fund is non-liquid, and fiduciaries must not rely on an ability to convert an investment in the Fund into cash in order to meet liabilities to plan participants who may be entitled to distributions.

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

Prohibited Transactions

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

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Annual Valuation

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

Additional Information and Undertakings

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